Editorial  Trojan Horses, Plastic Cows, and the ADB  

News and Updates  

Forum  Looking into the ADB  
*Watershed* talks with ADB officials and activists in the Mekong Region about the ADB and its approach to “development”.  

Features  
Deconstructing the ADB  
Anurak Wangpattana critiques the ADB’s promotion of free markets and corporate-driven economic development that restricts democracy and public participation while leading to the increased exploitation of rural communities and natural resources in the Mekong Region.  

Facts and fiction: Coal and “clean coal”  
The coal industry, governments and multilateral banks promote the use of coal in developing countries, but coal harms people’s health and the environment. Margie Law considers the myths created to sell coal.  

Community Voices  
“I don’t know where I will go to live”  
“Why does the ADB not listen to the local people”  
*Watershed* talks with local people being affected by ADB-funded “development” projects, including a highway development in Cambodia and a wastewater treatment plant being constructed in Thailand.  

“We have had too much development”  
The ADB wants to integrate ethnic minority upland communities. A farmer explains the impacts of this economic integration.  

Report  
The National Hydropower Plan Study: Planning and damming in Vietnam  
Chris Lang profiles the National Hydropower Plan for Vietnam and outlines how this new study is just one example of the supportive links and networking behind the lucrative business of studying, advising on, designing and building dams.  

Profile  
Japan Bank for International Cooperation: A “development” giant is born  
The newly formed Japan Bank for International Cooperation (JBIC) is the largest source of development finance in the world. Hisako Motoyama outlines the issues surrounding this new organisation.  

Guest Column  
The Asian Development Bank’s role in the Asia-Pacific Region  
The Asian Development Bank is preaching poverty reduction while its policies and practice continue to contribute to the impoverishment of people in the Asia Pacific region. Takahiro Nanri of NGO Forum on the ADB examines the underlying causes of the ADB’s record of destruction.  

Opinion  
Aspects of forestry management in the Lao PDR  
The forests of Lao are rapidly disappearing. This unsolicited anonymous contribution to *Watershed* explains the factors responsible for the destruction of forests in Laos.
Trojan Horses,
Plastic Cows,
and the ADB

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time in twelfth or thirteenth century B.C., an army of Ancient Greeks were laying siege to the fortress-city of Troy. After years of unsuccessful attempts to invade the city, the leaders of the Greek army decided on a different strategy. They built a huge wooden horse on a massive wheeled platform, rolled it up to the great gate in the wall protecting the city, and presented the horse as a gift to Troy. The army of Greeks then boarded their ships and sailed away in apparent defeat. In their triumph, the Trojans opened the gate and brought the wooden horse into the city. But the huge horse was hollow and hidden inside were a squadron of Greek soldiers. That night, as the people of Troy slept, the soldiers emerged from the horse and opened the great gate to the Greek army that had quietly returned to Troy under cover of darkness. The Greeks invaded Troy, the city was plundered and its riches taken to Greece. The term “Trojan Horse” continues to be used when one speaks of devious strategy, egoistic abandon of caution, and gifts that if accepted may do more harm than good.

More than three thousand years later, in the early 1990s, Thailand’s Ministry of Agriculture (MoA) offered farmers in northeastern Thailand (Iaan) the opportunity to enrich themselves by raising dairy cattle, imported at great expense from Australia and New Zealand, and selling the milk the cows produced. The cows could be purchased by taking out a loan from the Ministry’s Bank of Agriculture and Agricultural Cooperatives (BAAC). Many farmers took the loans and the cows, figuring they could pay back the loans by selling the milk. After a couple of years, farmers observed that many of the cows did not give birth to calves (some cows were sterile, many barely survived the climate of Iaan, and of the few calves born many did not survive) and therefore did not produce milk (or baby cows) that could be sold to pay back the debts the farmers owed to the BAAC. In 1995, farmers took the cattle to the provincial government office in Roi-et and demanded that the MoA take its cattle back (it did) and that the BAAC cancel the debts (it did). Thus was born the legend of the “Plastic Cow” – it was expensive, it looked like a cow, gave no benefit to people, and left farmers indebted.

The Asian Development Bank (ADB), an international financial institution that refers to itself as a “broad-based development institution”, may appear to have little in common with an epic battle 3,000 years ago or a minor comedy of development in Iaan. But the ADB is much involved with modern Trojan Horses and Plastic Cows. The ADB presents its “development” to the countries of the Mekong Region packaged as a gift accompanied with technical assistance, political and financial support, and hearty congratulations for endeavouring to promote capitalist economic growth and poverty reduction. Yet like the Trojan Horse, the ADB’s gifts makes governments surrender sovereignty as they look to the ADB to suggest a solution to their massive debts, economies and public policies are ‘structurally adjusted’, rivers are dammed and made into waste sinks by factories, forests are felled and the wood sold to the most well-connected buyer – entire countries are plundered and ruined. Meanwhile, the ADB promotes “development” projects like hydroelectric dams and agriculture sector loans, with the promise that these projects will increase economic growth and lift countries out of “poverty” and “underdevelopment” – projects that usually fail to fulfill the ADB’s promises of success and become “Plastic Cows” that damage the means of livelihood of local communities throughout the Mekong Region.

The ADB’s model of development is a Trojan Horse full of Plastic Cows.

But it is the ADB’s Plastic Cows, and not its Trojan Horse, that get the most attention. In 1997, the ADB’s then-Vice President Gunther Shulz released a report indicating that 10 per cent of Bank-supported projects were failures and another 30 per cent failed to achieve their primary objective. Internal evaluations by the Bank are notoriously conservative in their conclusions. Most independent observers consider that more than 50 per cent, and quite possibly very much more than 50 per cent, of the Bank’s projects not only fail to meet its standards but are responsible for severe impacts on national economies, nature, and the food security of local communities.

Nevertheless, governments throughout the Mekong Region welcome the ADB’s money, influence, suggested policies, projects and model of development. One reason for this is the information the ADB is able to assemble in its authoritative-looking reports. These documents, while very narrow, technical, and seriously flawed conceptually, are unquestioningly accepted by governments that have already embarked on the heroic campaign for “development” and see the authority of their administration increased as a result.

Perhaps more important are the superstitions shared by the ADB and governments in the Mekong Region (and elsewhere) that (i) governments work in the best interests of the people and (ii) that conventional economic development benefits the...
people. The fact that the implementation of “development” by the ADB and regional governments causes severe hardship for local communities and often the majority of people in a society, which in turn stimulates a society’s dissatisfaction with its government – a dissatisfaction that eventually transforms itself into questioning and openly challenging “development” and the governments that implement it – is a paradox for the ADB and its client governments.

The most important factor in an explanation of the ADB’s ability to continue doing business is the Bank’s skill in convincing client governments to accept a Trojan Horse full of “development”, including neo-liberal economic policies, large dams, highways, “economic corridors” and industrial estates, and that these Plastic Cows are in the best interests of society. The ADB needs to ensure that governments keep borrowing its money and that the projects it funds are portrayed as contributing to economic growth, sustainable development, poverty reduction, and protection of the environment. For the Bank, an “unsuccessful” project was a “successful” project until its impacts on the environment, local communities, and the economy became public knowledge in the news media.

The “success” and “failures” of the ADB’s projects are inherent in the Bank’s process of promoting “development”. ADB-funded consultants select a project like a hydroelectric dam, declare it to be economically viable, and propose it should be built. ADB staff take up the proposal, add some “environmental mitigation components” and the objective of “poverty reduction”, and present it to the government and the ADB’s Board of Directors. The ADB then lends the government the funds to build the project or becomes an equity partner with a consortium of private companies that want to build the dam. Often, the private companies or their international commercial bank creditors claim “political risk” exists in the country, a negotiation tactic that convinces the ADB to provide risk guarantees to the companies and banks.

Governments agree to become indebted to the ADB because the Bank’s approval of the loan is largely based on the proposed project’s economic benefits – either the income from the project will pay off the loan or the project will contribute to economic growth and increase people’s income that can be taxed to pay off the debt. But local communities are directly and adversely affected by a “successful” project that destroys their fisheries by radically altering the natural flows of their rivers. Within a few years after the implementation of the project began, the means of livelihood regimes of local communities, from their fisheries to their social institutions, are as radically altered as the rivers that once provided them food, commons, and income. These impacts are the failures of “success”. These failures are not reported in the Bank’s Annual Report, while the “success” of the project is trumpeted.

If the assumptions of the ADB and government prove to be unrealistic, as often happens, the government remains indebted to the ADB and must find another way of paying that debt. Inevitably, the burden of the debt is shifted to society by the imposition of general sales taxes and increased tariffs for water and electricity use and by increased rates of commercial logging, establishment of industrial tree plantations, promotion of chemical intensive cash crops, and the construction of more dams, as the government attempts to increase its income to pay off the debt. Either way, society pays for the government’s debt and the ADB’s failure. These are the impacts of project failure, while the risks taken by the government are converted into public debt. The ADB views itself as faultless and not responsible for the project’s failure or the debt.

Companies and commercial banks whose investments are guaranteed by the Bank have shifted all project risks to the government and society. If a company withdraws from a project (while shouting, “Political risk! Political risk!”), their debt to commercial banks will be fully repaid by the guarantee provided by the ADB. The ADB-funded consultants profit, the private companies profit, but neither accept responsibility for the impacts of the project they promoted and built. The ADB then shifts the debt to the government, which then shifts this burden onto society, and the impacts of failure increase exponentially. As usual, the ADB does not consider itself responsible for the impacts, the debt, or the burden it places on society.

After a few years of ADB “development”, it becomes difficult to see the difference between the impacts of the Bank’s failures and the failures (impacts) of the ADB’s “successes”. This leads to a few questions that need to be asked of the ADB and its client governments.

Why should governments pay back debts that were taken on in good faith and based on the ADB’s authoritative promises of success if the income derived from a project fails to equal the amount of income promised by the ADB?

Why should governments pay debts owed to the ADB for a “successful” project that by its very “success” damages the natural environment and the means of livelihood security of society?

Why are the impacts of ADB-funded projects, “successful” or not, and the burden of government debt imposed on local communities and societies if the risks and decisions undertaken by a government guided by the ADB are not based on democratic process and do not correspond to the perceived needs and aspirations of the people?

For governments in the Mekong Region that are truly working for the benefit of society, the only conceivable response is to close their doors and reject the ADB’s Trojan Horse, while demanding the cancellation of debt and the payment of substantial compensation to local communities and societies subjected to the impacts of the ADB’s Plastic Cows.
news & updates

ADB to fund the Se San 3 dam in Vietnam

According to a Vietnamese News Agency report dated the 10 March 2000 “It [the Asian Development Bank (ADB)] will grant US$80 million to the Hydroelectric Power Plant Se San 3.” The proposed 260 megawatt (MW) Se San 3 dam would be located 20 kilometres downstream of the recently constructed Yali Falls dam on the Se San River.

In a conflicting report, Ms Kathleen Moktan, Project Manager of the Se San 3 project for the ADB, says these funds are “a provision in the program [the Country Assistance Plan for Vietnam] to cover the possibility that this project would be a public sector project.” Moktan continues on to say that studies currently being prepared for the project will be circulated to the ADB’s Board of Directors, “some time in July, 2000.”

The ADB is currently funding a Technical Assistance study, the funding of which was approved by the Bank in July 1999, to “prepare [Se San 3] as a model hydropower project...which should be fully commissioned [ready for construction to begin] by the end of 2000.”

According to the 1999 Feasibility Study for the Se San 3 dam, the equipment and workers from the soon to be completed Yali Falls dam are to move to the Se San 3 dam site. To meet this deadline the ADB must have its studies and approval of funding finalised within the next few months.

The ADB appears determined to proceed with financing the Se San 3 dam regardless of the environmental and social impacts that are reputed to be similar to the severe impacts being experienced by local communities living along the Se San River in Cambodia as a result of the Yali Falls dam. According to the Se San 3 Feasibility Study, the Se San 3 dam will “extend the prevailing impact of the Yali Falls dam 20 kilometres further downstream.” Specifically, the feasibility study indicates that “the effects [of operating Se San 3] will be serious for aquatic life, and the fishing potential for Tip inhabitants [a community downstream] will more or less disappear.” The study continues, “Rapidly rising water [levels] after a shut down period may also create a potential hazard to the inhabitants of the downstream area, particularly the children.”

According to a consultant working on the ADB’s Project Preparatory Technical Assistance study, that will produce a supplementary EIA Environmental Mitigation Plan for the Se San 3 “the operation of the Yali dam is not environmentally sensitive” and “two dams between them may increase the risk of erosion [along the Se San River’s banks] downstream” as well as interfering with the hydrology of the Se San River and wetlands in the vicinity of the Se San.

Meanwhile, several other dams on the Se San River have been recommended for construction by the recent ADB-funded Se Kong, Se San and Nam Theun River Basins Hydropower Study. These proposed projects include the 420 MW Se San 4 and 228 MW Thoung Kontum hydroelectric dams in Vietnam and the 112 MW Lower Se San 2 hydropower dam in Cambodia.


Activists plan to counter ADB’s annual conference in May

Thailand’s nongovernmental organisations are planning a series of meetings, media and public awareness events to critique the social and environmental impacts of the Asian Development Bank-funded development in a three-day People’s Forum to precede the ADB’s Annual Meeting in Chiang Mai from 6-8 May 2000.

