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NOTES FROM THE EXECUTIVE DIRECTOR

Dear Readers,

Please find the 2017 March Issue of Bankwatch. The articles are submissions and think pieces from the membership during the advocacy period of January to March 2017. Some of the articles are older with updates since this publication is partly dedicated to mass poverty, unemployment, loss of livelihood, social unrest, and human rights violations caused by ADB's 50 years of operation Asia

Articles about the Historic Audit of Illegitimate Debts written by Prof. Ed Tadem, one of our International Committee, Asian Development Bank on REDD: "Riddled with many complexities" written by Chris Lang, and Phasing Out Coal: The Philippines At A Crossroad written by Gerry Arances.

We hope that you will find the pieces useful in your ongoing campaigns for economic and environmental justice.

Rayyan Hassan
Executive Director
NGO Forum on ADB

HISTORIC AUDIT OF ILLEGITIMATE DEBTS

BY DR. ED TADEM, FREEDOM FROM DEBT COALITION

***** This article was first publish in the Philippine Daily Inquirer, February 09, 2017.**

On Dec. 22, 2016, President Duterte signed the General Appropriations Act (GAA) of 2017 with a special provision calling on Congress' oversight committee on overseas development assistance "to conduct a debt audit to determine the legitimacy" of 20 government-contracted foreign loans. The audit is to be completed within the 2017 fiscal year.

Earlier, on Dec. 13, 2016, a more far-reaching Senate Resolution (SR) No. 253 was filed jointly by Sen. Risa Hontiveros and Senate President Aquilino Pimentel III "directing the appropriate Senate committee to inquire, in aid of legislation, into the foreign loans contracted by the Philippine government within the last 15 years through the conduct of a debt audit."These two initiatives are historically significant as previous attempts by civil society groups, notably the Freedom from Debt Coalition (FDC), to compel the government to critically examine foreign-funded projects have all come to naught. In 2008, then President Gloria Arroyo vetoed a GAA special provision that would have suspended the debt service of 13 foreign loans that the FDC called "fraudulent, wasteful, and/or useless."

The 2017 debt audit provision covers 20 loans from the Asian Development Bank, IBRD-World Bank, Japan International Cooperation Agency, Japan Bank for International Cooperation, Japan Eximbank, Opec Fund for International Development, French Protocol, and Raiffeisen Zentralbank Austria. But as SR 253 implies, these are but the tip of the iceberg with 481 outstanding foreign loans up for scrutiny under the Hontiveros-Pimentel initiative.

International debt campaigners regard a debt as "illegitimate" if it violates common principles of "human rights and sustainable human development, justice and fairness, accountability and responsibility, sovereignty of peoples and nations, and democratic rights."

SR 253 also invokes the Unctad (United Nations Conference on Trade and Development) "principles on promoting responsible sovereign lending and borrowing."

The reasons for declaring a particular debt illegitimate are: violation of procedures mandated by law such as bribery, fraud, coercion, or misrepresentation; onerous provisions such as public guarantees of private profits; negative impact on the environment, communities and people's wellbeing, and on basic social services, human welfare, and safety; waste of funds through corruption, mismanagement, and project failures; conversion of private loans into public debts due to sovereign guarantees; subjecting the economy to shocks, unreasonable creditor demands, and financial market instabilities; and imposing conditionalities that violate national sovereignty and democratic principles.

Thus, a debt audit is "both a political tool and a process to disentangle the web of debt … so as to reconstruct … the series of events" that cause many nations to fall into economic and fiscal quagmires. The FDC outlines what a debt audit should look into: the context and circumstances surrounding the transactions; the process of finalizing debt contracts; the content of the contracts; the purpose of the debts; how the funds were actually used; the impacts of debt-funded policies and projects; and the impacts of the conditionalities accompanying the debts and the debt contracts.

The projected audit of 20 illegitimate loans is a preliminary but significant step toward the cancellation of all fraudulent loans and the repeal of the law on automatic appropriations for debt servicing imposed by the dictator Ferdinand Marcos in 1977 through Presidential Decree No. 1177 and reiterated by then President Corazon Aquino through the 1987 Revised Administrative Code. As it stands, debt servicing is prioritized over any other government expenditure. The Philippines is reportedly the only country in the world with such an onerous law.

Our foreign debt now stands at P2.144 trillion. In the 2017 budget the automatic allocation

For debt servicing of P335 billion (up from the 2016 total of P214.5 billion) is the second highest among all categories. The debt service for the 20 questionable loans amounts to P7.6 billion. Such huge outlays of public funds are better used for projects that directly benefit the Filipino people , not those tainted by odious practices that bleed the country's meager resources dry.

THE ASIAN DEVELOPMENT BANK ON REDD: "RIDDLED WITH MANY COMPLEXITIES"

BY CHRIS LANG, REDD MONITOR

A few weeks ago, REDD-Monitor took a look at how the Asian Development Bank appears to have changed its tune on REDD. In 2010, the ADB was promoting the region's "huge potential to benefit from REDD+", but by 2015 the ADB acknowledged the "considerable uncertainty about the actual contribution that REDD will make".

The second quotation comes from an ADB report released at the end of 2015, titled, "Southeast Asia and the Economics of Global Climate Stabilization". The 191-page report looks at the economic implications of mitigating climate change in five countries (Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam) that together account for 90% of Southeast Asia's emissions. REDD is mentioned almost 500 times in the report.

Referring to CIFOR's 2014 report, "REDD+ on the ground: A case book of subnational initiatives across the globe", the report notes that,

[T]he performance of REDD demonstration activities has been mixed, which raises considerable uncertainty about the actual contribution that REDD will make.

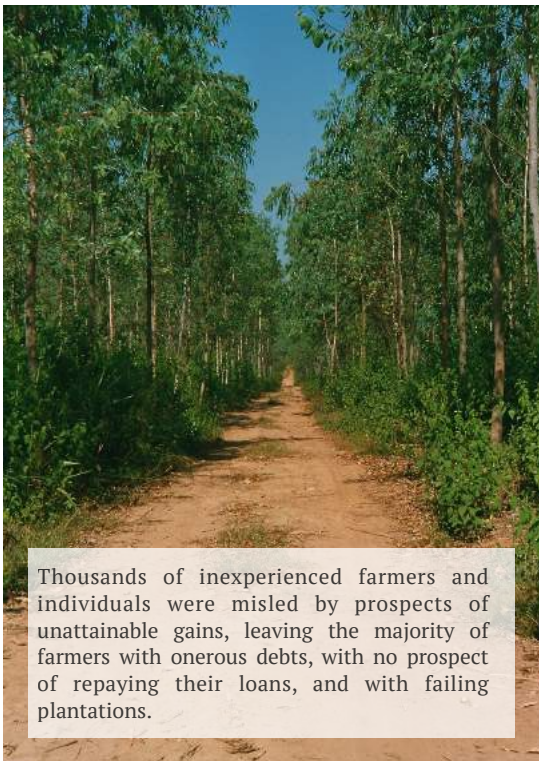
WHAT'S WRONG WITH REDD?

The ADB report includes a box on REDD, which starts by pointing out that emissions from deforestation and land-use change are the largest sources of greenhouse gases in Southeast Asia. It emphasises the importances of address deforestation and outlines the REDD negotations at the UNFCCC.

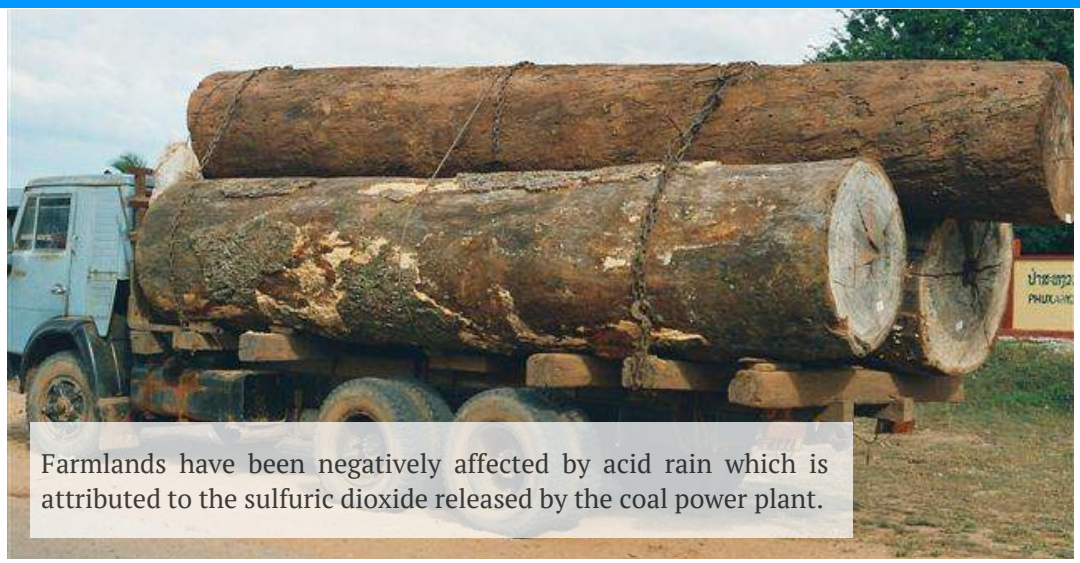
And then the ADB report explains in three succint paragraphs what is wrong with REDD:

Although conceptually simple, REDD implementation is riddled with many complexities. REDD is envisaged to have performance-based payment, so that financing is only provided after emission reductions have occurred. However, determination of REDD-attributable emission reductions is challenging. Reduction from a "reference level" projection is the basis of attribution, but "reference level" determination has not yet occurred for many countries, and different projections may lead to different "reference levels." The definition of forests differs among countries, so that forest loss is not consistently defined. Benefit-sharing mechanisms between those who already have good stewardship of forests, such as indigenous local communities, and those entities responsible for forest destruction, are yet to be fully developed.

No agreement yet exists on financing of REDD and envisaged size of market-based mechanisms. While it is generally accepted that REDD will be partially financed through sovereign financial contributions from developed countries into multilateral funds that can be accessed by developing countries, inclusion of REDD in international emissions offset markets remains more controversial, partially due to fears that REDD credits could depress international carbon prices.



Thousands of inexperienced farmers and individuals were misled by prospects of unattainable gains, leaving the majority of farmers with onerous debts, with no prospect of repaying their loans, and with failing plantations.



Farmlands have been negatively affected by acid rain which is attributed to the sulfuric dioxide released by the coal power plant.

More fundamentally, REDD rests on the assumption that the provision of additional formal financial flows to government entities can change incentives that are often driven by informal incentives and the interests of politically connected actors. At present, forestry sector policies often forgo opportunities to collect greater revenues from public forest resources, as much timber is offered to concessionaires at below market prices. It is not clear if governments will respond to financing opportunities for averted deforestation, as REDD proponents envisage, when governments already ignore substantial opportunities to increase revenue generation from the forestry sector. To do so will require substantial institutional reform in many countries.

This is a pretty good overview of some of the main problems with REDD. The third paragraph describes a fundamental, structural problem for REDD.

But while the report notes the problems with REDD, it also relies on REDD to meet emissions reduction targets in Asia.

The ADB report models the future for Southeast Asia using different targets and assumptions. The most ambitious target aims at keeping greenhouse gas concentrations below 500 parts per million, which the Bank says "is likely to avoid warming of more than 2°C".

The report explains that "Reducing emissions from deforestation and forest degradation (REDD) was included and excluded from the scenarios." One scenario is based on a fictional world where REDD doesn't exist. Another scenario is based on an equally fictional world where REDD works perfectly. And a third scenario is called the "low REDD" case:

In the "low REDD" case, the cost of implementing REDD activities is assumed to increase by 150% with respect to opportunity costs alone. This increase takes into account additional possible transaction costs, potential project failures, and leakage that could result from overoptimistic reference levels or from REDD activities that simply displace deforestation, or a substitution effect.

INDONESIA: "PROGRESS HAS BEEN LIMITED"

Most of the reductions from REDD are anticipated to take place in Indonesia, and REDD "accounts for a majority of emission reduction through 2030 to 2040". But when the report takes a closer look at REDD in Indonesia, it admits that "progress has been limited":

In 2009, the Government of Norway offered $1 billion of dollars of carbon credits. In the medium term, this would lead to positive effects on consumption and living standards for Indonesia, as well as reduced policy costs for the region.

Of course the ADB didn't come up with the idea of using Indonesia's degraded land for expanding oil palm plantations. In May 2010, shortly after the US$1 billion REDD deal with Norway was signed, then-President Susilo Bambang Yudhoyono travelled to Norway for the Oslo Climate and Forest Conference. "We have a policy to use degraded land … for the continuation of the palm oil industry in Indonesia," he announced at a press conference. Since when, progress has been, er, limited.

The ADB seems to be anticipating that REDD credits will be double counted. If Indonesia sells REDD credits internationally, the emissions reductions from reduced deforestation will be counted as reductions in the country that buys the REDD credits, and not in Indonesia.

If Indonesia were to make hundreds of billions of dollars

dollars" from exports of REDD credits, the country would have to dramatically reduce its emissions from fossil fuels in order to stand a chance of meeting the ADB's target of 2°C warming.

To REDD supporters, that may sound like a win-win. But the countries buying the REDD credits will use them to continue burning fossil fuels. Apart from the injustice of rich countries being allowed to continue polluting while the Global South has to reduce its emissions, this means that the climate will continue to get warmer. And as the climate warms, forests are losing their capacity to store carbon.

The fires last year in Indonesia illustrate the importance of stopping deforestation and the destruction of peatland. The fires also illustrate how dangerous it is to rely on forests to store carbon.

THE ASIAN DEVELOPMENT BANK'S INFRASTRUCTURE-LED 'GROWTH' IN INDIA AND THE MEKONG REGION

BY WORLD RAINFOREST MOVEMENT

The Asian Development Bank (ADB) is pivotal for creating demand and the conditions for widespread privatization in virtually every sector in the Asia Pacific region, from transportation, energy and urban development to agriculture, water and finance. Based on an infrastructure-led 'growth', the corporate sector is aggressively pushed in ADB supported projects through public-private partnerships (PPPs), loans, co-financing and another series of financial instruments.

Under discourses of inclusive as well as environmentally sustainable growth and regional integration, the ADB backs up projects to accelerate trade and investment, especially in countries well endowed with natural resources, despite the recognized environmental damage and alienation of local populations. Key among these are the infrastructure projects in transportation, energy, and information and communication technology, as well as policies and regulatory and financial systems to attract private capital for investment in infrastructure projects.

In its Strategy for 2020, the ADB promotes a larger role for the private sector in financing infrastructure, either as a project sponsor or by promoting investment forms commonly used in financial markets, like bonds and equity funds (to understand these different investment forms, see also WRM Bulletin 181). The ADB also promotes 'economic corridors' as pockets of high infrastructure development to attract private investment and facilitate the flow of free trade and investment.

The Greater Mekong Subregion (GMS) is the ADB's flagship regional integration programme. Initiated in

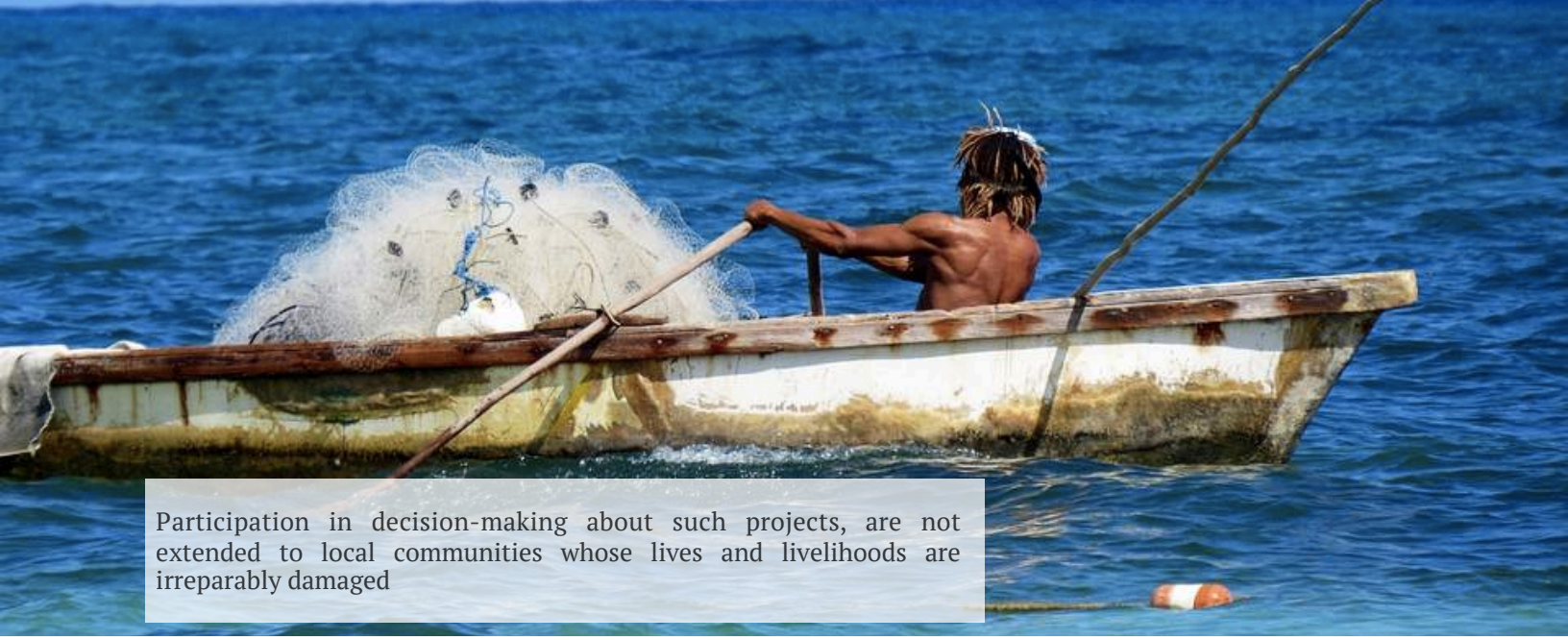
Approximately 180 million people will be affected and hundreds of thousands of hectares of agricultural and grazing lands will be lost to corporate growth industries that will bring few benefits to local populations.

in 1992, the GMS aims to transform the Mekong region into a region-wide free trade and investment area, fuelled and led by corporate sector operations. The majority of the capital investment has been in transportation (road, railways, air and waterways), energy, telecommunications, tourism, trade, agriculture and strengthening the corporate sector. Since 1992, infrastructure projects totalling around US$10 billion have either been completed or are being implemented. Among these are the upgrading of the Phnom Penh (Cambodia)-Ho Chi Minh City (Viet Nam) highway and the East-West Economic Corridor that will eventually extend from the Andaman Sea to Da Nang in Vietnam (1).

The economic corridor strategy is also being supported in India. In the Indian state of Chhattisgarh, the ADB will provide US$ 430,500,000 to support six transportation corridors and road networks that will pass through forests and indigenous areas, near rich coal and mineral deposits. One of the most destructive projects that the ADB is involved in is the Delhi-Mumbai Industrial Corridor (DMIC), a mega infrastructure project that runs from Delhi to Mumbai through six states, covering an overall length of 1,483 km. The DMIC includes the construction of super-highways, power plants, ports, railway lines, airports, satellite cities, magnet towns, industrial nodes, technology parks, etc. The current estimated investment needed to operationalize the DMIC is US$ 90 billion, the majority of which is coming from the Japanese Government with significant involvement of the ADB. Although the Indian Government is the 'owner' of the DMIC, 75% of the projects in the DMIC will be privately owned, through PPPs.