The coalition of labour, public health, environment, and alternative agriculture groups will focus on the proposed education and public health reforms, the government’s privatisation policy, and labour issues. The coalition is also supported by academics in Chiang Mai University.

According to the coalition’s statement, 20 meetings and forums are planned to be held over the three days in order to raise public awareness about the negative impacts of the ADB loans on a variety of sectors.

Among the ADB-funded projects opposed by the groups are a waste water treatment plant in Samut Prakarn receiving 41.8 billion baht and the Thai-Burmese gas pipeline project in Kanchanaburi receiving 8.7 million baht.

Narong Phetprasert from Chulalongkorn University stated that the ADB’s loan conditions were aimed at promoting free trade and privatisation, and ignored the social impacts.

Mr. Day-cha Siripat, from the Alternative Agriculture Network, said that ADB loan conditions would push farmers to depend on multinational corporations who were increasingly monopolising the market on genetic resources, fertiliser and pesticides. [See Forum, this issue.]

Sources: The Nation 16.3.00
Impacts of Vietnam’s Yali Falls dam reported in Rattanakiri

Village communities in Rattanakiri province, Cambodia have reported wildly fluctuating water levels in the Se San River during the past several months. Provincial authorities in Rattanakiri attribute the changes in the flow of the Se San River to water releases from the Yali Falls dam, a 720 megawatt hydroelectric dam on the Se San River in Vietnam.

The Se San River has its origin in Vietnam’s Central Highlands and flows across the districts O Ya Dav, Andoung Meas, Ta Veaeng and Veun Sai in Rattanakiri province, and Se San district in Stung Treng province in northeastern Cambodia. Natural flows in the river include seasonal patterns of the river’s flow volume rising and falling slowly over a period of months during the dry and rainy seasons.

In several incidents, beginning in late 1999, village people in Veun Say, Ta Veng and Andong Meas districts reported surges of water that have caused water levels to increase sharply and suddenly within a period of a few hours, if not a few minutes. At least five people have drowned in incidents local people attribute to the sudden and unprecedented flash floods along the Se San River.

Local people have also reported losing fishing equipment. Mr. Sokha, a fisher living in Andoung Meas district, reported that on a night he was sleeping next to the river to guard his fishing net the water level in the river began to rise rapidly at four or five in the morning. Mr. Sokha ran to save his net but he was not able to recover it, and gave up to avoid being swept away. The lost net cost 70,000 riel (US$18). According to the Second Vice-Governor of Andoung Meas district about 100 boats and other equipment, including pots containing prahoc (fermented fish) have been lost as a result of the flash floods.

Sudden floods have also impeded farmers’ efforts to plant vegetable and tobacco gardens on exposed dry season river banks and several established gardens have been destroyed. Furthermore, local people report that the river becomes muddy and contains bubbles when the strange floods occur. People and livestock have become ill as a result of consuming the unclean water. This turbidity and the bubbles (containing nitric and methane gases) are characteristic of water released from a land area recently submerged by a dam’s reservoir.

An environmental impact study (EIA) for the Yali Falls dam was conducted by the Swiss dam consultant company, Electrowatt in 1993. According to the EIA “The population in this area [downstream of the project] is very sparse, and are not dependent on the river in any way. There is no infrastructure of any sort which could be affected.” In fact, the EIA only considered “an area of 8km long and 1km wide below the dam” for the purposes of the study. So, as people living in this area were deemed not to exist and communities living along the Se San River further downstream of the Yali Falls dam were deemed to be outside the “affected” area, Electrowatt’s EIA for the Yali Falls project completely ignored the downstream impacts on these communities in Vietnam and Cambodia.


Construction of the Yali Falls dam has caused drastic changes to the natural flows in the Se San River resulting in several deaths and loss of fishing equipment.

The US$ 640 million Yali Falls hydropower project is the first of several planned hydroelectric dams planned on the Se San River, in Vietnam and Cambodia. The Yali Falls dam is located in Gia Lai province, Vietnam, approximately 70 kilometres upstream of the Cambodian border. Construction began in 1993 and the project is due to begin generating electricity in the next few months. The release of water stored in the reservoir through a newly constructed dam is required to determine that the dams floodgates and turbines are operational.

Watershed Vol. 5 No. 3 March – June 2000 Page 5
Opposition forces two investors to pull out from coal power plant

In February, two main investors in the controversial Hin Krut coal-fired power plant, the Finnish company Fortum and US-based Consolidated Electric Power Asia (CEPA), withdrew from the project after protracted opposition from local groups and international environmental activists.

Fortum and CEPA have recently commenced negotiations to sell their stakes (each having 28 per cent) in the project’s consortium, Union Power Development Company (UPDC) to new Singaporean and Japanese investors. Singapore Power International has expressed interest in acquiring a 46 per cent share of the UPDC, leaving 10 per cent for another new investor. Tomen of Japan has a 34 per cent share of the UPDC, leaving 10 per cent for another new investor. Tomen of Japan has a 34 per cent share of the UPDC, leaving 10 per cent for another new investor.

Local communities opposing the project received widespread support from international groups as part of a campaign to stop polluting technology and the release of gases that cause global warming. Local village people had petitioned the governments of the foreign investors through the American and Finnish embassies in Bangkok several times, asking them to pressure the companies to review their support for the project.

After the companies announced their withdrawal, the Ban Krut Environmental Group issued a press release thanking the two governments and the investors for taking their objections seriously. “We hope governments all over the world will take this great example to be the norm when they invest abroad and there is local opposition for worthwhile reasons,” said Jintana Kaewkhao, a leader of the local opponents of the Hin Krut project.

The public hearing on the UPDC scheme was organised in Prachuab Khiri Khan just two days after news of the withdrawal. Only about 200 people attended the hearing hall, most of them being government officials and representatives of the project proponents.

Meanwhile, thousands of protesters gathered outside the meeting venue and some 500 fishing boats blockaded Prachuab Bay. The main reason for boycotting the hearing was its unacceptable process and authority. The protesters called on Anand Panyarachun, president of Saha Union Co., to withdraw his company from the project.

Sources: Fortum’s press release 21.2.00, The Nation 21.2.00, 23.2.00, 24.2.00, 25.2.00, Bangkok Post 23.2.00, 25.2.00, 26.2.00

Village people demand water from Chulabhorn Dam

Village communities in the Phrom River Basin have demanded that the Electricity Generating Authority of Thailand (EGAT) halt power generation at the Chulabhorn hydroelectric dam and use the water for irrigation purposes.

The Phrom communities have been facing chronic water shortages for farming since the 40 megawatt Chulabhorn dam was built in 1968. Built across the Phrom River, the dam produced electricity by diverting the Phrom’s water into the Soen River, depriving water for the three districts of Kaset Sombun, Ban Thaen and Phu Khieo located downstream. Since 1973, the downstream village communities have regularly walked to the dam in order to demand EGAT release water for irrigation. [See Watershed Vol.2, No.2.]

Mr. Witoon Permpongsacha-roen of Foundation for Ecological Recovery, a nongovernmental organisation based in Bangkok, pointed out that halting the dam’s electricity generation will not affect Thailand’s electricity supply since EGAT has an oversupply of more than 5,500 megawatts.

He also stated that EGAT has consistently lied about the amount of water released for irrigation: “According to EGAT’s official report, the highest level of water which had been discharged was 24 million cubic metres against the promise of 30 million cubic metres. However, even this level is very rare, the normal amount is four to five million cubic metres, and in some years, zero.”

Sources: Bangkok Post 13.3.00.
Radioactive waste kills three people, hospitalises seven others

Irresponsible storage of Cobalt 60, a radioactive material, which has killed three people in Samut Prakarn province has renewed the public’s opposition to Thailand’s nuclear energy plans.

The incident in which scrap collectors, and later other citizens including journalists and politicians, were exposed to radiation has highlighted Thailand’s poor safety standards and non-enforcement of regulations concerning radioactive materials. Thailand’s nongovernmental organisations criticised the Office of Atomic Energy for Peace (OAEP), stating that its failure to evacuate residents and contain the contaminated area has conceivably resulted in several thousand people in the province being exposed to radiation.

Ms Watcharee Paolaunthong of the Alternative Energy Project for Sustainability said that the OAEP should stop its plans to build a 10 megawatt nuclear reactor and nuclear waste disposal facility in Ongkharak district in Nakhon Nayok province. “Their inept handling of the radioactive leakage showed they are not prepared and their people are clueless at a time like this,” she said.

The highly radioactive Cobalt 60 used in medical radiation therapy by hospitals was imported from Canada by Kamol Sukosol Electric Co. of Thailand. The company has admitted moving the radioactive material from its warehouse to a vacant lot in Samut Prakarn where it was found by scrap collectors who opened the lead-lined canisters containing the material.

The OAEP has charged Kamol Sukosol Company with reckless storage and unauthorised transport of radioactive material, charges that carry a 10,000 baht fine and/or a one year jail term. The company is also facing an arrest warrant for fatal negligence over the death of one of the scrap collectors who died as a result of radiation sickness.

Exposure to Cobalt 60 leads to a massive loss of white blood cells, the body’s natural defence against infectious diseases. At least one other patient of the 10 people who have been admitted to hospital after coming into direct contact with the Cobalt 60 are in critical condition.

Dr. Oraphan Methadilokkul, Chief of the Office of Environmental Medicine at Ratchavithi Hospital, said that it was necessary to register all affected people and assess radiation levels, even minimal levels of exposure, in order to evaluate long-term effects and the potential risks of cancers.

She was critical of Public Health Ministry officials who said that patients exposed to Cobalt 60 could be cured: “There is no real cure for those who suffer from radiation sickness. What the doctors can do is only reduce the severity of their conditions.”

“The Public Health Ministry should tell the public the truth,” said Dr. Oraphan, “merely focusing on white blood cell counts is not enough to know the real health of people exposed to radiation.”

Sources: The Nation 23.2.00, 3.3.00, 17.3.00, Bangkok Post 24.2.00, 27.2.00, 3.3.00, 25.3.00.

Nuclear industry facing public opposition

A group of 30 Japanese tourists on a pro-nuclear energy tour to Thailand faced protest banners in Thai and Japanese from anti-nuclear groups when they arrived in Chiang Rai in February.

The tour was organised by the Japanese municipality of Kumihama to show its residents the difficulties faced by ethnic minority people living without electricity in Thailand. The pro-nuclear municipality hopes to proceed with a nuclear power plant proposed in Kumihama prefecture.

The demonstrators, comprising Akha ethnic people, Thai activists, and anti-nuclear energy student activists from Japan, objected to the Japanese tour group’s use of ethnic minority people as a tool to promote a nuclear power plant in Japan. The protestors said that the tour’s objectives were insulting to the indigenous cultures of the Akha and other ethnic peoples living in Thailand.

Mr. Athu Pochae, a member of the Association for the Study and Conservation of Akha Culture, said that the tour was organised to promote nuclear power because the radioactivity accident at the Tokaimura uranium plant in Hibaraki province had caused public opposition to Japan’s nuclear plans including the proposed nuclear power plant in Kumihama prefecture. The Tokaimura accident last September killed one worker and exposed hundreds of people to radiation and is classified as the world’s worst nuclear accident since the explosion of a nuclear reactor in Chernobyl in 1986. Following the accident, the Japanese government abandoned its plans to build between 16 and 20 new nuclear plants by March 2011.

Meanwhile, in March the Government of Vietnam announced a plan to build its first nuclear power plant in Pohu Yan province on the central coast by 2020. Costing US$3 billion, the plans follow a six-year study on strategies to develop atomic energy by the Vietnam Atomic Energy Institute.

Sources: Friends of People (FOP), 15.2.00, TheNation 11.3.00, 9.3.00.
Looking into the ADB

The Asian Development Bank (ADB) is an international financial institution that describes itself as a “broad-based development institution”. While governments in the Mekong Region are familiar with the Bank because it provides funding for large-scale infrastructure projects and neo-liberal policy formulation, people in the region have little or no access to information about the Bank and the policies and projects it promotes. Watershed talks with ADB officials, the ADB Director representing Australia and Cambodia, and activists working with nongovernmental organisations in the Mekong Region about the ADB and its approach to “development”.

“We are working very closely with countries in the subregion to ensure that they do not repeat Thailand’s experience but learn from Thailand’s mistakes”

Mr. Craig Steffensen is Resident Advisor for the Asian Development Bank’s Thailand Office in Bangkok.

Please describe the activities of the Asian Development Bank’s Thailand Office and your role. The Asian Development Bank (ADB) pledged US$1.2 billion at the Tokyo Meeting in August 1997 to support the Government of Thailand’s stabilisation and structural reform programme, focused on the financial, social, and agricultural sectors. A Financial Markets Reform Programme Loan was approved in December 1997 to strengthen market regulation and supervision and develop long-term institutional sources of funds. A Social Sector Programme Loan was approved in March 1998 to mitigate the short-term impact of the crisis on the most vulnerable social groups and the unemployed, and to reduce inefficiencies in the provision of social services. An Export Financing Facility was approved to support financing of exports, including imports of raw materials and export-related plant and machinery required by exporters. Finally, an Agriculture Sector Programme Loan was approved in September 1999, to increase productivity, enhance export competitiveness, and improve governance and management in the agricultural sector. My role has been to facilitate the processing and administration of ADB programmes and projects in Thailand, since September 1997.