Despite ADB appealing language on poverty reduction, the DMIC in India, for example, will seize lands up to 200 km on both sides of the Delhi-Mumbai Dedicated Freight Corridor, while the proposed 11 investment regions and 13 industrial areas will require land of 100 to 250 km2 each. Approximately 180 million people will be affected and hundreds of thousands of hectares of agricultural and grazing lands will be lost to corporate growth industries that will bring few benefits to local populations. The DMIC will capture the water needed by farmers to grow food and by rural communities for their daily lives. Studies show that the rivers in the DMIC region are already under severe stress and cannot withstand greater exploitation (2). Water and land acquisition for the DMIC will displace millions of people, destroy precious natural environments and resources, and trigger violent conflicts between local communities and state security forces.

Furthermore, the ADB's lending program in India for 2013–2015 will be allocated across four core infrastructure sectors: transport, energy, urban, and



Participation in decision-making about such projects, are not extended to local communities whose lives and livelihoods are irreparably damaged

agriculture and natural resources, and two crosscutting sectors: finance and skills development. The Country Partnership Strategy 2013–2017, currently being formulated, will include the development of high-priority economic corridors, create markets for infrastructure finance, and promote regional 'integration' through the South Asia Sub regional Economic Cooperation (SASEC) platform (3).

Governments are expected to acquire land, secure access to water and mineral deposits, facilitate financing, risk protection and guarantees, and put in place policies and regulations required to ease the operations of private companies. But participation in decision-making about such projects, are not extended to local communities whose lives and livelihoods are irreparably damaged by them. The Second Chittagong Hill Tracts Rural Development Project in Bangladesh will likely require land acquisition from local communities who constitute over 40% of the country's indigenous population.

As an article on *'Development and the Mekong Commons' states: "How much influence do the region's people have on development choices? How much are they involved in decisions that affect their well-being and that of their children? How can they deal with changes that take place that are often well beyond their immediate individual control? How can they imagine and bring into reality better futures than this model of economy-centric development that is constantly thrust on them, and that many are asked to take as a matter of blind faith with the hope that their needs and aspirations will be taken care of?"* (4)

The ADB's development model is predatory, undemocratic, discriminatory and destructive. This model secures benefits for corporations and upper classes, but will impoverish workers, small-scale farmers, fisher-folk, indigenous communities, and rural and urban poor populations. Those who resist or call attention to the injustices of the model are branded as anti-development and anti-state, persecuted and incarcerated. The ADB cannot be reformed, it must be stopped. It is imperative that we join forces to resist the ADB's extractive, destructive development model and privatization agenda.

Information extracted and adapted from the article by Shalmali Guttal, "Pursuing Privatization: the ADB Unchanging Vision of Development", Focus on the Global South, http://focusweb.org/content/pursuing-privatization-adbs-unchanging-vision-development

Notes

(1) http://www.adb.org/countries/gms/overview
(2) Delhi-Mumbai Corridor, A Water Disaster in the Making? Romi Khosla and Vikram Soni, Economic and Political Weekly, March 10, 2012. VOL XLVII NO 10
(3) Asian Development Bank and India Fact Sheet: http://www.adb.org/sites/default/files/pub/2013/IND.pdf
(4) Mekong Commons, Development and the Mekong Commons, http://www.mekongcommons.org/development-and-the-mekong-commons/

PHASING OUT COAL: THE PHILIPPINES AT A CROSSROAD

BY GERRY ARANCES, INTERNATIONAL COAL NETWORK

***** This article was first publish in the Huffington Post in June 28, 2017.**

"Crash in Ph Mining stocks this morning. There go the coal plants too. Can't look."

These were the words tweeted by Manny Pangilinan, the CEO of the Philippines' biggest utility Meralco, which heavily invests in coal plants. Mr. Pangilinan is one of the top business tycoons in the country and his tweet was in reaction to incoming President Rodrigo Duterte's announcement that environmentalist Gina Lopez had been offered the position of Secretary of the Department of Environment and Natural Resources (DENR). His Tweet is just a glimpse of the degree of reaction from the mining and coal industry to this development and the possibilities that are likely to unfold.

Ms. Gina Lopez is a well-known environmentalist and vocal anti-mining advocate. In recent times she has lent her voice and support to affected communities and the broad movement in calling for the phase-out of coal plants and coal mining in the country.

In one of her live interviews after officially accepting the offer to head DENR, Ms. Lopez candidly criticised coal use in the country. She argued against using coal when there is an abundance of solar, wind, and geothermal energy in the country, and against the use of an outdated and dirty energy source which many countries are already phasing out.

The DENR is a crucial agency for those wishing to construct new coal plants. No project can move forward without an Environmental Clearance Certificate (ECC) from the Department, therefore Ms Lopez's appointment signals grave days for the coal industry in the country.

This development follows last week's launching of an all-encompassing energy policy review being spearheaded by the country's Climate Change Commission. The review intends to develop a clear policy on coal-fired power plants.

Under the previous government, proposals for coal plants and coal mines blossomed in the country, with 59 coal plants and 118 mine permits at various stages of approval. This has generated huge opposition in the country and sparked a national debate about the country's energy pathway going forward.

The Climate Change Commission asserts that "transitioning away from coal is a cost-effective path to a low-carbon economy" for the country. And that "while the Philippines is not a major emitter of GHG, it cannot allow its economy to grow with the ways that triggers the climate crisis, which affects the

country and other vulnerable nations."

The Philippines is at a crossroads as to whether it will pursue the previous government's high-carbon path, or change course to tap the large potential of renewable energy in the country and align itself in accordance with its commitment to the Paris Climate Agreement to limit global warming to below 1.5 degrees.

Prospects on the energy review and the Lopez appointment

The energy policy review, which is aiming to be completed before the next Global Climate Summit in November of this year, has the potential to curb or put a cap on coal use in the country, at a minimum, or trigger an immediate phase out of coal. Either way, it will be a major step forward in the eventual energy transformation in the country in favour of renewable energy.

The review will examine what policy shifts will be needed in order to move away from a reliance on coal in the country, and to ramp up renewables.

This impending policy review, combined with the Lopez appointment, could result in a virtual moratorium on the processing of new ECCs. Steps could also be undertaken by the new environment chief to review all recently granted ECCs. This is why the coal utilities are panicking.

At present, there are 19 coal plants that have been given ECCs that are not yet constructed and around four proposed coal plants still without environmental certificates.

100% Renewable Energy

Days prior to the official launching of the energy policy review and appointment of Ms. Lopez, another major development took place in the country in the fight for energy transformation. A call for 100% renewable energy before 2030 was launched and was dubbed as a declaration of independence from fossil fuels. The event was led by one of the pioneers of solar energy in the country, Solar Philippines.

The company issued a call to other power companies to shift away from coal. According to Leandro Leviste, the head of Solar Philippines, "Remaking our power supply will be capital-intensive, and can't be done by one company alone. There is room for all companies now planning coal to switch to solar, as well as new players to join in, bringing competition and scale to the market, further bringing prices down."

Solar Philippines argued that solar costs have already fallen by 50% in the country due to economies of scale, vertical integration, advances in technology, and increased market maturity. In 2013, only 4 MW of solar had been installed in the country, and by mid-2016 this had grown to 900 MW. Solar Philippines recently announced a plan to establish the country's first local solar manufacturing plant.

This announcement adds to the declaration from a major energy utility, the Energy Development Corporation, last month that they would never develop, build or invest in any coal plant and will massively ramp up renewable energy. In the Philippines, change is starting in the private sector as more and more companies are shifting away from coal.

MOVEMENT IN FULL SWING

A day before the appointment of Ms. Lopez was announced, one of the proposed coal projects in the pipeline, in Batangassouth of Manila, was endorsed by the local government with a 6-4 vote in favor of its construction despite the massive opposition in the city and province of Batangas.

While this news is disheartening, all is not lost. It is just a phase in the anti-coal struggle in the country.

In May 2016, during the global Break Free actions led by 350.org, around 10,000 people marched through the city of Batangas to voice their opposition to the proposed 600MW coal project in the city, and all coal projects across the country.

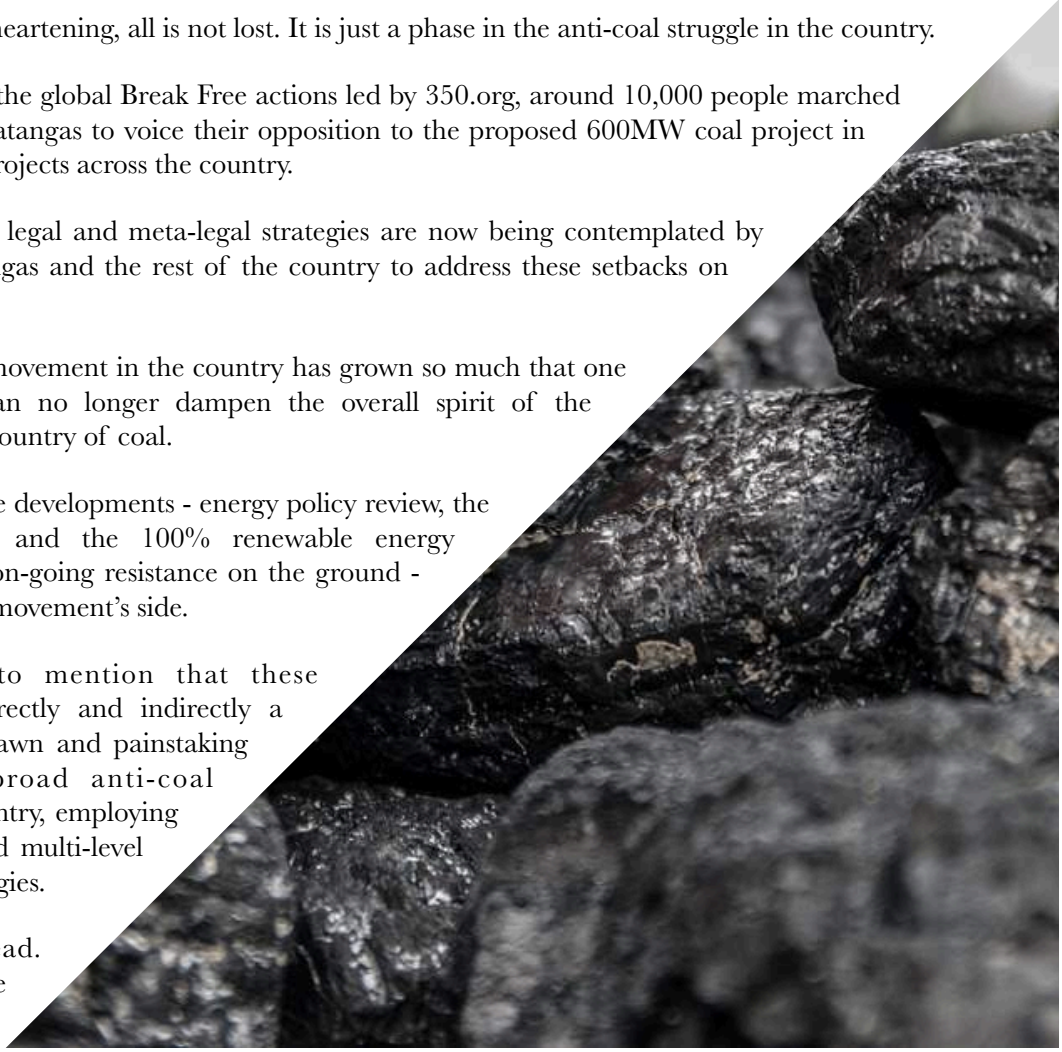
Actions both through legal and meta-legal strategies are now being contemplated by campaigners in Batangas and the rest of the country to address these setbacks on the ground.

The broad anti-coal movement in the country has grown so much that one momentary defeat can no longer dampen the overall spirit of the movement to rid the country of coal.

With the three positive developments - energy policy review, the Lopez appointment, and the 100% renewable energy declaration, and the on-going resistance on the ground - momentum is on the movement's side.

It is noteworthy to mention that these developments are directly and indirectly a product of a long-drawn and painstaking struggle of the broad anti-coal movement in the country, employing multi-dimensional and multi-level approaches and strategies.

Exciting times ahead. Time to turn up the heat.



CRUCIAL PROBLEMS OF THE INDIGENOUS PEOPLES OF THE MADHUPUR FOREST, TANGAIL, BANGLADESH

BY PIRGACHA MISSION

Indigenous Peoples are living at Madhupur area for at least two centuries. They are the original inhabitants of the area.

Bangladesh Govt. refuses to recognize the rights of the indigenous people to the ancestral and traditionally occupied lands and natural resources in the Madhupur Jungle.

The Indigenous people of the Madhupur Forest area try to preserve the environment in the area by preserving the local species such as (Sal (sorea robosta) and other native trees and medicinal plants, wild birds and animals) but FD has destroyed the forest for personal gain with the help of outsiders and wealthy thieves. Guni, Chief Conservator of Forest was sentenced to 12 years last month when a fortune was discovered in his house.

The Indigenous population of Madhupur are victims of Government plans to plant foreign trees on their crop lands, plans to evict the people and establish the

National Park, Eco Park, Firing Range of Air force etc. Five times the BD government has planned to evict the Indigenous People with the help of the ADB. WB, etc. The ADB funded social forestry Project is designed to relocate mainstreams population in the adivasi (IP) inhabited area, virgin forests destroyed and give to influential persons.

At least 6000 false forest cases have been filed against innocent people. Corrupt officials file the cases and the legal structure is completely corrupt. The last two Conservators of Forests have been sentenced and are in jail for corruption. The court cases go on for years and are completely false and the legal system is corrupt. It is an open plan of the BD Govt. against the Indigenous people with the help of foreign donors. ADB has destroyed the forests with their unsupervised loans. Now ADB is "financing" the development of the unique Sunderbans! The main objective of filling forest cases against the Indigenous peoples is to destroy them socially and economically.

In 2003–2004 during the protest against the Eco-Park project implementation, FD and Police filed 28 false cases against 95 innocent IPs in the Courts. Victims are facing those cases and are economically ruined. 25 Garos were shot by the police and Forest Department. One boy died and one is paralyzed for life. Many still have lead in their bodies from the shootings.

FD claims that Indigenous People are illegal occupants of the Madhupur Forest. FD/Govt. doesn't recognize ILO Convention article No. 107, rectified article no. 169 and recent declaration of UN on IPs rights. the IP have lived here for centuries.

Permanent settlement of the lands of IPs is needed according to the present Bangladesh land laws. There should be a clear demarcation of lands belonging to the Forest Department and the Indigenous people who paid

land taxes for their homestead and lowlands to the Hindu Zamindar of Nature for many years.

Under the present situation, there is no security for the Indigenous people in Bangladesh. They have been driven out of the country and their lands confiscated by the Governments of Pakistan and Bangladesh many times.

There is no system for the Indigenous People for higher education, Govt. jobs such as local Govt. body, Union Parishod, Upazila Parishod, District Council and Parliament to protect their civil rights and their demands are rare.

Donors give and provide economic social and political priority to CHT-approximately for the 600,000 people, but there are no donors that give attention or priority for the Indigenous People numbering over 2 million in the plain lands. Donors fund for the IP development through Bengali led NGOs, which are often, have a negative impact on IPs development.

Religion fanaticism, as well as prejudiced cultural policies of the State regime, increasingly arrest ethnic and cultural diversity in the country.

Many ADB funded irrigation and forestry projects have drawn wood, vegetable oils, rubber and other cash crops to the cities and abroad. This has further alienated the rural poor from their limited economic resources.

THEUN–HINBOUN POWER COMPANY'S MONITORING SYSTEM STILL SHROUDED IN SECRECY

BY TANYA LEE

In May 2014, the General Manager of the Theun - Hinboun Power Company (THPC), Mr. Robert Allen, was appointed as chair of the Lao Hydropower Developers' Working Group. The Working Group, which is a platform for dam companies established by the World Bank Group's International Finance Corporation and the Lao National Chamber of Commerce and Industry, aims to support companies to "develop hydropower that meets environmental and social best practices" and "improve environmental and social risk management." Yet, despite Mr. Allen assuming a leadership position in the Working Group, his own company has yet to follow international standards and principles of accountability.

THPC's 220MW Theun-Hinboun Expansion Project (THXP) began operations in December 2012 and was built as an addition to the original 220 MW Theun-Hinboun Hydropower Dam in central Laos. It effectively doubles the amount of water diverted into the Hai and Hinboun rivers, exacerbating downstream erosion, flooding and sedimentation of the Hinboun river. According to THPC's estimates, over 55, 000 people have been affected by the expansion project's upstream, downstream and reservoir inundation zone areas.

SIDELINING PRINCIPLES OF BEST PRACTICE?

In contrast to the company's enthusiastic public relations exercises celebrating the sponsorship of the September 2014 meeting of ASEAN Energy Ministers and community events at resettlement sites, THPC has kept the public in the dark about the process of monitoring the environmental and social impacts of the THXP to which they have committed. Notably, they have avoided issuing any comment on whether or not they will uphold industry best practice on this matter. The commitment to establish independent oversight with the development of a Panel of Experts (PoE) was outlined in the expansion project's Resettlement Action Plan (RAP) as follows:

"The mandate [of the PoE] is to provide GoL and the THXP with an independent assessment and review of environmental and social issues associated with the Project. The PoE is required to act independently of both GoL and THPC and in accordance with relevant ADB guidelines related to the environment and social aspects." (Part 1, Section 8.8.3).

While it was commendable that THPC initially pledged to develop a PoE at a time when only one other large-scale dam company in Laos had

taken a similar initiative, it currently appears to be a promise on paper rather than a meaningful commitment to implementation. Accordingly, THPC has agreed in writing to use the social and environmental safeguard standards of the Asian Development Bank (ADB) as the reference point for project monitoring. Yet, since August 2013, the company has repeatedly disregarded correspondence about the PoE from civil society groups, including International Rivers, requesting improved transparency and calling for compliance with the principles of best practice developed by the World Commission on Dams (Guideline 22 on Independent Review Panels for Social and Environmental Matters). THPC's website has also failed to provide further updates on the matter, apart from a one sentence description and a broken hyperlink to the PoE's terms of reference (as of 27 October 2014).

RECOMMENDATIONS FROM INDEPENDENT STUDY AND AFFECTED PEOPLE IGNORED

This year, International Rivers commissioned an independent assessment of the current social and economic plight of villagers living downstream from the Theun – Hinboun Expansion Project. The report's findings and its recommendation of the importance of establishing an independent PoE, appear to have been wholly ignored by THPC. The report recommended that as a first step, a PoE should conduct an evaluation of reparations owed to villagers for lost fisheries and living aquatic resources, while also assessing economic losses due to riverbank erosion and flooding in order to calculate corresponding compensation for land and assets lost. The report also suggested that the PoE could develop guidelines and procedures for temporarily turning off the dam's turbines during times of exceptional rainfall, in order to help minimize risks faced by downstream communities. In failing to respond to this report, THPC has essentially snubbed the perspectives of the very people affected by their two dam projects, whose viewpoints formed the basis of the study's recommendations.

Will Theun-Hinboun's Panel of Experts be accoutable to the families who live upstream, downstream and around the reservoir of the company's expansion project?