Mr. Craig Steffensen: “Our strategy now includes three country specific objectives: (i) poverty reduction and quality of life improvement, (ii) structural adjustment, and (iii) strengthening competitiveness, to promote efficient, regionally balanced, and sustainable growth.”

The ADB’s agriculture sector loan for Thailand requires policy reform such as drafting of a national water policy. Is there a process of consultation with the ADB to decide whether there would be reform measures before the government requests the loan? Or does the ADB prepare the loan first and then suggest the reform measures? The Agriculture Sector Programme Loan marked the first time the government and the ADB employed the “participatory approach” during loan processing in Thailand. We worked closely with Dr. Amara Pongsapit at Chulalongkorn University [Social Research Institute] and her staff. We visited the provinces together and had interviews with farmers, merchants, local government officials, students, and nongovernmental organisations (NGOs) to talk about the issues where well-targeted policy reforms might make a difference in terms of improved productivity and efficiency. Based on literally hundreds of interviews, we invited a number of stakeholders
from upcountry to participate in a series of workshops at Chulalongkorn University, where together we prepared the first draft of a policy matrix. These groups advocated many of the reforms included in the final policy matrix.

One of the conditions in the agriculture loan involves the setting of water fees and this has caused a lot of controversy in Thailand. Is the ADB aware of the controversy?

We know it’s controversial and it’s got so much media attention that the intent of the reform is now really distorted. First, in the meeting in Manila attended by Thailand’s Minister of Agriculture and the Permanent Secretary [of Agriculture] and other staff together with ADB senior management, it was agreed that small-scale farmers will be exempted from this provision.

Among other provisions, the Agriculture Sector Programme sets out to establish a comprehensive, unified framework water management system in the country by reforming the institutional and legal instruments for regulating rights to water, water allocation and distribution, licensing and costing of water extraction, determination of penalties for illegal water use, and flood protection.

The condition in the policy matrix that has proven so controversial concerns a set of reforms to be undertaken involving water service delivery. Specifically, it was agreed that the Ministry of Agriculture and Cooperatives, in consultation with stakeholders, would initiate a process of cost recovery in public irrigation schemes. This programme would commence by late 2000 and would involve public education and awareness campaigns to promote payment for irrigation services. Thailand’s Minister of Agriculture and the Permanent Secretary [of Agriculture] specifically agreed with ADB senior management in Manila that costs of supplying irrigation water from public irrigation schemes should be recovered on the condition that doing so will not cause an undue burden on small land holders.

Second, the intent of the reform is to promote the optimal use of irrigation water in the country. Demands for water in Thailand are increasing at a time when water resources are increasingly scarce. We have all witnessed the worsening effects of drought in Thailand the past few years. International best practice suggests that efficiency in water management can be improved considerably through imposition of nominal water user fees. It’s basically a quirk of human nature that people who get something for free are more inclined to use water less efficiently than those individuals who have to pay for water, however small the cost. By assessing a nominal cost for water use, use of irrigation water might thus become much more efficient, and make more irrigation water available to farmers especially during critical periods. This is the real intent of this reform measure.

Third, my understanding is that the government intends to go after industrial estates, factories, and housing estates in and around Bangkok and which are located next to irrigation canals that the Royal Irrigation Department (RID) constructed years ago. Many of these groups have pumps drawing water from irrigation canals and do not pay their fair share. So measures will be implemented to collect water user fees from these groups in particular.

After that, there are groups that are willing to pay for water, such as sugarcane farmers in Chonburi province. Sugarcane cultivation is a big business in Thailand and sugarcane farmers with access to a reliable supply of water are making a considerable amount of money nowadays. A number of sugarcane farmers and millers believe it would be profitable under current market conditions to produce a second or third crop in areas where right now there is no irrigation system. They reason that if the RID will construct the irrigation canals, they will pay for the water at rates that will enable cost recovery. In my opinion, this is an opportunity that should be exploited. Given the increasing scarcity of water resources, the best way to develop broad support for water user fees in Thailand may be to demonstrate to people that it is to their advantage to pay, if doing so means having greater access to a more reliable and plentiful water supply. If these same individuals can harvest a second or third crop and achieve a higher quality of life by paying for water, I believe other farmers will be willing to pay for water, too.

Nevertheless, concerns remain. Even if exempted from water fees, small farms could still be deprived of water because of the influence and purchasing power of the large farm holders and industrial users of water. Your example of the sugarcane farmers in Chonburi is a good example of how those who can pay for the water will get the water. How can small-scale farmers have guaranteed access to sufficient amounts of water? The government agreed with the ADB to undertake the following reform measures under the Agriculture Sector Programme Loan: development of participatory irrigation management, privatisation of operations in public irrigation schemes through contracts with the private sector, and development of a medium-term programme to improve the rehabilitation, and operation and maintenance of the existing irrigation schemes of the RID. It was also agreed that a number of private agencies and NGOs will begin providing agricultural support services to farmer groups for construction of irrigation distribution networks on land contributed by farmers by November 2000.

I believe the government’s development plans call for every farmer in Thailand to have access to the irrigation system at a fair and equitable price. In the end, however, I believe it is fundamentally a community responsibility to determine how water is allocated. The RID has had a lot of experience
discharging this responsibility and is committed to improved management of the irrigation system. Inevitably, however, a large number of decisions involving allocation of water resources must be made at the community level. I’m an economist – not an agriculturist by training. My limited understanding of this issue is that allocation of water resources in rural areas involves socio-cultural considerations that are as sensitive as they are complex. That said, the ADB has not attempted to offer much advice in this area, instead focusing on the economic, financial, environmental, and technological aspects of water management.

**Could you tell us about the ADB’s regional “economic corridors” for the Greater Mekong Subregion (GMS)?**

The economic corridors concept calls for key transport corridors, such as the East-West Economic Corridor from Mukdahan, Thailand, to Da Nang, Vietnam, to be linked more directly with trade, investment and other development opportunities along these corridors.

Overall progress has been quite impressive. In December 1998, the ADB approved a US$40 million loan for Cambodia and a US$100 million loan for Vietnam for the Phnom Penh-Ho Chi Minh City Road Project. Civil works have since commenced. In addition, the East-West Economic Corridor Project is well advanced, with civil works commencing in 2000. These two projects are truly subregional, and will open up new areas to trade and investment. In addition, discussions are progressing well on the Chieng Rai-Kunning via Lao PDR Road Improvement Project, as well as the Kunming-Hanoi Economic Corridor Project, both of which would contribute significantly to linking Southeast Asia with the People’s Republic of China. Finally, a lot of progress has been made towards subregional agreements to reduce non-physical barriers to the cross-border flows of people, goods, and vehicles. These barriers include customs procedures, rights of cross-border passage for vehicles and drivers, vehicle and load specifications, insurance provisions, and transit or user fees. Workshops have been conducted in the participating countries detailing the barriers to cross-border traffic that currently exist in the subregion, and proposals and measures for their reduction or removal have been prepared.

**There appears to be an emphasis on infrastructure like roads. Is that a deliberate policy of the ADB in the Mekong Region?**

The GMS Economic Cooperation Programme comprises six countries – Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, and Yunnan Province, People’s Republic of China. There have been nine Ministerial-level Conferences on Subregional Cooperation, and the next conference is expected to be held towards the end of 2000. These conferences are terribly important, for they set the agenda and direction for subregional economic cooperation. Priority projects and initiatives are endorsed and donor assistance is mobilised at these meetings. In addition, forums or working groups have been established for each of the sectors (transport, energy, telecommunications, tourism, environment, human resources development, trade and investment) included in the Programme, to facilitate project implementation and the identification of new areas of cooperation. National coordinating committees and coordinators support the process. The GMS Unit at the ADB provides advisory and secretariat-type support to the Ministerial Conferences and the sector forums and working groups. The GMS Unit, in turn, has been supported by the technical expertise of various departments of the ADB.

It follows that the ADB’s role is to facilitate the development of those activities which the Ministerial Conference has determined are of highest priority. The GMS Unit is best viewed as the means by which support for priority projects and activities is achieved. So, when the Ministers meet and decide something is a priority, then it’s up to the GMS Unit to work with the governments of the GMS on preparation of a feasibility study, identification of funding sources, and examination and assessment of environmental and social considerations, as well as make recommendations on the relative merits of a proposed project.

To date, about 10 subregional infrastructure projects are under implementation or have been completed, with overall investment amounting to about US$1 billion. Of these, the ADB financed six projects, providing US$465 million of concessional loans and mobilising US$234 million of cofinancing. Important progress has also been made in promoting regional economic cooperation in other sectors, including human resource development, tourism, environment, and trade and investment. Since 1992, the ADB has supported 26 technical assistance projects under the GMS Programme, involving US$38 million of resources from the ADB, cofinanciers and the GMS governments, including US$15 million for environmental technical assistance under the GMS Programme.

We now have a list of 85 priority projects in various stages of implementation. We are tackling them one at a time. But looking at what we have done in the environment, especially the Tonle Sap and hydropower projects in Laos, I believe we have a pretty good record in terms of balancing our support from one sector to the next. But yes, most of ADB funding has been in areas of transport, power and communications.

“Looking at what we [ADB] have done in the environment, ...we have a pretty good record.”

**Do you think the ADB shares some responsibility for the social and economic inequality that is a direct result of the economic growth and export-oriented industrial development model supported by the ADB?**

Several governments in the subregion have relied largely on economic growth and sustained rural development, together with some targeted income- and employment-generation programmes, to reduce poverty. Poverty incidence in Thailand in particular has proven highly responsive to economic growth. In Thailand, the incidence of poverty was halved during the 1990s, from 27 per cent in 1990 to 11 per cent in...
1996, before rising to 13 per cent in 1998. Nonetheless, income disparities in Thailand are among the worst in the region. In 1998, for example, the poorest 20 per cent of the population had only 4.8 per cent of national income, while the richest 20 per cent had 54 per cent.

The model you are referring to served the needs and aspirations of the subregion quite well for a long time before it was clear that continued pursuance of certain policies and practices embodied in this model were unsustainable. I remember talking with a senior economic policymaker in Thailand more than 10 years ago – when I worked for a bilateral donor here – and calling attention to the fact that despite average annual economic growth of more than 10 per cent, income disparities were widening rather quickly. Basically, I suggested the development model being pursued at the time might need to be revised. The response I received was that this was to be expected and that these differences would wear down over time, and in the meantime the government’s economic growth policies were reducing the absolute numbers of people under the poverty line, which was the main concern at that time.

The other impact of this development model in Thailand is the degradation and destruction of forests, fisheries, farmlands and rivers. On the basis of the Thai experience, does the ADB expect this development model will cause environmental degradation to be repeated in countries like Laos, Cambodia and Vietnam? Thailand’s environmental problems in rural areas include excessive deforestation, destruction of watersheds, flooding and soil erosion, sedimentation of irrigation reservoirs, cultivation of fragile lands, overuse of pesticides, overfishing, and loss of genetic and biological resources. In the ADB’s view, there has been underinvestment over the past few decades in rehabilitation, regeneration, and conservation of valuable natural resources, and the environment has been degraded to the point where it is impeding economic development. Shifting cultivation, urban expansion, and limited effectiveness of control over logging continue to result in deforestation and forest degradation. Meanwhile, the rapid growth of industrial and agro-industrial production has transformed Thailand from a mainly agriculture-based economy into an economy dominated by the manufacturing and service industries. This has resulted in serious air, surface, and groundwater pollution in urban areas, especially in and around Bangkok, where about 16 per cent of the population and 75 per cent of Thai manufacturing output are located.

The ADB’s view is that Thailand can serve as a development resource for all the countries in the subregion not only in terms of what policies and projects have worked but also with respect to those that which have not. Indeed, we are working very closely with countries in the subregion to ensure that they do not repeat Thailand’s experience but learn from Thailand’s mistakes. In addition, there are several large projects and a number of technical assistance activities in our country operations in Thailand that address both brown and green environment issues.

The ADB has stated that it wants to attract more private sector financing for large-scale infrastructure projects. Does the ADB give priority to GMS projects that are attractive to the private sector?

At the most recent Ministerial Conference in Manila [January 2000], a private sector representative said there were many government officials present but only one person from the private sector. He suggested that the ADB establish a business forum under the GMS which would allow private investors not just from these six countries but also those interested in the subregion to meet a day before the senior official and ministerial level meetings. This would help the private sector to meet with government officials from the six countries, discuss their concerns and become more involved in the regional economic cooperation process. The ADB’s Vice President promised that he would consider this request, and it now appears that the ADB will provide support for a GMS Business Forum, the first meeting of which will be held in Bangkok soon. Until recently, some member countries of the GMS were reluctant to engage the private sector in GMS meetings as closely as some representatives of the private sector would have wished. Indeed, the GMS got started as basically a government-to-government forum and some of the governments involved were concerned that inclusion of business people in these meetings would change the nature of the GMS Programme.

The projects supported contribute to economic growth, improved living standards, and poverty reduction. The primary strategy for realising these goals is to let the market forces of demand and supply function more freely, and to reduce government intervention and state ownership in the allocation and use of human, natural and capital resources. Collectively, the ADB, World Bank, Japanese Bank for International Corporation, United Nations agencies, and governments in the subregion do not have the financial resources to support all the economic, social and environmental projects that have been earmarked for development. Judging from the list of projects, however, it appears that the only way these projects can be completed this century is by mobilising private sector financing, as appropriate.