Will THPC's Panel of Experts be accoutable to the families who live upstream, downstream and around the reservoir of the company's expansion project?

Matters that will determine whether THPC's PoE will be accountable to affected people, while simultaneously being able to alert the company, financiers, and the public to emerging concerns have yet to be answered. Several critical questions regarding the PoE remain up in the air, including:

- if the Panel's reports will be made publicly accessible in both English and Lao languages online, as well as in print in THPC site offices;
- if the Panel will have the autonomy to examine issues of social, environmental, health and cultural concerns that are not limited to the scope of the current THPC Social and Environmental Division's Monitoring Program; and
- if the Panel can be retained over the entire duration of the project's Concession Agreement.

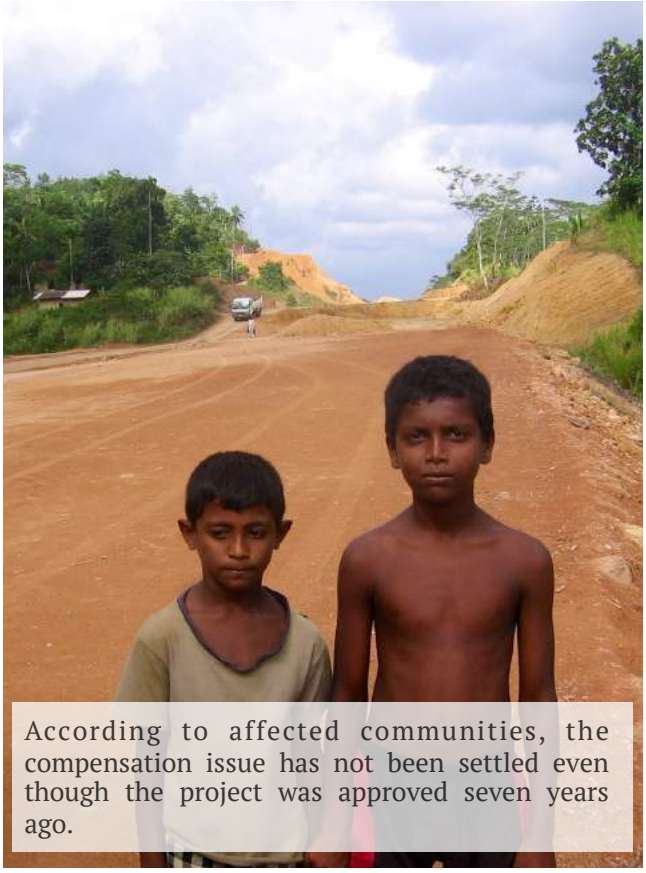
It is yet to be seen whether THPC, as a company that prides itself on going "beyond its legal obligations," will take their responsibilities outlined within the resettlement action plan along with the public's expectations of transparency and accountability seriously. As a first step, THPC will need to provide clear assurances that the composition of the membership, particular indicators to be assessed, and reports of the PoE will be available in both Lao and English text and widely accessible to the public.

The Southern Transport Development Project in Sri Lanka is a construction of a 128 km long six-lane expressway connecting Matara, a southern city in Colombo, the capital of Sri Lanka. While the primary objective is to spur economic development in the southern region and to significantly reduce the high rate of road accidents, the secondary objective is poverty reduction. Main financiers are the Asian Development Bank (ADB) and Japan Bank for International Corporation (JBIC). The project is implemented by the Road Development Authority (RDA). The project was in a controversy since 1992 and the ADB got involved in it in 1996. The EIA was approved in 1999. However, implementation was delayed due to strong opposition from both affected people and the National and International environmental/advocacy groups, due to safeguard violations.

ENVIRONMENTAL AND SOCIAL IMPACTS

The road passes through four river basins and over hundreds of other wetlands. It also crosses many villages. Over 1,300 houses were demolished due to the project. Around 8,745 lots are planned to be traversed by the highway. Current estimate shows that 5,683 households of all categories will be affected. The project has already destroyed thousands of hectares of paddy fields and home gardens. It has blocked waterways leading to flooding in the region. The project has pushed the affected families to depend on the market by destroying their sustainable livelihood.

According to affected communities, the compensation issue has not been settled even though the project was approved seven years ago. They allege that the RDA did not conduct proper asset and land evaluation. As a result, this has pushed many of them into further economic vulnerability. Affected people have spent most of the compensation money to construct new houses, thus, leaving little resources for their sustenance. Even worse, many families have not been compensated for trees and crops loss due to the project. These were their major sources of income. Affected people, who have resettled voluntarily, experienced loss of earning, which forced them to spend their compensation on other things instead of new homes. The situation is further aggravated by the lack of basic amenities in the resettlement sites provided by the RDA.



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THE SAGA OF DISRUPTING SOCIAL AND ENVIRONMENTAL SAFEGUARDS IN THE SOUTHERN TRANSPORT DEVELOPMENT PROJECT (SRI LANKA)

Cutting or clearing of very steep hills, rock blasting and dumping soil into the paddy lands have created serious soil erosion along the road trace. The filling of paddy fields with this loose soil has threatened livelihoods as it is now difficult to farm. The filling of wetlands without adequate drainage system is also very damaging as this could lead to flooding problems in the future especially during rainy season. Further, dust pollution is unbearable in some areas. Rock blasting and heavy vehicle movement further poses health risks to people who live near the construction site. While the ADB claims that additional environmental studies have been undertaken to address these issues, situation has remained the same.

ADB SAFEGUARD POLICY VIOLATIONS

The Compliance Panel Report prepared in July 2005, in response to the complainants of the affected communities, concluded that, "there have been, at some time during the Project from project processing to its implementation, lapses of compliance with the following applicable ADB policies and operational procedures."

INVOLUNTARY RESETTLEMENT POLICY

A year after the ADB Accountability Mechanism's Compliance Review Panel issued its final report on the Project, it has continued to violate ADB's Involuntary Resettlement Policy. The CRP concluded that, "compliance with this OM Section has been problematic since the Board approval, with the significant shifts of the trace without public participation. The CRP is also concerned about Management's inattention to independent monitoring and the need for supporting performance in the areas of compensation and resettlement."

Local communities have been complaining of continued violations of various ADB safeguard policies, despite the CRP findings. Most of the affected communities expressed their dissatisfaction over (1) compensation procedures and amount, (2) land possession by the authorities for the project, (3) evaluation of assets, (4) living conditions in resettlement sites, and (5) transparency of both the ADB and RDA procedures.

ENVIRONMENT POLICY

The CRP report produced in July 2005 stated that, "Management cannot be satisfied with the sufficiency of the Environmental Impact Assessment done in 1999 and the ensuing Environmental Findings Reports for the ADB section. Also, the Galle access road has not received an adequate review of its environmental impacts, and some stretches of the Final Trace well away from the Combined Trace need more attention. Public information and participation in the environmental review process has been inadequate since late 1999."2 The complainants claimed that non-compliance by the ADB of its operational policies and procedures had impacted their lives negatively. They stated that the project implementing agency altered 40 percent of the original alignment of the highway leading to loss of homes, livelihoods as well as negative impacts on local ecology and wetlands. However, there has been no environmental monitoring for the project. While social impacts were prioritized due to the involvement of the affected communities, the environmental issues were not properly addressed.

After the ADB Board approved the CRP findings, the Bank's South Asia Regional Department prepared a Course of Action. This laid out steps to

bring the project into compliance based on the 15 recommendations of the CRP. In its October 2005 progress report, ADB Management informed the Board that it had started implementing remedial actions including the required additional studies on Supplementary Environmental Assessment, Income Restoration Program, and gender issues.

However, progress on the Course of Action has been considerably delayed. The CRP recommendations are yet to be implemented after nearly one year. Many affected people have not yet received full compensation. There has also been a lack of progress in the income restoration program. Moreover, details about the project and its implementation status, as per the Board decision, have also not been provided to affected people in local languages.

The Monitoring report issued by the CRP in July 2006 stated that the Management has fully complied with only three recommendations and partially complied with six specific recommendations. However, it also stated that the Management has not complied with three general recommendations and seven specific recommendations that include: "Management should require that all affected persons be fully compensated by actual payment before they are moved."

The Panel also reported that "some of the affected people remain dissatisfied with specific impacts of the project. There are many potential reasons for these objections, ranging from highly specific issues such as construction-related cracks in buildings to broad anxieties related to the disruption of cultural norms such as the integrity of extended families in landholdings of historical significance."

LESSONS LEARNED

Affected people believe that STDP and the violation of ADB Guidelines, Resettlement Implementation Plan (RIP) and Loan Covenants are inseparable twins. Since its inception, the project has been marred by interruptions due to infringement of project guidelines. Implementation arrangements and oversight processes have been far from adequate and have resulted in numerous instances of policy violations. The Road Development Authority (RDA) is now expected to complete the project by 2009.

On paper, the ADB safeguard policies are one of the best among the IFIs. But the Bank has been repeatedly criticized for their non-implementation. The recent CRP report on the Southern Transport Development projects stated that, "Management should review selected road projects as to how changes of scope may make the application of environment and resettlement policies more difficult." The report further state "The Panel wishes to make clear that its intent in this recommendation was that ADB should assess the potential for weakening of application of safeguard policies when minor or major changes are made. It seems clear, in the case of STDP that the environmental safeguards were weakened with the changes of trace and stakeholders at each project stage until the Final Trace."