How has the role of the ADB changed during and after Thailand’s economic crisis?

Major shifts have occurred in ADB’s operational priorities in response to the markedly changed conditions in Thailand following the economic crisis. Our strategy now includes three country specific objectives: (i) poverty reduction and quality
of life improvement, (ii) structural adjustment, and (iii) strengthening competitiveness, to promote efficient, regionally balanced and sustainable growth. Spatially, ADB support for projects will be concentrated in the north, northeast, and southern regions of the country, which are relatively less developed and account for the majority of Thailand’s population, including most of the target groups below the poverty line. The geographic focus was intended to contain growing regional disparities and maximise the poverty reducing impact of the programme.

While historically there has been a concentration of lending to physical infrastructure development, in the current portfolio support for physical infrastructure accounts for only seven loans amounting to about US$750 million, or about 30 per cent of the ongoing portfolio. The composition of the ongoing loan portfolio reflects increased support for Thailand’s social and financial sectors and to rural areas.

**What is the reason for this shift in the ADB’s project priorities?**

First, it is clear that the economic crisis in Thailand is over and the country is well on the way to recovery. Second, it is clear to us now that although millions of Thai have escaped poverty during the past decade, such progress obscures the fact that certain social inequities have worsened (e.g., between urban and rural areas, between regions, between well-educated workers and those with little education, and between households of different socioeconomic status). In 1981, for example, the top 10 per cent of Thai households earned 17 times as much as the bottom 10 per cent; by 1994, the multiple was 37 times, making Thailand one of the least egalitarian countries in the world. The Government and the ADB are rightly concerned with the fact that the gap in terms of the quality of life enjoyed by the urban rich and the remainder of Thai society has widened. As to the cause, some people say the government made growth a priority and was reluctant to implement income distribution policies on grounds that they would retard growth. However, the basic reason may be that improvements are required in institutions that regulate production and provide supporting government services in rural areas, in government taxation and pricing policies, and in the environment for development of small- and micro-enterprises, all of which have proven very effective elsewhere in encouraging broad-based equitable economic growth and in improving the living standards of the poor. The ADB’s programme in Thailand has shifted in line with these developments.

**Does the ADB have special plans for its Annual Board of Governors Meeting in Chiang Mai in May?**

We hope to be able to announce that a Resident Mission will be opened in Thailand in 2000. Beyond that, the ADB will engage the NGO community a lot over weeks and months before the meeting. I used to work for an NGO before and I believe there is a fair amount of misunderstanding in the NGO community about the ADB and the role we are playing in the subregion. If people really want to listen to things they haven’t heard before, I am optimistic that we think we can change their opinions of the ADB. I know my own opinion has changed since I started working with the ADB. We thus look at the annual meeting as an opportunity to continue our dialogue with the NGO community about the activities of the ADB, and how we might be an even better regional development bank.

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**“The overall policy matrix of the ADB is an attempt to consolidate control over natural resources that farmers depend on for production – land, water and genetic resources.”**

Mr. Day-cha Siripat is President of Technology for Rural and Ecological Enrichment (TREE), a Thai nongovernmental organisation working with local communities to develop ecologically sustainable agriculture.

**Please tell us about your work.**

Technology for Rural and Ecological Enrichment (TREE) was founded in 1989. TREE works on sustainable alternative agriculture as a means to critically examine the whole system of industrialised agriculture – a system that is not suitable for, or beneficial to, farmers.

Since the First National Economic and Social Development (NESD) Plan in 1961, every NESD Plan has supported the concept of trade and exports for the agricultural sector. Farmers were forced into maximum production to serve global markets. This was different from the past when farmers produced first for self-sufficiency and local or family needs, and only the surplus was sold in the market. When production was changed to serve the markets, technology and all the factors of production also had to change.

So farmers changed the crop and livestock varieties, began using chemical pesticides and fertilisers and heavy machinery. This was the so-called “Green Revolution” agriculture which depended on infrastructure such as piped irrigation and roads as well as on factors of production from outside the country. The global market was controlled by the Northern developed countries who developed agreements and forums on agriculture such as the World Trade Organisation to slowly pressure developing countries like Thailand to adopt and intensively promote this system in their domestic agricultural sector. In our view, this kind of agricultural system cannot serve as a genuine development model for farmers because it depends on outsiders and the market, destroys the environment and the health of farmers, and leads to serious social impacts in the long-term.

TREE works with local communities in Suphan Buri province as well as at the national level through building...
networks, exchanging information and technological skills. During 1995-96, the network was involved in the drafting of the Eighth NESD Plan by pushing for sustainable agriculture concepts and a genuine reform of the agricultural structure. We proposed that, during the five years of the Eighth Plan, at least 20 per cent or 25 million rai [400,000 hectares] of agricultural land in the country should be allocated for agriculture that is free of chemical pesticides and fertilisers.

Reform of the agricultural sector is necessary not just in terms of management but also the production structure. The shift from Green Revolution agriculture to sustainable agriculture requires changes in everything, including learning, management, administration of resources, and land reform. But government attempts at reform are in a totally different direction because the government views the problems of the agricultural sector in terms of the problems in the global market for rice, cassava and coffee. So the government is decreasing the cultivation area for these crops and promoting other crops that may be more profitable in the market. This kind of reform has failed because it merely changes production and not the whole structure. Moreover, the huge amounts of money used by the government for these production changes also leads to widespread corruption.

In May 1998, the government revised its Eighth Plan in response to the economic crisis the previous year. The government used the Thailand Development Research Institute (TDRI) as the major policy thinktank and held a one day meeting to discuss the revisions to the Eighth Plan. But the government did not really seek public opinion about the policy changes and returned to the same development direction of rapid economic growth.

The International Monetary Fund (IMF), World Bank (WB) and the Asian Development Bank (ADB) began to have even more of a major influence on development policy and plans. The government and state officials claimed that we had to follow these changes because we are borrowing money from these international agencies. But in reality, although the economic crisis was given as a reason, the government itself wanted to implement the changes.

Could you explain the proposed restructuring of the agriculture sector and the charging of water fees for farmers as a result of the US$300 million loan provided by the ADB for the agriculture sector?

The ADB policy matrix has proposed charging water fees saying that the use of water at present is not efficient since water is free. The proposal is to establish a Ministry of Water Resources, draft a Water Law, and charge water fees for agriculture. The government agrees with the ADB that industry, tourism and the service sector returns more revenue from the use of water than rice farming. For example, conventional economists say that one cubic metre of water used in agriculture gives less value than a cubic metre used by industry.

When we talk of restructuring of the agriculture sector, we must ask whether the emphasis is on sustainability. The ADB emphasises export-oriented agriculture. The overall policy matrix of the ADB is an attempt to consolidate control over natural resources that the farmers depend on for production – land, water and genetic resources.

The ADB and the government want to take water away from farmers and make it the property of the state and charge fees. So they change the principle of water as a commons managed by the community to that belonging to the state. When this change happens, the person who can pay for the water can get water. Therefore it becomes a competition over water among the industry, services, tourism, and the agriculture sector about who gains the most economic returns from the use of water. Agriculture is at a disadvantage compared to other sectors, and even within the agriculture sector, small-scale farmers are at a greater disadvantage than large-scale farmers.

Mr. Day-cha Siripat: "The ADB views poverty as a reason for not being able to develop the country. But in fact, poverty is not a reason, it's a symptom of the present-day development in which local people have become poorer and farmers are in debt after planting cash crops for the market."
they will also have to pay. Then the only form of agriculture that will survive is industrial agriculture while subsistence farming will disappear.

The ADB has stated that small-scale farmers will be exempted from water fees.
It is not clear how far this exemption will be implemented since there are many complex details such as how the fees will be collected; will there be a water meter like in urban areas or will it be charged according to the land holding of farmers? Whatever the manner of fee collection, many problems are bound to follow. If we look at the draft Water Law, it says that water resources management is the right of the state and committees will be formed to manage water. This is clearly a centralisation of water management. So how can we believe that there will be equity in water distribution when this is opening an opportunity for the state to do anything it wants?

What do you think about the ADB’s arguments to increase the efficiency of water use in agriculture?
We need to be clear on what kind of efficiency they are talking about. Recent research shows that small-scale farms are more efficient than large-scale farms in terms of energy use. In industrial agriculture, we have to look at the inputs such as chemicals, fertilisers, and machinery imported from abroad and compare this with the yield. Then we can see that there is a large difference in terms of the quality of the output. We have to look also at how efficiency is measured and include the impacts on the environment, health and food security. Then it becomes clear that Green Revolution agriculture is not efficient. But the government does not think of efficiency in these terms because they simply think that a paddy field yielding five tonnes is more efficient than a field yielding one tonne.

Moreover, farmers doing Green Revolution agriculture are now heavily indebted. And this was at a time when there were no water fees. If water fees are charged, the investment costs will further increase. How could this be of any help in improving efficiency?

Will the ADB’s proposed land reform help small-scale farmers by providing land deeds?
The ADB policy matrix talks of land reform but without any clear objectives. They say the government should speed up the process of giving land titles. But this is not a solution because we must be clear about what percentage of land will come under land reform and in how many years. We have to see the number of farmers with insufficient land and those who are landless, and then see what percentage of land will be given to these groups under the land reform. If farmers do not have enough land or are landless, and they are forced to rent land at expensive rates, agricultural development is impossible.

In reality, the ADB is actually proposing land deeds that can be used as collateral to borrow money so that financial agencies are protected from any risks when lending money to farmers. Then the agriculture for export markets can be further developed. Therefore it is not genuine land reform as they claim.

The ADB says that water fees will be charged only for farmers using the state irrigation areas. What are the implications for small-scale farmers outside the irrigation system?
Yes, water fees will be charged only for those in the irrigation system. Those outside the system will still have to depend on rainfall because the ADB or the state will not help them. The state will have to invest billions of baht so that water fees can be collected from the piped irrigation system because this system is more expensive. But with the piped irrigation system, the state can control the areas where water will be released. The piped irrigation system is a step in the government’s development of high technology agriculture with huge investment costs, which necessitates the charging of water fees.

Is the “free market” being used as the driving mechanism for the privatisation of natural resources?
The main objective of the reforms is to support industrial agriculture and the further monopolisation of natural resources by transnational corporations (TNCs) and developed countries. Everything is being pushed in the direction of markets because the US, Japan and Europe follow the lead of their transnational corporations. The industrialised countries use the ADB, WB and IMF to force government officials, academics, and economists in Thailand along the same direction. Ultimately, those who are disadvantaged are the local communities. We are trying to become a newly industrialised country (NIC) without being interested in who pays the price for the development. The economic gap between people is widening because the resources are in the hands of a minority group of industrialists. This minority is joining hands with outsiders to use the present economic circumstances and push more rapidly for increased control over the natural resources. But what right do the TNCs and global financial institutions have to dictate the direction of development just because we have borrowed money? It is like being colonised.

What has been the response of farmers and NGOs to the proposed restructuring of the agricultural sector?
NGOs working on agriculture issues have submitted letters of protest to the government several times. We have held many seminars with farmer’s networks such as the Assembly of the Poor. The state officials from the Agriculture Ministry say they will listen to us, but they have kept negotiating with the ADB without informing us. So we are not aware of the extent of the government negotiations with the ADB. Then
when the new policy comes out, it will be the same as the previous policy except for some minor changes in an attempt to reduce the intensity of the protests by farmers.

What are the main recommendations of village people and NGOs concerning the agriculture policy?
We agree with some points of the ADB’s policy matrix such as the land reform targeted to increase the area covered by the issuing of land deeds from 230,000 hectares per year to 400,000 hectares per year. However, these figures are not the issue. The main issue is for the large number of people without land living outside the national forest reserves. It’s not just a question of issuing land deeds for those who settled in the national forest reserves but also for those who don’t have land.

The government will also establish institutions to protect local knowledge or agricultural techniques. In fact, this is something that we proposed but we wanted the process to emerge from the village people who will receive and manage the government funds by themselves. We want to emphasise agricultural production for consumption within the country and decrease imports.

Did the ADB have a process of consultation and public participation while preparing the policy matrix for agriculture reform?
The ADB may claim that there was a process of consultation but when they say the village people have “participation”, we need to ask what kind of participation? Is it participation when the ADB meets the village people and ticks off their answers on a questionnaire by using leading questions? This is the same when the government revised the Eighth Plan and claimed that every sector had participation. But in fact, they merely invited the concerned people to listen to the discussions but they were not really prepared to incorporate our suggestions because they say our opinion is that of a minority.

What are your views on the ADB perspective that poverty is an obstacle to development and that the solution lies in integrating local communities with the globalised market economy?
The ADB views poverty as a reason for not being able to develop the country. But in fact, poverty is not a reason, it’s a symptom of the present-day development in which local people have become poorer and farmers are in debt after planting cash crops for the market. Previously, although farmers did not have much cash income, they were at least not in debt. But when farmers produce for the market, they have to buy chemicals and fertilisers. Then when they go to sell their produce, they are at a disadvantage because they don’t get good prices. They have to use their cash income to buy food to eat.

I think poverty is caused by the present system that denies equality for local people. The best way out is to develop a self-sufficient economy in which one family can have two agricultural systems: one for self-consumption and another for sale in the market by not depending on chemicals and fertilisers, and without investing a lot of money. Farmers are always disadvantaged by the market economy.

“The worthy objective of improving the lot of human beings less fortunate than ourselves and to do it primarily through economic growth.”

Mr. John Lockhart is a Director of the Asian Development Bank (ADB) and represents Australia, Cambodia; Hong Kong, China and five Pacific Island countries on the Bank’s Board of Directors.

What is your association and responsibilities with the ADB as a Director?
There are 12 Directors who represent 58 member countries. My appointment became effective on 1 July 1999 and I represent eight countries: Australia, which has the primary voting power from my constituency, Hong Kong, China; Cambodia; and five Pacific Island countries, Tuvalu, Solomon Islands, Nauru, Kiribati and the Federated States of Micronesia. The Board meets regularly, about two or three times each week. We determine the policy as laid down in general terms by the [Board of] Governors and make the major policy decisions of the Bank in conjunction with the President of the Bank, vice presidents and senior staff.

How does the Board of Directors make decisions about the Bank’s projects and operations?
The Bank has a system whereby every three to five years staff of the Bank prepare, under the guidance of the President, a country operational strategy or COS. They look to the next three to five years in each country that receives assistance from the Bank, the Developing Member Country, (DMC), to see where their needs are greatest for assistance, for example in agriculture, transport, roads, education, governance, reforms to the judicial system and the legal system, etc. It covers the whole spectrum of activities and focuses its operational strategies in the light of that. Every year, the Bank prepares CAPS [Country Assistance Programmes], a detailed document dealing with what is proposed for the following year and consistent with the COS. By looking at the two documents one should be able to extrapolate the relevance of a particular project that comes before the Board from the staff. We examine proposed projects in the light of the short-term CAPS and the long-term philosophy in the COS.

In the recent negotiations in Brisbane [Australia] and
Edinburgh [Scotland] for the eighth replenishment of the Asian Development Fund (ADF), the fund for the ADB’s concessional loans, donor countries were demanding a more efficient administration of the ADF and an accounting of the performance of past ADF loans. In your opinion, what are some of the proposals to make the ADF more accountable?

The sorts of matters that are being discussed are whether the project and programme loans that the Bank is making to developing countries are being sufficiently supervised and implemented. When monies are lent to countries, it is the country’s project that is involved. It is not the Bank’s project. The Bank is financing it; the Bank provides assistance and advice and makes sure that the monies are properly spent in accordance with the terms of the loan. What the donors are, in part, saying is that they want the supervisory input of the Bank in this area to be more rigorous and not just left to the countries themselves. Donors are also concerned about a number of other things. They are concerned about whether governance issues within developing member countries are being properly addressed by the Bank. By governance I mean matters such as proper standards of behaviour in government and in the judiciary and in the world of commerce being observed by countries receiving the benefits of the ADF funds. Corruption is central to all of this. We are trying to help the developing member countries eliminate corruption. Proper standards of behaviour within government administrations, proper handling of contracts so that when business people go to developing countries looking for contracts to do work there, to sell goods or services there or do consultancy work, the standards of the government are proper, transparent and free of corruption.

Many Australian NGOs have expressed their concern about the human rights and consultation aspects of this issue. These issues are very much in the forefront of such discussions and understandably so. But they are delicate matters that go to the heart of government and often reflect attitudes that have developed over decades and sometimes centuries. Things are not always easy to change. That raises another issue – countries have a certain culture. Many developing member countries differ from countries like Australia. The donor countries are looking to ensure that the money they put into the Bank is spent on the project involved and not siphoned off somewhere else or spent inefficiently, so that it is only of residual benefit to the poor in the developing country. They also want to ensure that the procedures for gaining contracts for supply of goods and services are correct procedures under international standards.

How does the Australian Government see the benefits and risks in projects funded by the ADB? How are benefits and risks assessed?

Australia is very committed to doing everything it reasonably can, within budgetary constraints, to assist developing member countries in Asia and the Pacific Islands, to improve their economies and in the relief of poverty. The present Minister for Foreign Affairs, and previous Ministers, have made this point very clear. They want to ensure that fostering economic growth improves the lives of people in the countries concerned, on the assumption, which I think is valid, that proper economic growth alleviates poverty. Handouts to people only go so far, but they are of course necessary in times of national disaster and crisis. Underneath it all, unless the economy is moving efficiently, and people get interested in making money, you do not alleviate poverty. That is a controversial view but most people nowadays subscribe to it. I certainly do.

How does the Australian Government benefit from its support of the ADB or Australia’s bilateral development assistance programme?

All the major political parties in Australia seem to be committed to the notion that they should help their less fortunate Asian and Pacific Island colleagues. Australians think it is the right thing to do. The reasons vary, but one reason is that expenditure by Australia to help the developing member countries assists in advancing Australia’s security interests and trade interests in Asia and the Pacific. So I think it is self interest as well as genuine human interest in the needs of others that prompts Australia to make these funds available.

Please explain the main elements of the Bank’s “overarching objective” and how, in your opinion, it will change the way in which the Bank operates.

The current President of the Bank, President Chino, has stated that the overarching objective of the Bank is poverty alleviation. The Board of the Bank endorsed this late last year. So the overarching objective is to alleviate poverty, but the main elements in it, and there are many of them, really are the worthy objective of improving the lot of human beings less fortunate than ourselves and to do it primarily through economic growth. This is done in many ways, including the promotion of economic growth by restructuring economies at the macro-level and at the micro-level. Getting economies moving is the best way to cause the country’s monetary situation to improve, cash to flow, people to develop pride in themselves and in their work and thus have poverty alleviated. Economic growth is not the only answer, obviously; but it is an essential component and objective.

There are many other important matters. Environmental issues are critical. The denudation of forests throughout the world and Asia is no exception. In fact it is very bad in Asia.
It is a matter that has to be addressed. Excessive fishing is a large problem which threatens to make some breeds of fish extinct. The enormous problems of pollution, both land, sea and air, are all involved in the Bank’s poverty alleviation policy. For example, with the denudation of forests, topsoil erodes and enters the lakes and the seas. There is no proper control over sewage and the fish suffer. Fishing goes on at an excessive rate and fishery industries suffer. Therefore people suffer from having no fish and so on. It is all related. These are the sort of components in the Bank’s policy of poverty alleviation that are being stressed very much.

**How is the Bank implementing this objective?**

The Bank has set up a poverty reduction unit and its primary task is to see how the Bank’s own procedures need to be examined and changed to give effect to this new policy. Every project and programme which is underway is being examined to meet this test. Does it relieve poverty and if it doesn’t steps are taken to see that it should be amended to ensure that it does. In relation to new projects it would be easier because there is nothing there [in the new projects] to be corrected, it is just assumed that people [Bank staff] have that as the objective. The Board plays a role in this of course. Having sat on many meetings in my short term so far on the Board, now that this is the adopted objective, I and my fellow Board members all do the same – we’ve been looking at the papers and in the meetings we ask, what is this, is it really something that is aimed at alleviating poverty? If the answer is that I cannot see that [aim] very clearly then the project would probably not be approved.

**What is your opinion about the ADB’s emphasis on promoting the role of the private sector in development?**

I think that it is in principle very good. It has to be carefully watched of course and there are differences of opinion on this. It depends how private sector operations are facilitated by bodies like the ADB, and it applies to every multi-national financial institution and not just the ADB. For example, imagine a project involving substantial reclamation of a river that has become totally polluted, harbouring disease and providing virtually no benefit to humanity at all. That applies to quite a few countries. The way to do it involves many steps: relocation of people who squat along the river banks, dredging processes, highly involved scientific processes to promote regrowth of proper elements in the river, get fish back, and so on. Now this can be done just through government initiatives or it can be done just through private operations or it can be done by both, usually by both. The Bank can lend money and give its own expertise. It’s not just the loan, it is expertise through consultants engaged for the purpose and the Bank’s own staff. It can lend funds to the country for private sector operations through contracts with the private sector, or the Bank can engage the private sector. I don’t see any reason in principle why this is not a good thing. It probably means there has to be more monitoring of it and that is understood by the Bank and steps are taken to ensure that. I think it is a good thing. All private organisations have profit motives and that is healthy.

I think the fact that they do have the profit motive is a good thing. It means that they become more efficient. Competition is critical. Competition determines who should have the contract and who should perform best. If they don’t perform they will not get the next contract. The fact that the company is there to make a profit is good. If the company didn’t do it and if a government used its own resources I happen to have the view that private operations do it cheaper and more efficiently than a government in many cases.

**Could you comment on the Bank’s policy of information disclosure and its accountability to ordinary people both in the donor and developing member countries?**

Multinational banks like the World Bank and the ADB and others are international institutions established under the auspices of the United Nations. They are governed by international law and not necessarily by the local law of the country where they operate. So they are not subject to the laws of that country, including those related to disclosure. However, immunity is not absolute. It means that bodies like the ADB have to be particularly careful to have proper processes that ensure transparency and accountability in Bank processes. The Bank does have quite elaborate rules designed to ensure this occurs. From what I have seen the ADB is quite good in this. I have heard some complaints, I have heard some praise. I think it does mean that these sort of institutions are less accountable and have to make sure that their own rules are such that it makes them accountable.

**Although Australia has made substantial financial contributions to the ADB over the years, people in Australia seem to have a relatively low level of knowledge and awareness of the ADB and the Australian Government’s role in the ADB.**

You are right. There isn’t enough knowledge amongst people of the work done by multinational financial institutions. I suppose there are two points. First, the Australian Government has its own facilities for letting people know the work is that is being done for these countries through financial assistance by the Australian Government. That is a matter for the Australian Government.

Secondly, the Bank has its own facilities for public information. I think the ADB should do more to tell the world what it has done, is doing and proposes to do. The Bank has been in many respects extremely successful and people do not know. If something goes wrong, they seem to know about that; but they don’t know about the successes.

**How would the ADB do this?**

Better PR [public relations]. Look at the World Bank. They are publicising what they are doing and a lot of money is spent on that. I think that is good. One has to remember the ADB is an Asian development bank and Asian people and their culture tend not to put themselves in the limelight. It may be a good thing but I rather think it [the ADB] should change and be more up-front about what it is doing. It will be a good thing but it is controversial and I respect the other point of view. I think mine is right; so do a lot of others.
What are the activities of TEW and CHESH?

TEW’s long term vision respects the relationship between ethnic minority women and their natural resources in highland areas. TEW is aiming to establish networks among the representatives of women from different ethnic minority groups as well as supporting coordination amongst women who face similar situations, especially regarding land allocation and gender issues. Since TEW was set up in 1994 we have learnt many lessons that inform our approach. The gender dynamics between women and ethnic minority communities and community institutions, individuals and their community, between groups inside a community, between old and young, rich and poor, women and men, traditional leaders and official leaders, all of these together create a very complicated whole. That is why we established CHESH which focuses on the holistic relationship of human beings with their environment.

CHESH’s long term vision is to reconsider sustainable development by focussing on a balanced relationship between humans and nature, in this case ethnic minority communities and the highland environment. CHESH is working to develop networks amongst ethnic minority communities in different ecological zones in Vietnam, and now we have begun to connect this approach with friends and colleagues in Laos. In the future we dream of establishing a network in the region for key farmers and nongovernmental organisations who involve and work closely with indigenous communities.

Are you aware of Asian Development Bank (ADB) projects focussed on ethnic minority people?

We became aware of a project called the Poverty Reduction and Environmental Management in the Remote Watersheds of the Greater Mekong Subregion, and attended a meeting in Vientiane hosted by the ADB. I received project documents, which were all in English language, for Phase 1 of the project.

At the meeting it became clear that the ADB has adopted an approach to development that is fundamentally different from the approach of TEW/CHESH. Firstly, no local representatives of ethnic minority people were present at the meeting. There was no one from a district or commune level there to express their needs and voice their experiences. The conference in Vientiane was critical for developing the long term vision and strategy for this ADB project, but we did not see any indigenous representatives who could voice their own development process.

Secondly, the organisers who were responsible for the project lacked both knowledge and understanding of indigenous people’s reality in the Mekong Region. They ignored indigenous values: values about nature and human values of culture and community. This was clear in the project documents, their comments at the meeting and the way the meeting was controlled.

The project documents were focused on how to introduce new methodologies of marketing cash crops and developing cash economies throughout the Greater Mekong Subregion with no criteria or indicators to assess what exactly would happen as a result in the future regarding social impacts, indigenous people’s values or identity, indigenous social institutions, traditional community structures, etc. We did not see any analysis about these indigenous issues and their relationship with the development being proposed.

Judging from the way the conference was organised and the documents, we consider that long term outcomes will be worse for humans and for natural diversity in the Mekong Region as a result of this project.

The ADB views traditional agricultural practices of many ethnic minority communities as responsible for environmental damage in the region and that introducing market-based economic systems and market-oriented agriculture will reduce poverty. How do you see the connections between humans, nature and the cultural values and practices of ethnic minority people?

Shifting cultivation is a good system for using natural resources since the population of indigenous communities has not been a constraint so far. Nowadays, population is becoming a big pressure, and the agricultural practices of indigenous communities have suffered a lot from that. Practices, like shifting cultivation, are also a cultural issue; they are one element of the cultural adaption of indigenous people and contribute to the cultural values of indigenous communities living in the highlands. So, when outsiders interfere with these traditional systems, it means they interfere with indigenous culture.
“The six GMS countries urged the ADB to accelerate the implementation of the priority projects.”