The main reasons include the following:

- inadequate environmental impacts assessment during the design, lack of willingness to address the environmental issues due to vested interest;
- inadequate law enforcement in settling disputes over the affected environment at local level;
- inadequate human capacity, expertise and funds in the project monitoring and approving agencies;

ADB'S FAILED RESETTLEMENT PLANS

MEKONG WATCH

The Phnom Penh to Ho Chi Minh City Highway Project was to renovate a 105.5 km section of the HW1 between the Mekong River ferry crossing and the Cambodia-Vietnam border. On 15 December 1998, the ADB's Board of Directors approved a 40 million USD loan from its concession arm, the Asian Development Fund, to finance the Project. The ADB's 1997 feasibility study estimated that 5,920 Cambodians in 1,184 households would be affected. The ADB's 1995 Policy on Involuntary Resettlement was to safeguard these families from becoming economically and socially worse-off after the resettlement.

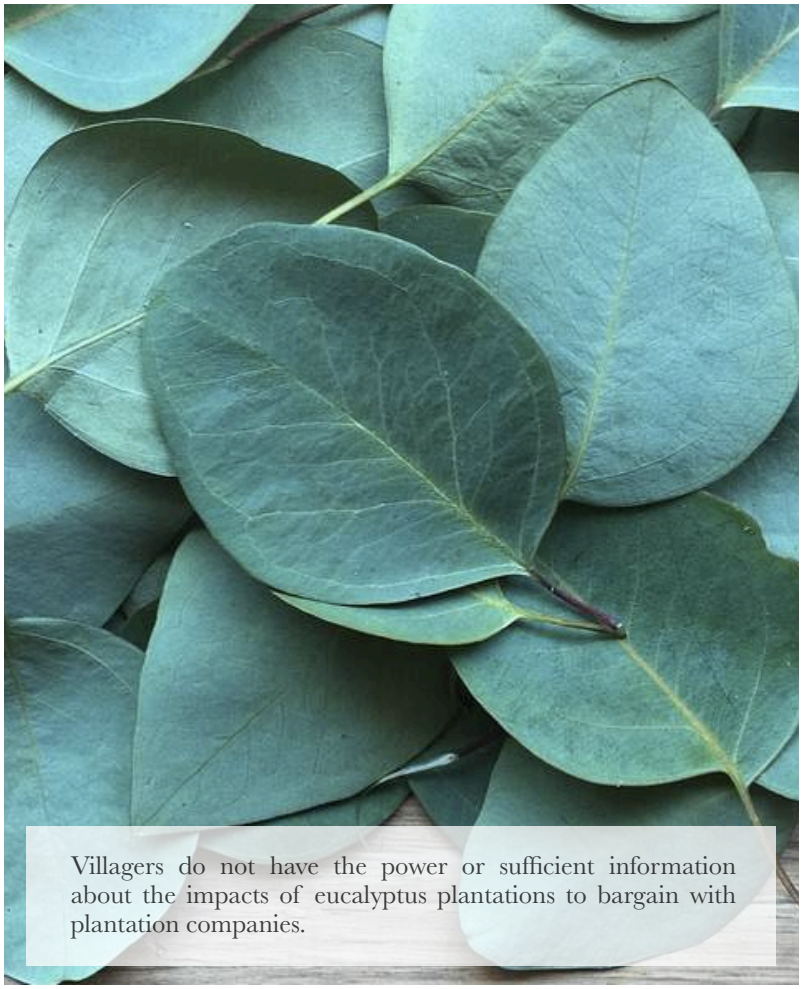
Failed Resettlement Program

The reality was the opposite. When the resettlement started in 2000, most families received no compensation for lost land. They did receive compensation for affected structures, such as a house, but the amount was significantly deducted. Relocated villagers ended up living temporarily on somebody else's land. They were sometimes told by the landowner to move out. This made it extremely difficult for them to restore their life and livelihood. Every time they relocated, they had to spend some money to reestablish. Some families had to borrow a high-interest loan from private lenders because they had no access to commercial loans. In short, many project-affected villagers were made landless, houseless, and jobless. These problems occurred because the ADB Management had mistakenly approved a sub-standard resettlement program submitted by the Cambodian government.

Cambodian NGOs documented the problems facing resettled families living along the HW1. They issued a report on 14 February 2002 and pointed out to the ADB that the Project had not complied with the bank's 1995 resettlement policy. The NGOs' report also suggested that the ADB should immediately conduct more comprehensive investigation over the entire project area. The ADB sent several missions to Cambodia to improve the implementation of the resettlement program but only in localized ways. The ADB did not respond to the Project's failures in more systematic ways until much later.

SECRETS AND LIES: THE ASIAN DEVELOPMENT BANK'S NEW FOREST POLICY

CHRIS LANG



Villagers do not have the power or sufficient information about the impacts of eucalyptus plantations to bargain with plantation companies.

Founded in 1966, the Asian Development Bank (ADB) claims to be "dedicated to reducing poverty in Asia and the Pacific". The Bank's lending to the forestry sector indicates that in fact, the Bank's focus is on promoting industry and corporations rather than addressing the needs of the region's poor.

The ADB's first loan to the forestry sector was in 1977, since when the Bank has lent over US$1 billion for forestry projects. More than 80 percent of this total was spent on establishing more than one million hectares of tree plantations, three-quarters of which are commercial plantations. These plantations provide few, if any, benefits to the poor.For the last two years, the Asian Development Bank has been conducting secret about its proposed new forest policy. No details about the Bank's discussions are available to the public. The most recent draft of the proposed forest policy which is available to the public is dated June 2003. The ADB's Board rejected this version in July 2003.

In November 2004, 24 NGOs from 16 countries wrote to then-ADB President Tadao Chino pointing out the flaws in the Bank's forest policy review process. In response, Robert Dobias, director of the Agriculture, Natural Resources, and Social Sectors Division at the ADB, explained that the Bank had revised the June 2003 draft policy to "incorporate comments received from internal and external reviewers". At some point after this, he added, "fundamental issues were raised related to ADB's support to the forest sector."

Dobias avoided saying what the "fundamental issues" were, or who raised them. "We currently are in the process of an internal discussion of these concerns," he wrote. "Please be assured," Dobias added at the end of his letter, "that we will make public the conclusions of our internal deliberations and invite comment on them."

The ADB started a review of its 1995 Forest

Policy in June 2000. The new forest policy was planned to be completed by the end of 2002. By this time, according to Jan van Heeswijk, then-Director General of the ADB's Regional and Sustainable Development Department, "the studies and drafting of a policy document were completed". After six months of "internal review and refinement of the document," the ADB produced the June 2003 draft of its proposed forest policy.

For a while, via its web-site, the Bank asked for comments on this draft, without mentioning that the Bank's Board had rejected it in July 2003. Then the ADB stopped asking for comments and promised that it would release a revised draft in July 2004.

In September 2004, when the revised draft had still not appeared (and the Bank's web-site was still promising that the draft would be released two months previously, in July 2004) I wrote to Javed Mir, ADB's Senior Natural Resources Specialist (Forestry) and the Mission Leader for the new forest policy, to ask him, among other things, when we might expect the next draft to be released. Mir declined to reply.

Then, on 27 October 2004, the Bank posted the following explanation on its web-site: "Following internal and external consultations, a draft working paper (E-paper) was prepared and discussed during the second half of 2003. A revised draft of the paper was expected to be posted here for public comment. However, recent (August 2004) internal discussions have raised fundamental issues related to ADB's support to the forest sector. Further progress on the draft policy will depend on the results of these discussions, which are ongoing."

I wrote to Javed Mir again in March 2005. I asked him why the Bank did not release the working paper from the second half of 2003 and who, exactly, discussed the draft. I asked whether notes of these discussions were available. I asked what happened between the second half of 2003 and August 2004. I asked what "fundamental issues" were raised, and by whom. I asked when the Bank anticipated releasing the next draft of its proposed forest policy. Once again Mir declined to answer my questions.

After receiving the leaked ADB Memorandum which states that the Board will discuss the forest policy in July, I wrote to Rolf Eckermann, the Executive Director for Germany at the ADB. I asked him about the current status of the Bank's proposed new forest policy and when the Bank anticipates producing the new policy. I asked what documents the Bank had produced since July 2003. And I asked Eckermann to ensure that Javed Mir, or someone else at the Bank, answers my letters from September 2004 and March 2005. Eckermann declined to reply.

ADB-funded plantations are replacing forests with monocultures. Villagers are not meaningfully involved in the decisions which cause them to lose their land and forest to eucalyptus plantations.

The Bank's claim that its proposed forest policy is based on a "participatory review process" is nonsense. The Bank's process exposes the ADB for the secretive, dishonest, undemocratic institution that it is.secret about its proposed new forest policy. No details about the Bank's discussions are available to the public. The most recent draft of the proposed forest policy which is available to the public is dated June 2003. The ADB's Board rejected this version in July 2003.

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In January 2004, in response to my questions, Grant Curtis, an "NGO specialist" in the ADB's Regional and Sustainable Development Department told me that "ADB plans to make the final version of the policy paper available to the public prior to the Board's consideration."

Details of forthcoming ADB Board meetings are secret. However, a leaked internal Bank Memorandum dated 7 April 2005 lists a Forest Policy R-paper (the "R" stands for restricted) for discussion and possible approval by the ADB's Board on 5 July 2005.

The date of the Board meeting may change. Nevertheless, the leaked Memorandum confirms that the ADB has produced another version of its forest policy. Contrary to Dobias' and Curtis' assurances, it is not publicly available. The ADB started a review of its 1995 Forest Policy in June 2000. The new forest policy was planned to be completed by the end of 2002.

Logging roads have filled stream beds. Loggers harvested fish in streams and ponds with grenades, and left cut trees lying around making forest paths inaccessible.

Lands traditionally used by villagers for their basic livelihood activities were defined by the project as 'degraded'. This laid the foundation for their transformation into plantations.