Mr. Touru Tatara is the Manager of the Greater Mekong Subregion (GMS) Unit of the Asian Development Bank’s Programmes Department (West).

What is the role of the Asian Development Bank’s Greater Mekong Subregion (GMS) Unit and how has it changed in the seven years since the commencement of the GMS programme?

When we ask, “what do member countries want the GMS to do?”, they respond, “liberalise the mobilisation of goods and people beyond national borders”. Currently the GMS programme is at the implementation stage after initiatives were delayed as a result of the economic crisis in 1997. At the Ninth Ministerial Meeting of the GMS in Manila in January 2000, the six GMS countries urged the ADB to accelerate the implementation of the priority projects.

While the objective of regional cooperation has not altered, the situation has changed, especially regarding private investment. Before the economic crisis infrastructure projects stimulated various private investments and so contributed to the area’s development. However, this cannot be expected anymore. For example, a single road construction project does not necessarily promise development. This means that more relevant investments or development assistance from donor countries are needed. This is quite different from the situation before the crisis.

Another change is that now we advocate a new concept after the crisis, the “economic corridor”. In the past, precious resources were dispersed to different places, but under the “economic corridor” concept we identify a specific area and intensively put the limited resources or investments there. Currently, we have proposed five economic corridors. One is the East-West Corridor, which links the South China Sea and the Andaman Sea though so far only between Thailand and Vietnam. Another is the South-North Corridor, which goes through China, Laos, Myanmar, and in Thailand from Chiang Rai to Bangkok. Since the current route in Laos must be closed during the rainy season, the rehabilitation of this corridor should be urges. Others are the route from Kunming through Hanoi to Hai Phong, and that from Ho Chi Minh to Bangkok through Phnom Penh. A key factor to promote regional integration is these economic corridors. This is a really new concept and approach after the economic crisis.

What has the GMS achieved?

There are eight on-going investment projects. The ADB has invested about US$500 million, co-financing projects funded by countries but administered by the ADB are invested at a similar budget scale and the contribution from the countries within the GMS was about US$350 million. The total investment exceeded US$1 billion.

Apart from the concrete outcomes, the GMS could create dialogue among the member countries. For example, four governments located in the upstream of the Mekong River, namely Laos, Myanmar, Yunnan and Thailand, will sign an agreement on commercial navigation on the Mekong River soon. This is not the ADB’s initiative, but it proves that the GMS creates a political atmosphere that encourages discussion amongst riparian countries.

In January 2000, the ADB published a relatively critical evaluation of one of the GMS priority projects in Lao PDR; the Theun Hinboun Hydroelectric Project. What has been learnt by the ADB from this case?

We have faced criticism about this project especially regarding the social and environmental aspects of project design and how we can improve those things. For example, in the case of the East-West Corridor, some are afraid that this might be a corridor for logging or trade in wildlife, or even prostitution and HIV/AIDS. The negative side effects of the corridor have been pointed out. We also understood these problems, but how do we minimize them? It is necessary to improve our capacities in project design to reduce various potential risks of the programmes.

How do the geographical differences between countries in the GMS influence the programmes?

Geographical position largely determines the advantages and disadvantages faced by specific water resource users. So far, there has not been conflict amongst countries but one cannot deny the possibility of future conflict. The upstream Mekong is in China where neither the ADB nor the Mekong River Commission (MRC) can control water use. Downstream countries are anxious about this. The GMS, especially the environment sector, realises that the impacts of the upstream development are important especially as the buffer functions of the Tonle Sap Lake in Cambodia have been reduced due to sedimentation. But these concerns do not damage the cooperation among the six countries. The strategic environmental framework of the GMS intends to identify the geographical areas where the environmental situation is fragile or sensitive. Most development activities, not only logging, but also road construction and power projects, are to be identified and the environmentally vulnerable places where cumulative impacts are likely to occur will be selected as hot spots. Environmental protection projects will be encouraged intensively in these areas.

What is the GMS programme’s position on the cooperation or involvement of Burma in the GMS?

New aid [from the ADB] for Myanmar has been suspended since 1987. At the Board of Directors, executive directors from the United States and some European countries, in particular, maintained a strong position against aid for Myanmar. They say that the ADB should neither provide...
investment nor technical assistance nor organise any meetings in Myanmar. Other executive directors take a different position. Basically, the ADB will not start any new projects. However, we should prepare for the time when the political situation in Myanmar changes and the political environment is improved for the ADB to enter Myanmar. Therefore, we would like to continue our contact with Myanmar. The GMS Unit is the only section in the ADB to work with Myanmar. The Government of Myanmar sends a delegation to our conferences and there are possibilities for them to be involved in various projects, like HIV/AIDS or watershed management in the future, although so far new programmes have not yet started. We do not exclude Myanmar but invite their delegation to the GMS conferences and the capacity building programmes.

How can civil society influence the GMS?
Recently, the ADB announced that poverty reduction is its overarching and most important objective. I do not think this is a dramatic change as we have focused on it for a long time. The most crucial aspect to incorporate this poverty reduction into our operations is participation. How can we get the involvement of civil society in developing countries into the discussion as a stakeholder? Although participation has been claimed for a long time, the ADB has not really implemented it. It is very clear that we now should realise this. In the process of setting up the poverty reduction programme in each country, the ADB proclaims that people of the various social strata should be involved. At the end of the process, a

“Poverty Forum” is established to listen to representatives from various groups of the people in each country in order to incorporate their views into the Partnership Agreement between the ADB and the respective government. This is not only the agreement with the government but also should be reflected by different opinions in the process of its formulation. The GMS should also follow the ADB’s new strategy and encourage participation in the project implementation process. What does it mean to the ADB? We should spend more time and commit more resources. For example, we should avoid the style in which we construct a road based on only the consultant’s report. We should devote more time and human resources in order to deepen the dialogue with various people.

How do you define or identify “civil society” in countries that have different political systems?
This is a difficult question. I think that it is related to the issues like, “who represents civil society?”, or “do the poor have a constituency?” especially in the case of the countries in transition from formerly control-oriented economies. It is a very difficult issue. One possibility is to work with the smallest unit of the society in each country. Or, for example, in Laos and Vietnam, where the Women’s Association is quite strong in terms of its relations with grassroots people, the involvement of such a social sector is another strength. We should consider the specific features in each country. Again, it is a difficult issue to determine the maturity of civil society in each country.

“My name is sure whether it will help us or hurt us.”
Mr. John Phay is Director of Cambodia Family Development Services, a Cambodian nongovernmental organisation based in Phnom Penh.

What has been the Asian Development Bank’s (ADB) influence on the Cambodian government and society.
I think so far the ADB’s influence on government policy in Cambodia has been very limited in the sense of changing policies. For example, regarding the logging issue, the ADB has been dealing with the government since the early 1990s but the logging policy has not changed much. Although very recently, the government has taken a pro-active role in combating illegal logging and so on. I think that changes in government policy has to include the role of the stakeholders, meaning people in civil society and within that process of civil society. A process where the ADB and the government try to change policies leads to the question of how much the benefit of these changes reaches the stakeholders if civil society does not really actively participate in this process.

How do you see the relationship between an institution like the ADB, the Government of Cambodia, and non-governmental organisations (NGOs) working in Cambodia?
In my opinion, there should be tripartite collaboration and coordination between NGOs, the ADB and the government. It has been done in the past but only in a limited way. For example, during the [ADB Annual General] meetings in Fukuoka [Japan] in 1997 and in Manila [Philippines] in 1998, the NGOs, government and ADB had meetings to talk of cooperation. After those meetings there was a lot of work to be done but in Cambodia, I think the resolutions from the meeting in 1998 have not been acted upon very much. Some issues that were addressed included information dissemination, the involvement of stakeholders and civil society in project planning and design, and so on. So far we have seen very limited progress on these issues. If we ask the ADB they say that there are a lot of NGOs in Cambodia and they still do not know which organisations have the expertise to take on a role.

There is a mix of international NGOs and the local NGOs in Cambodia. The international NGOs here have their role to play, but the local NGOs should have a very strong role in the sense of pushing the issues like information dissemination. If we talk about the resource centre [of the ADB Cambodia Resident Mission], papers and documents sent here from Manila [Bank headquarters] to Cambodia should be translated. But all the documents coming here are not translated, other documents we don’t even have here, so there is still a big gap. The problem with this whole scheme is that if stakeholders are going to be involved, the ADB has to make sure that it brings information into the country at
a level where the people can participate. If it brings in complicated documents people are not going to be able to take notice or be able to discuss an issue.

What is the approach of Cambodia Family Development Services or other local NGOs in terms of interacting with the ADB?
We are trying to develop our capacity to challenge the big institutions like the ADB. But challenge does not always mean being negative. I mean challenge in the sense of talking with the big institutions who are coming to Cambodia about social and economic issues, about culture and environment. We can say we want peace, we want to reconstruct the country, we want to go ahead – with the government. The question is, how?

The ADB is not a well known institution for many people in Cambodia. What do you think the people of Cambodia and people in government should know about the ADB?
The ADB is a bank, and a bank is a bank. I think the ADB looks for investments in projects that will satisfy bankers. There is a ‘catch’ that people have to understand – nobody wants to throw a lot of money into a small country without knowing what they are going to get in return. The ADB and the World Bank are not giving the money away, they are giving loans. So as much as we want help from the outsiders, I think people should know the consequences, the impacts and the problems with this of this kind of help. Short term loans, long term loans, concessional loans or whatever, we have to pay this money back to these banks. This is the ‘catch’.

There are problems in the Philippines with energy projects funded by the ADB or the World Bank, and these types of problems are now an issue in Laos, for example with the Theun Hinboun dam. These are examples and something about which we in Cambodia have to think about very clearly and very critically in the sense of understanding about where we want to go, how we’re going to get there, and what the role of these banks should be. But to do that we have to know about a bank like the ADB and must be able to negotiate with them at an equal level. Sometimes the government may be in a very difficult situation when the ADB is promoting a policy or development project. This is where the civil society should be able to talk, in the sense of working hand in hand with the government. It may sometimes be difficult for the government to talk about its position. So maybe it’s the role of the civil society to talk and take on the issues to be negotiated with the Bank, to think about the outcome of a project and to make sure that the negative impact of policies and projects will be kept at a minimum.

The ADB’s public relations documents portray the Bank as a “broad-based development institution”, yet most if not all of its information about countries, societies, and environments in the region comes from Bank staff and Bank-employed consultants, many of whom are foreign to the countries in which they are working in connection with Bank projects. Are ADB project consultants and consultations a reliable source of information for the ADB or a means of ensuring that the voices of the people that would be affected by an ADB-funded project can be heard?
Usually consultants are in the country for about one week, and then there are no repeat visits for follow-up. They don’t get back to you, don’t inform you about what’s happening, and so the consultation is gone. Its all a game – you talk to somebody, but they don’t talk to you. After the consultation process comes the report. It uses the name of your organisation, but your comments and opinions are not included in the report – making consultation a token process.
Consultants gather information from the people in a country. In Cambodia, most consultants come from outside the country, so how much do they know about the country? Spending two to three weeks here, they could not know very much. While a consultation meeting between the consultant and NGO may last 45 minutes to one hour, the NGO gets nothing out of this – no information, no inclusion of the NGO position or opinion in the consultant’s report.

What is required is a process that ensures independent perspectives are included in the report along with the Bank’s proposals. Right now, if the consultants or Bank officials don’t like your perspective and your opinions then they won’t be included in the report. But even if they don’t like your perspective or opinions, these should still be included in the report because this is a perspective of civil society.

The ADB must seriously accept the participation of civil society in the process of development. It appears that the Bank is beginning to address the issue of cooperation between the Bank and NGOs. But I think we have to go beyond that, we have to look at the strengths and the weaknesses of the outcome of this cooperation – whether it’s working or it’s not working. If it is working we will know because if the perspective of civil society is accepted, I think some ADB projects may be good projects.

Besides funding large-scale infrastructure, the ADB also promotes policy-related structural adjustment, often as conditions with its loans, to integrate the economies of countries into the global market economy. Do you think this is an appropriate activity for a bank?
If a country is rich it doesn’t need the money from the ADB but the Bank says, “Please, take the money.” If a country is poor and doesn’t have any assets or resources as collateral, the Bank will not loan money to the country. Consider the position of China, China has more than a billion people and has incredible human resources. If the Bank wants to put conditionalities on its loans for China, the Chinese will say, “No way. We don’t need your money,” because they have alternative sources of funds. The ADB has to compete to extend loans to China. Whereas with a poor country like Cambodia, the ADB attaches many conditions to its loans. Sometimes the conditionalities are not an effective mechanism for a beneficial outcome. So the IMF, for example, before it extends its loans, includes loan conditions that require a government to reform budgets and policies. Any reforms resulting from loan conditions will affect the people, and I’m not sure whether it will help us or hurt us.
Deconstructing the ADB

by Anurak Wangpattana

The Asian Development Bank is one of the most influential “development” institutions in the Asia-Pacific Region and is the architect of the Greater Mekong Subregion (GMS) Economic Cooperation programme. In the GMS, the Bank provides technical, financial and political support for large-scale infrastructure including hydroelectric dams, cross-border electricity transmission systems, and major roads. Anurak Wangpattana deconstructs the ADB’s worldview in an attempt to understand how the Bank justifies its destructive “development”.

The Asian Development Bank (ADB) is an international financial institution that describes itself as a “broad-based development institution”. In the more than 30 years since its establishment, the ADB has increasingly influenced economic and social policies in the countries of Asia. Since the early 1990s, the Bank has played a leading role in promoting and funding conventional economic development in the countries of the Mekong Region, particularly as the political and economic directions of the governments of Cambodia, Lao PDR, and Vietnam have shifted towards policies encouraging capitalist, “free” market economies.

In 1966, the ADB was established “to promote social and economic progress of the Asian and Pacific region.” By 1998, the Bank had broadened and refined its philosophy and objectives, “The Bank’s strategic development objectives continue to embody its overriding mission in the Asian and Pacific region: to promote economic growth, reduce poverty, support human development, improve the status of women, and protect the environment….To achieve these objectives, the Bank has been focusing on the following operational priorities: (i) policy support, (ii) capacity building for development management, (iii) support for physical and social infrastructure, (iv) private sector development, and (v) regional cooperation.”

While the Bank has polished its explanations of its approach, since it first opened its doors for business until today, “The Bank views economic growth as a fundamental and necessary approach to achieving economic development and reducing poverty.”

Bank perspectives on the GMS

The ADB-initiated Greater Mekong Subregion (GMS) programme includes Burma, Cambodia, Lao PDR, Thailand, Vietnam, and Yunnan province of the People’s Republic of China. As the Bank describes it, “The GMS Program commenced in 1992 to capitalize on peaceful relations and the transition to more market-based economic systems that began in the early 1990s. The objective of the GMS Program is to help strengthen the economic and social well-being of peoples in the subregion through regional cooperation initiatives that facilitate trade, investment, energy development and supply, the growth of tourism, human resource development, and the protection of the environment. Such initiatives lead to improved employment opportunities and living standards, and poverty reduction. Subregional economic cooperation also has a peace dividend, for it contributes to stability and better relationships. These factors are important in creating a positive climate for private investment and business enterprise, and thereby for promoting faster growth.”

According to the ADB, “The GMS Program is very different from ASEAN or other regional agreements, for it is informal and guided only by a general set of principles and institutional arrangements. It is a pragmatic, results-oriented program whereby the six countries, or subsets of the countries, agree to plan and implement projects to their mutual benefit.”

The GMS programme is based on the relationships between State (military, bureaucratic, and capitalist elite) structures of authority and administration and not between countries – countries are composed of societies and populations of people, the vast majority of whom have had nothing to do with the decisions about “development” in the GMS. None of these States would accept the GMS “principles” if these did not serve their interests, “The participating countries [sic] have shaped the Program to contribute to shared goals, notably sustainable economic growth, improved living standards and poverty reduction. The primary strategy for realizing these goals is to let the market forces of demand and supply function more freely, and to reduce government intervention and state ownership in the allocation and use of human, natural and capital resources.”

As the ADB points out, the GMS is a programme of “economic cooperation” between States. Other than the fact that senior level State officials meet together every year in “Ministerial-level Conferences” to select which of the ADB’s proposed projects will be built in the coming year (and during which politics inevitably plays a major role in the discussions), the GMS is not a programme that includes “politics”. The absence of “politics” in the GMS means there is never any consideration of “political” issues like democracy, community rights, and the freedom of individuals to read about, speak...
Bank activities

The Bank’s principal functions are (i) to extend loans and equity investments for the economic and social development of its developing member countries (DMCs); (ii) to provide technical assistance for the preparation and execution of development projects and programs, and for advisory services; (iii) to promote and facilitate investment of public and private capital for development purposes and; (iv) to respond to requests for assistance in coordinating development policies and plans of its DMCs.”

There are three general categories, all of which are inter-related, that describe the majority of the ADB’s activities.

Sectors

The Bank provides funding for technical assistance, studies, policy formulation and implementation, and projects in six sectors: energy ($US440 million approved by ADB in 1998); financial ($1.675 million); agriculture and natural resources ($420.86 million); industry and nonfuel minerals ($4.42 million); “social infrastructure” ($705 million), and; transport and communications ($1,496.7 million). Some Bank activities are categorised as ‘multi-sector’, combining two or more of the above sectors. In 1998, loan approvals for “social infrastructure” projects in the countries of the Greater Mekong Subregion (GMS) programme included Samut Prakan Wastewater Management (Thailand), Basic Education (Girls) (Laos), and Vocational and Technical Education (Vietnam).

In Bank documents relating to the GMS, tourism, human resources development, trade and investment, and environment are categorised as sectors. According to the Bank’s Environment Division, “In 1998, the Bank provided $850 million for ten projects with environmental protection as a primary or secondary objective in eight DMCs...The 1998 lending volume for environmental projects represents almost 15 percent of the total public sector lending volume.” These “environmental projects” included: the Metro Manila Air Quality Improvement Sector Program, Philippines, $296 million; the Samut Prakan Wastewater Management (Supplementary), Thailand, $80 million, and; the Fuzhou Water Supply and Wastewater Treatment Project, PRChina, $102 million.

The ADB’s sector studies are the first stage of the process used by the Bank to coordinate the identification of potential projects for detailed study and eventually ADB project funding. For example, in the GMS one of the most influential sector studies funded by the ADB is the “Subregional Energy Sector Study” produced by the Norwegian consulting company Norconsult and completed in November 1994. This Sector Study examined proposed energy-related projects including the Yadana Thai-Burma natural gas pipeline, national and regional electricity transmission lines including connection between the Jinghong and Daochaoshan hydroelectric dams on the Lancang/Mekong River in Yunnan province to supply Thailand’s electricity demand, and 13 dams that are “favourable economically” in Laos including Theun Hinboun, Nam Theun 2, Nam Ngum 2 and Nam Ngum 3.

Projects

The ADB’s primary role is the study and funding of “development” projects including large-scale infrastructure projects. In 1998, the ADB provided funding for 11 major road projects ($1.270 million), an electricity transmission line between the 1,260 MW Dachaoshan hydroelectric dam on the Lancang/Mekong River in Yunnan province to Thailand ($100 million), wastewater treatment plants and urban infrastructure development ($452 million), a loan to a private sector consortium building a coal-fuelled electricity generation plant in China ($40 million).

In the GMS, the ADB is the leading funder of large-scale infrastructure projects. Since 1993, major projects funded by the ADB include the following:

<table>
<thead>
<tr>
<th>Country</th>
<th>Project name</th>
<th>Year of loan</th>
<th>Bank funding (US$million)</th>
<th>Project cost (US$million)</th>
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<tr>
<td>Cambodia</td>
<td>Phnom Penh- Ho Chi Minh City Highway</td>
<td>1998</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$485</strong></td>
<td><strong>$1,061</strong></td>
</tr>
</tbody>
</table>

Regional/Global Economic Integration

As an international financial institution, the ADB is a leading proponent of economic globalisation. In 1998, 25 per cent of funds for the ADB’s regional technical assistance (RETA) activities were related to international economic integration. RETA funding supported the Seminar of Promotion of Foreign Direct Investment ($150,000), the Joint ADB-World Trade Organisation Seminar on Asia and the Challenge of Globalisation ($100,000), and the Joint ADB-Organisation for Economic Cooperation and Development Conference on Financial Liberalisation in Asia: Analysis and Prospects ($120,000).
the language of "development" is best illustrated by the fact that their "development" activities. The power of the ADB's institution to construct a language of "development" that serves its purposes. The ADB's pseudo-intellectual language – definitions, concepts, and vocabulary. The ADB requires domination. Domination is enacted, in part, through the private sector/ government, the public sector and free market, and the role of people in conventional economic development, provides a picture of how these issues are being, or will be, addressed in the GMS programme. The Nam Leuk hydroelectric dam was funded by the ADB. Poor planning, fraudulent environmental impact assessments, dam construction delays, and badly designed and constructed access roads have contributed to the project having required expenditures of US$18-20 million in excess of its original budget. The Government of Lao PDR, which is the sole owner of the Nam Leuk project, is now looking for a foreign investor to invest in the project and pay an amount equivalent to the project's cost overrun. Examine these issues also reveals that as much as the ADB and its GMS programme proclaim that it is not so, these issues are fundamentally political. While the ADB likes to describe itself as "neutral", an "honest broker", and even a "family doctor", the Bank and the GMS are examples of the hegemonic institutional arrangements required to impose "development" on people. "Poverty", People and the Environment The continuation, and often the establishment, of hegemony requires domination. Domination is enacted, in part, through language – definitions, concepts, and vocabulary. The ADB uses its authority as a self-proclaimed "development institution" to construct a language of "development" that serves its purposes. The ADB's pseudo-intellectual language is also adopted by its client States in an attempt to justify their "development" activities. The power of the ADB's language of "development" is best illustrated by the fact that its language is often adopted by the very critics that demand "reform" of the Bank's policies and activities. Although the ADB's only objective is the imposition of capitalist economic systems on societies, the Bank has cleverly incorporated "poverty reduction" and "socially and environmentally sustainable economic growth" in its agenda. Thus, while the Bank's agenda is amply illustrated by the large dams, roads, deforestation, and various other forms of destruction that it funds, it is much more difficult to piece together the Bank's agenda and analytical framework by using only the Bank's publicly-available documents. "Sustainable development", hydroelectric dams that contribute to a country's GNP, "economic corridors" that promise logging, "economic growth", the spread of HIV/AIDS, "economic integration", and "poverty reduction" – a reading of these documents promises to be not only confusing, but often leaves the reader who may undertake a critical analysis of the ADB's "development" model wondering, "Well, really, what's so wrong with that?" ADB documents are masterpieces of the propaganda that has ensured the survival of the concept and practice of "development" for the past 40 years. But reading one document after another, the tautologies, or constant repetitions, of the ADB's language of "development" become boring, the speciousness contained in the documents becomes apparent, and the institutional perceptions of "poverty" or the environment or "economic growth" – and the alleged linkages between these concepts (according to the ADB) – form the foundation for a liberating scepticism. According to ADB President Tadao Chino, poverty reduction is the "overarching objective" of the Bank. President Chino's opening remarks to the Annual Meeting of the ADB's Board of Governors in May 1999 illustrate the Bank's perception of poverty, "Despite significant improvements, the quality of life in many Asian economies is still among the lowest in the world. Asia is still home to most of the world's poor: almost one billion Asians, or roughly one third of the region's total population, live in absolute poverty. At least one of every three Asians has no access to safe drinking water. Problems of illiteracy and malnutrition persist. Women and indigenous peoples have benefited from Asia's economic transformation, but not everywhere and not rapidly enough." Consequently, said President Chino, "It must also be emphasized that economic growth with equity is indispensable for sustainable poverty reduction." "Poverty" is defined by conventional economists, hundreds of them working with the ADB, as a lack of cash income and participation as a consumer in the "free" market. The overwhelming importance of the market is evident in President Chino's reference to the "quality of life in Asian
Directing the Bank

The ADB’s top decision-making body is its Board of Governors. Governors are the minister-level government officials of each member country (for example, the Governor representing Canada is the Minister of Finance, while the US Governor is the Secretary of the Treasury). The Board of Governors meets infrequently and its duties include passing resolutions approving country memberships, elections of Bank presidents, and amendments of the Bank’s by-laws. This Board has no direct involvement in the day-to-day activities of the ADB.

The Bank’s de facto top level decision-making body is the Board of Directors. Members of this Board are usually senior-level government officials appointed by their governments. There are 12 Directors and the same number of Alternate Directors representing the member countries of the ADB. Each Director represents an individual country (People’s Republic of China, Japan, and the United States) or groups of countries (for example, Bangladesh, Bhutan, India and Lao PDR are represented by a single Director, as are Canada, Denmark, Finland, Norway, Sweden). It is the Board of Directors that approves ADB loans and grants to the Bank’s developing member countries. The decisions of the Board are based on a system of ‘weighted voting’ reflecting the per centage of each member country’s share of “subscribed capital” in the Bank (see Box, Funding the ADB’s business).

 economies” – people don’t live in countries, societies or villages, according to the Bank, people live in “economies”. “Quality of life” equals access to clean drinking water, although the ADB’s President is probably not thinking that the entire population of a city like Bangkok suffers from the “poverty” caused by tap water full of pesticides, heavy metals, and other toxic waste generated by the “growth” of the industrial sectors of Thailand’s “developing” economy. If illiteracy and malnutrition are two sides of the same coin, the ADB and “development” have much to answer for, as capital intensive “Green Revolution” industrial agriculture has been a major force in driving millions of rural families into debt and eventually off their land, depriving them of nutritious food, and forcing the children of these families to enter the economy as “unskilled” labour (instead of into school as students) to get money to buy food to feed themselves and their families. The economic growth fed by “development” is the primary cause of “poverty” as defined by the ADB, but the Bank views “poverty” as a non-historical condition and thereby ignores the causes of “poverty” and the ADB’s role in producing “poverty”. In fact, the Bank’s approach is not so much non-historical as an implicit rewriting of history in an attempt to exonerate the Bank from the negative consequences of its model of “development”.