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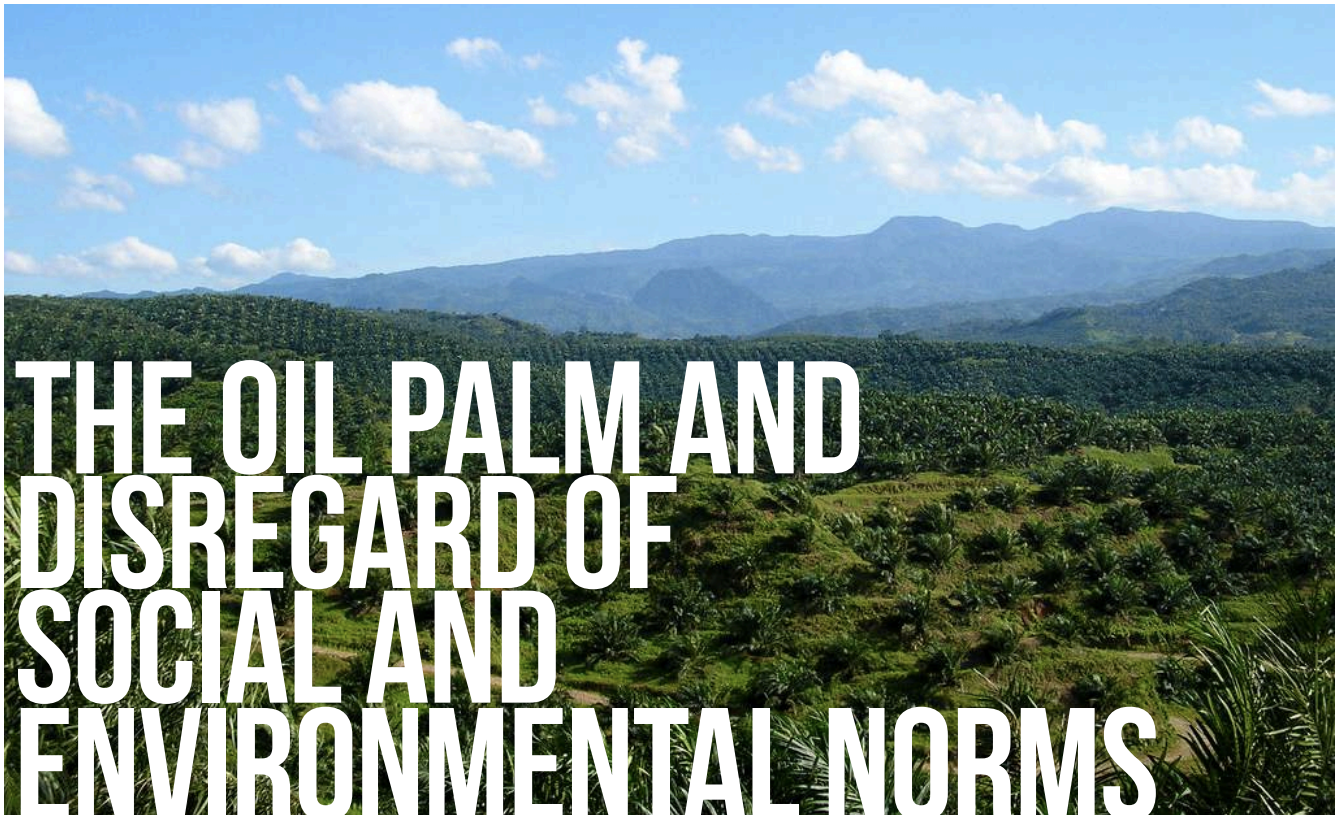
The OED's December 2005 report concludes that the project "failed to improve the socioeconomic conditions of intended beneficiaries, as people were driven further into poverty by having to repay loans that financed failed plantations.



THE OIL PALM AND DISREGARD OF SOCIAL AND ENVIRONMENTAL NORMS

In 2000, the Government of PNG requested assistance from the Asian Development Bank (ADB) for the preparation of an agro-industry development project to generate income-earning opportunities for the rural population. A project preparatory technical assistance (PPTA) was approved in November 2000. 1 The Prime Minister of PNG stated, "The Government, in recognition, identified the Oil Palm industry as a vehicle and growth strategy to enhance the economic and socio-indicators of Papua New Guinea. The Government through the PNG-ADB Nucleus Agro Enterprise Project, has identified areas in PNG which are suitable for Oil Palm Development, such as: Turubu/Sepik Plains in East Sepik, Bewani in West Sepik, Amazon Bay in Central Province and Arowe in West New Britain Province."2 Thus, the Nucleus Agro-Enterprises project (NAEP) was approved for lending by the ADB to the Independent State of Papua New Guinea on 18th December 2001.

In October 2001, the government endorsed a proposal from Ramu Sugar in PNG to set up an 8,000 hectares oil palm plantation in Usino-Bundi in Madang province. About 6,500 hectares would be operated by Ramu Sugar and the other 1,500 hectares by smallholders. In August 2001, the governor of the East New Britain province, which currently has no oil palm plantations, announced that the province would start to encourage the establishment of oil palm plantations. The provincial government plans to convert a large area of land in the Open Bay area of North Baining for this purpose. In August 2001, the governor of Morobe province presented a pre-feasibility study on a 30,000- hectare oil palm project on the border of the Morobe and Gulf provinces. In June 2002, the Oil Palm Industry Corporation (OPIC) announced that a large number of new oil palm projects could be developed in PNG within the next five to ten years if current feasibility studies on proposed projects are completed and approved by the government.

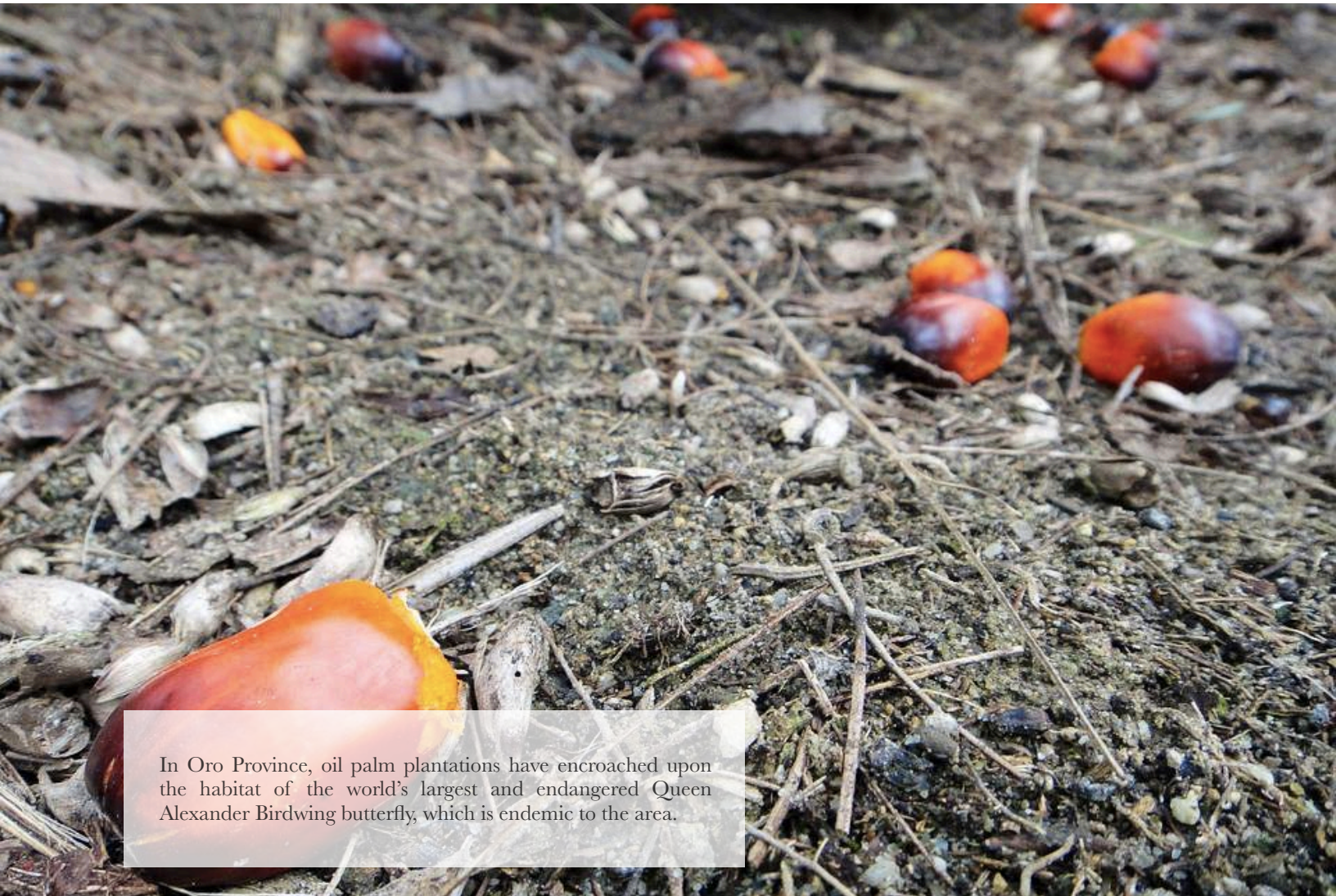
The ADB provided its first loan for oil palm development to PNG in 1986. The project completion report rated the project as partly successful. During appraisal, the project cost was estimated at $49.9 million.

The output from the Project was about 70,000 tons of fresh fruit bunches in 1998. The peak harvest of about 107,000 fresh fruit bunches was expected by the year 2004. The total number of project beneficiaries was 1,731 or 79 percent of the appraisal target of 2,200 farmers. The report stated that, "the farmers are very enthusiastic about this enterprise and virtually all are planning to plant an additional two hectares of oil palm. Overall, the project impacts are significant and the Project is rated as generally successful."3

According to a 2001 ADB news release on the PNG NAEP, "Agricultural production in PNG is the mainspring of growth and the principal tool for reducing poverty in rural areas." These enterprises will in turn provide much needed employment to subsistence farmers, shifting them away from the informal subsistence economy. The Bank claimed that this will improve incomes and standards of living in rural areas throughout PNG. However, the project was heavily criticized for promoting export-driven approach to development rather than respecting and building on PNG's wise constitutional principles of culturally-sensitive and ecologically-sustainable development.

ENVIRONMENTAL AND SOCIAL IMPACTS

According to the ADB-OED report, "Land degradation, as a result of oil palm cultivation, is not expected to be significant as the Project has avoided steep land and gullies as planting areas. In addition, the rapid buildup of palm fronds on the floor of interrows minimizes soil erosion risks and conserves soil fertility." However, the report stated, "the concern on the environmental impact from oil palm development is from the mill processing of FFB was not addressed at appraisal as the processing of the fruit bunches by the plantation palm oil mills was regarded as outside the scope of the Project. However, the processing of smallholder's FFB by the privately owned mills would result in generation of additional waste. Because the privately owned mills have failed to install proper treatment plants, the waste is being discharged directly into the sea.



In Oro Province, oil palm plantations have encroached upon the habitat of the world's largest and endangered Queen Alexander Birdwing butterfly, which is endemic to the area.

The Government has established guidelines for palm oil waste treatment. Unfortunately, no monitoring is being undertaken to ensure that palm oil mills comply with the guidelines. It was observed that the full complement of treatment ponds necessary to treat palm oil waste has not been established in the mills. Thus, the discharge from these mills could have some adverse effect on the coastal ecosystem. It is important that the PNG Bureau of Water Resources monitor the situation regularly as untreated mill effluent could cause damage to the reef and inshore marine life." The report further stated, "there are no control measures to minimize air pollution from the burning of fruit fiber and empty shells in the mills. While the mills' contribution to the greenhouse effect is negligible, the fallout of fine dust is both a nuisance and a health hazard to nearby residents."

Further expansion of oil palm in Oro Province would increase the risk of extinction of the Queen Alexander Bird wing butterfly.

According to the local environmental Group CELCOR, many of the ADB-funded large-scale monoculture cash crops projects have been controversial as they were often socially and environmentally damaging. ADB has received much criticism for using poverty reduction as a front to subsidize and support the private sector. Furthermore, the conversion to cash crops often results in irreversible environmental damage. This is particularly significant for PNG since no less than 65 percent of its land are still forested and are ecologically intact. And over 85 percent of its five million population are dependent on a healthy and intact natural environment for survival.

In Oro Province, oil palm plantations have encroached upon the habitat of the world's largest and endangered Queen Alexander Birdwing butterfly, which is endemic to the area. Further expansion of oil palm in Oro Province would increase the risk of extinction of this butterfly specie. There were concerns that in East New Britain, the Open Bay oil palm proposal would threaten one of the most spectacular cave systems on Earth –- the Caves of Pomio.

The rivers have been drained from inland areas where the oil palms are planted. The downstream of the operation has affected the livelihood of the people. Villagers complained of reduced food supplies from the river and coastal region, contaminated water, as well as skin irritation after the introduction of oil palm in their area.

PNG is known for its extensive and diverse coral reef and fringing reef systems. However, there is a concern that increasing land clearing for timber and subsequently for oil palm will increase the amount of pollutant and sedimentation entering the coastal region. Excessive nutrients run-off from the residues

of fertilizers used in oil palm plantations are corrosive to the fragile and sensitive reef systems. This inevitably contributes to the destruction of pristine reef systems and hence, valuable fish breeding and spawning grounds.

Oil palm processing mills are usually located close to urban centers for ease of transportation and access to infrastructures. In Popondetta in the Oro province, the entire town and surrounding area have been infested with flies which are health hazards. The stench of rotting waste from the mill could be smelled for kilometers and the smoke from the Higaturu palm oil processing mill could be felt from as far as the Managalas plateau.

ADB Safeguard Policy Violations

Like many large-scale projects, the introduction of agro-enterprises in PNG also brought many complex and costly social problems once unknown to rural PNG.

INDIGENOUS PEOPLES POLICY

The change that comes with this kind of externally imposed project is often disruptive and undermines the existing customary system and structure which has sustained local communities for as long as they can remember. Often, not everyone in the community is in agreement with the agriculture project. Sometimes, customary land boundaries are crossed to establish the crops. In other times, the parent company leases out lands to people from other areas for their agriculture plots resulting in communal tension and misunderstandings. This manipulation of land use and transfer of tenure is not based on customary process and often results in discontent and anger within a community and among communities. Conflicts from land disputes increased as these kind of schemes are introduced.

The transition from subsistence to cargo or cash-dependency has both social and economic ramifications. According to CELCORE, "It is unfair and patronizing to classify rural Papua New Guineans as 'rural poor' as they have access to abundance of resources as long as their land remains intact and the natural environment healthy." The natural environment forms the basis for their subsistence and strong cultures and social safety net. However, agriculture projects as proposed by the ADB drastically undermined this strong system as these projects often require major cultural shifts and restructuring of community activities and relationships. Growers essentially lose control of their lifestyle once they become bound to a long contractual arrangement with the parent company of NAEP, they said.

Rise in drug and alcohol abuse was found as a major social problem. Money from cash crops production has increased the purchasing power of growers.

Many growers complained that big promises were made to coerce them into accepting oil palm as a good development project just to find themselves trapped in a situation of total dependency on the oil palm company and commodity price fluctuations

Often, men were the key recipients of money from the produce even though the entire family may have been involved in the whole production cycle. Unfortunately, alcohol is one of the most popular items purchased by men in places with smallholder scheme. They also claimed that rise in crime rate was also very high in these project areas.

Landowners and smallholders in existing oil palm project areas are unhappy with the low return from their labour and once productive land. Many growers complained that big promises were made to coerce them into accepting oil palm as a good development project just to find themselves trapped in a situation of total dependency on the oil palm company and commodity price fluctuations. Normally, growers allocate the best farmland available in their charge to oil palm. According to local people, the oil palm cultivation is not the best crop. However, it was introduced to produce oil for developed nations such as Australia.

ENVIRONMENT POLICY

The ADB-OED report accepts that some environmental issues were not addressed in the project. According to CELCORE, "downstream communities often bear the brunt of waterway pollution which is another source of communal conflicts."Due to the long delay in project start-up, the scheduled two-year project has just completed its first quarter of implementation. Selection of subprojects and pilot projects has recently completed so the analysis is based on one of out the total of four key activities to be undertaken by TASMU. No field monitoring of any of the selected projects has been carried out.7

The focus of the feasibility studies and piloting of projects of the Nucleus Smallholders Agro Enterprises Project offers a lot of scope for the ADB to implement its environmental guidelines and policy. In the Report and Recommendation of the President to the Board of Directors on a Proposed Technical Assistance Loan to Papua New Guinea for Nucleus Agro-Enterprises in November 2001, specific assurances in relation to the environment were given by GOPNG. These assurances which have been incorporated into the Loan Agreement were:

(i) The Government, through DNPM1 (Department of National Planning and Monitoring) and TASMU, will ensure that

a) environmental concerns are fully taken into account from the time of the formulation of selection criteria to the completion of the subproject feasibility studies;

b) opportunities exist to maximize potential environmental benefits and minimize environmental conflicts and costs; and

c) any investment proposal resulting from a subproject feasibility study is tested on the basis of environmental parameter s as well as technical and financial parameters.

(ii) All environmental mitigation measures identified as the result of a subproject feasibility study or pilot project investment plan will be incorporated into the project design and followed during project construction, operation, and maintenance in consultation with the Government's Office of

Environment and Conservation and in accordance with ADB's environmental guidelines.

These agreements were also reflected in the Environmental Considerations of the Loan Covenant. Specifically, it stipulated that: The Borrower (GOPNG) shall ensure that TASMU and the Screening Committee ensure that in evaluating and/or funding any Subproject in which environmental considerations are involved (including resettlement, gender and other social dimensions),

(i) Environmental concerns are fully taken into account from time to time in the formulation of detailed selection criteria to the completion of the SFS;

(ii) Opportunities exist to maximize potential environmental benefits and minimize environmental conflicts and costs; and

(iii) Any investment proposals resulting from an SFS is tested on the basis of environmental parameters as well as technical and financial parameters.

However, these provision were not properly adhered to in this project

In the loan document, the ADB said that it is formally committed to following its environmental policies including the Environmental Assessment Requirements and Environmental Review Procedures of the ADB. From the first Inception Report reviewed, it was evident that this requirement was conveyed to the executing agent, TASMU and GOPNG. How this translates into practice in the field remain to be seen. was evident that this requirement was conveyed to the executing agent, TASMU and GOPNG. How this translates into practice in the field remain to be seen.

The following are some issues identified to date:

In accordance with the 2003 guideline, (para 4) ADB's environmental assessment process starts as soon as potential projects for ADB funding are identified. Environmental assessment is ideally carried out simultaneously with the pre-feasibility and feasibility studies of the project. In this project, some information related to the environment was captured in the RFA of the first batch of the potential projects but they were mostly very brief and have not included many of the components outlined in the guideline.

- It appears that the REA checklists have not been used contrary to the provision in the MOU. Relevant RDE checklists should have been used to categorize each of the projects selected during the preliminary rapid appraisal process under the new ADB policy.
- It appears that IEE was carried out in the RRA process which suggests that TASMU might have assumed that all potential projects fall into Category B without actually following through the REA process for categorization. However, the components of the IEE were different from those specified in the ADB guideline.

· Only one out of the six projects which went through the RRA process had been environmentally categorized. However, the categorization was based on the PNG Government and not as specified in the ADB environmental guidelines. The Bank's stipulates that it is the borrower's responsibility to carry out the EIA. And this was clearly reflected in the Loan Agreement. However, corruption and general governance failures within GOPNG as well as the capacity limitation of the Department of Environment and Conservation mean that this would be a highly unrealistic expectation.

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