But poverty is not the only thing affecting the vast majority of people living in the Asia-Pacific Region, including the “Greater Mekong Subregion”. In fact, the people consistently victimised by the ADB’s model of “development” now have many more challenges, according to the Bank, “[F]actors undermining sustained economic transformation must be addressed. The transformation that has been experienced by a significant number of DMCs is giving way to new challenges. These include expediting structural reforms, improving governance, combating corruption, widening political and social inclusiveness, and assuming greater environmental responsibility. These new challenges are faced by the part of the region’s population that has not benefitted much from the economic expansion in Asia, namely, the region’s rural and poor people who suffer from traditional economic and social problems of developing countries.”

Ah yes, those old “traditional economic and social problems” – it is the traditions of the local communities of Asia, not multi-million dollar “development” contracts and “modernisation” agendas, that cause all the problems. And now, those who have not “benefitted” from “economic expansion” are charged by the ADB with “expediting” political and structural reform of the corrupt, powerful, and often murderous authoritarian regimes the ADB funded into existence. Power to the people, according to the ADB, but then again, people cause many problems. “Several causes are being attributed to Asia’s environmental degradation,” according to The Environment Agenda of the Asian Development Bank, a document produced by the Office of Environment and Social Development in the ADB’s Environment Division, “Some blame rising populations contending that a finite amount of natural resources cannot support ever larger populations. Others attribute the cause to poverty arguing that without access to any other source of livelihood, the poor are forced to plunder the environment. Another possible cause is economic growth since much of Asia’s environmental degradation took place and accelerated during the region’s rapid economic growth over the past thirty years. A final possibility is that environmental degradation is largely the result of institutional, policy, and market failures.”

Again, the ADB is not going to take responsibility for determining the causes of its “poverty”, although the anonymous blamers and attributers of the causes of poverty cited above certainly echo the Bank’s analysis linking “environmental degradation” to “poverty” and the failures of government and the public sector. It may seem there is some room for optimism however, when a Bank document suggests that a “possible cause is economic growth”. But the fact is economic growth is simply a conventional measure of the expansion of monetary-based exchange of goods and services – economic growth is not in and of itself a cause of environmental degradation, it is the ever increasing exploitation of nature and people and the extraction of “natural resources” by the capitalist economic system and conventional economic development that destroys the environment.

While the Bank’s Environment Division may suspect “economic growth” as a “possible cause” of the degradation of the environment, it rapidly moves on to more familiar...
intellectual terrain, “In rural areas, dependence of the poor for a living on open access resources – pasture, fish and other marine resources, and forests – creates undue pressure on what are already degraded resources.”

In the ADB’s worldview, any ‘natural resource’ that is not owned and controlled by an individual, corporation or the State is “open access” and will be “degraded” by the nameless masses of the rural “poor”. While this is a discredited 50 year old concept, blaming the “poor” for “degraded resources” is a fundamental component of the Bank’s efforts to legitimise its “development”.

Ring-roads around Vientiane, funded by the ADB’s Integrated Urban Infrastructure project, are built through the middle of wetlands surrounding the city. While local people living near the wetlands once fished and grew rice in and around these wetlands, these areas were also important to the hydrological landscape of the city as they captured runoff from the monsoon rains that fell on the city, thereby reducing the inconveniences caused by temporary flooding of the city after heavy rains.

Wolfgang Sachs, a noted critic of “development”, suggests that “‘Development’ is, above all, a way of thinking...[In the early 1990s] environmental degradation has been discovered to be a worldwide condition of poverty. While formerly the developmentalist image of the ‘poor’ was characterized by lack of water, housing, health, and money, they are now seen to be suffering from lack of nature as well. Poverty is now exemplified by people who search desperately for firewood, are driven from their soils and forests, or are forced to endure dreadful sanitary conditions. Once the lack of nature is identified as a cause of poverty, it follows neatly that development agencies, since they are in the business of ‘eliminating poverty’, have to diversify into programmes for the environment...As the decline of nature is also a consequence of poverty, the poor suddenly entered the stage as agents of environmental destruction.”

Identified by the ADB as both the agents and victims of environmental degradation, rural communities (the “poor”) have no right to reject either the Bank’s labels (destroyers of nature, victims of environmental degradation) or the “development” that the Bank and its client States impose on these communities. According to the Bank’s Policy on Indigenous Peoples, “When it is indicated that a project will have adverse effects on indigenous peoples, it is necessary that the scope and impact of such adverse effects be thoroughly assessed by qualified experts or agencies, and that appropriate mitigation measures are identified in feasibility studies...If individuals or communities must lose their social support systems or ways of life so that a project can proceed, they should be compensated appropriately.”

In fact, it is not only indigenous people who have no right to reject “development” that destroys “their social support systems or ways of life”, it is any rural community living in an area targetted by the ADB’s “development”. It is at this point that the Bank’s efforts to link the rural “poor” to destruction of the environment are exposed as a convenient and simplistic construction to legitimise its imposition of “development”. For the ADB, “development” is always good and always benefits the people and even the environment. If a few people get in the way of “development”, they will be sacrificed for the sake of “development” – and may receive a few dollars if they are “indigenous” or if they attempt to oppose the Bank’s imposition of “development”. More often than not however, the people whose rivers are destroyed by a “development” dam or whose lands and forests are expropriated for a “development” national park, are under the authority of ADB-funded States that severely restrict freedom of speech. For these communities, there is no option but to accept “development” and try to adapt to the impacts of “development” on their means of livelihood.

**Government, the public sector, the private sector and the “free market”**

The ADB’s view of governments and the public sector is similar to its view of rural people – governments are a major cause of environmental problems confronting societies in the 1990s, because governments are an obstacle to private sector control of ‘natural resources’ and “environmental services” in the “free market”.

According to the ADB, “Asia’s policy and institutional failures also fall into several categories. First, the private sector has been largely excluded from providing environmental services. As in many other parts of the world, such services as water supply and sanitation, solid waste collection, watershed protection, biodiversity conservation, and wastewater treatment are governments’ concerns. As a result, the private sector has been unable to respond to demand for environmental services.

“Second, Asia’s public sector has failed to fulfill the demand for environmental improvement. Although people
Funding the ADB’s business

Ordinary Capital Resources
The Bank’s ordinary capital resources (OCR) are composed of: money borrowed from international financial markets; contributions from donor member countries, and; interest payments and loan repayments made to the Bank. Each member country of the ADB has “subscribed capital” in the OCR that determines its percentage ownership as a shareholder of the Bank. For example, Japan’s subscribed capital is valued at $7.775 billion, which gives it a weighted voting power equal to 13.188 per cent of the total amount of votes in the Board of Directors.

OCR loans to governments are available from its “pool-based single-currency [US$] loan window” (lending rate 6.76 per cent, year-end 1998) and its “pool-based multicurrency loan window” (lending rate 6.02 per cent, year-end 1998). Lending rates are based on average cost of commercial borrowings plus 0.04 per cent charged by the Bank. OCR loans are made to private sector borrowers through a “market-based loan (MBL) window” with interest rates based on the international banking system, plus the Bank’s 0.04 per cent.

In 1998, the Bank’s OCR activities yielded a net profit of $346 million, of which $230 million was transferred to the Bank’s Asian Development Fund.

Asian Development Fund
The Asian Development Fund (ADF) was established in 1974 to make loans on concessional terms to the “poorest” borrowing counties. In 1998, 27 ADF loans totalling $987 million were approved. The ADF provides two types of concessional loan to DMCs:

- Project loans have a “maturity” of 32 years, including an eight year “grace period”. There are no interest charges on the loan for the 32 years, payment deferred during the “grace period” is subject to an interest charge of one per cent of the loan amount per year. After 40 years, the loan is subject to an interest rate of 1.5 per cent per year.
- Quick-disbursing programme loans have a maturity of 24 years, an eight year grace period, and the same interest rate charges as project loans.

Since its establishment, there have been six replenishments of the ADF, the most recent of which became effective in September 1997 in a total amount equivalent to US$2,657 million to cover ADF operations for the four-year period from January 1997.

Technical Assistance
The Bank’s technical assistance (TA) activities are financed by loans, grants, or a combination of both, and in 1998 the Bank approved funding of US$163.2 million for 248 TA projects. According to the Bank, TA “usually refers to Bank financing of external expert services to be made available to DMC governments and agencies.”

The Bank divides its technical assistance operations into three “instruments”:

- Project preparatory technical assistance (PPTA) for preparing feasibility and detailed engineering studies – $93.76 million, 1998.
- Advisory and operational technical assistance (AOTA) for consulting services for project implementation, sector and policy studies, and “nonproject-related human resource development” – $34.96 million, 1998.
- Regional technical assistance (RETA) for assistance to address regional or subregional issues or to assist a group of individual DMCs on specific issues – $34.48 million, 1998.

TA activities are funded by three sources: the Technical Assistance Special Fund, the budget of which is funded by allocating a portion of the net income of the Bank’s OCR; the Japan Special Fund, established in 1988, financed by the Government of Japan and administered by the ADB, and; contributions from bilateral donors including governments and United Nations agencies.

want a better environment and are often prepared to pay for it, governments have been slow to respond...As a result, environmental services are inadequate in quantity and quality as evidenced by many of Asia’s water supply and sanitation facilities, irrigation systems, waste collection systems, and protected areas.

“The Bank’s study, Emerging Asia: Changes and Challenges, contends that people prefer a clean environment to a dirty one...Thus, potential demand exists for clean air, clean water, and natural recreation areas such as national parks...That is due in large part to institutional, policy and market failures.”

As a technocratic “development” institution, the ADB looks to technical approaches – policy, management, the capitalist market economy – for solutions to many of the contentious and highly politicised issues that are the locations and causes of social conflict over the rights of local communities and societies as a whole to have a say in the relationship between people and nature. Watersheds, protected areas, and public services are proposed by the ADB to become marketable “environmental services” owned and/or managed by the private sector. In the ADB’s worldview, even the rights of individuals to breathe clean air and drink clean water are reduced to marketable products for which there is “potential demand”.

At the same time, the ADB declares the entire concept of democracy and democratic government to be nothing more than inefficient and unable to provide “environmental services” – even if a privileged few in a society are willing to “pay” for “services” like clean air. Of course, the Bank is only repeating the now familiar chant of the neo-classical/neoliberal doctrines of globalised capital. Nevertheless, that a totally unaccountable and non-transparent institution like the ADB promotes a totally unaccountable and non-transparent private sector dominated by the crony capitalism of transnational corporate culture as a solution to everything from air pollution to biodiversity conservation should alarm societies working towards democracy.
Governments, including democratically-elected governments, may be authoritarian, corrupt, ruthless, and uncaring about the societies they govern and the nature encompassed by the boundaries of the country. But there is absolutely no proof that private sector business corporations are any different.

The major difference between government and the private sector is that governments, in theory and occasionally in practice, are accountable to society and can govern through democratic processes (including, but not restricted to, elections) that ensure the rights of individuals and communities to make decisions about how the natural environment, social relations, and the economy can be managed for the benefit of the majority, and often all, of a society. The private sector is fundamentally anti-democratic as it relies only on the continuation of a capitalist economic structure of competition, exploitation, and the all-encompassing power of money – society has no role and no power in the market, other than as producer and consumer.

To surrender a society’s control of human to human and human to nature relationships to an economic structure simply because an institution like the ADB dislikes the complexities and the all-too-human inadequacies of democracy would be to surrender a concept and ideal that while imperfect is probably the best idea humanity has yet developed. People deserve more than a market, they deserve democracy.

**Challenging the ADB**

The ADB as an institution, and the ADB’s policies, programmes, projects and worldview, have not yet been effectively challenged by the dynamic social movements emerging in the societies of Asia. Hopefully, this will soon change.

If the ADB is to be challenged, those doing the challenging may need to be aware of some of the recent efforts to reform the Bank’s operations and some of the issues about which the Bank is susceptible.

First, since the early 1990s, a coalition of NGO activists have attempted to reduce the negative social and environmental impacts of the Bank’s operations by lobbying the Bank to adopt policies and guidelines that would permit the “participation” of people affected by the Bank’s policies and projects. Since the mid-1990s, the Bank has adopted policies on involuntary resettlement, indigenous people, environmental impact assessments, fisheries, forestry, partnerships with NGOs, and even “Guidelines for the incorporation of social dimensions in Bank activities”. None of these policies has stopped the ADB from funding projects that require involuntary resettlement, violations of the rights and homelands of indigenous people, and that have destroyed fisheries and forests. The ineffectiveness of Bank policies and guidelines, no matter how much these documents incorporate words like “sustainable development”, “equity”, and “stakeholder participation”, is a direct result of the Bank’s model of conventional economic development that requires exploitation of humans and nature.

Second, international NGO campaigns that have attempted to prevent the ADB from providing financial, technical and political support for destructive “development” projects, often by citing the fact that the planning and implementation of these projects violates Bank policies and operational guidelines, have been a near-total failure. This type of engagement with the ADB, like the lobbying by NGOs better policies, is based on the assumption that the ADB and its staff are able and/or willing to accept that violations of human rights, corruption, violence, and destruction of nature and nature-based means of livelihoods represent valid reasons for the Bank to not fund projects or activities that would result in such impacts. Unfortunately, the failures of these campaigns, often well-researched, well-argued, and supported by NGOs in the North and South, indicates that the people who work for the Bank are willing to accept that these impacts will occur so long as it is for “development” or, more accurately, so long as the Bank can make its loans, fund the projects and continue business as usual.

Thus, the generally unsuccessful conventional NGO approaches to lobbying and campaigning to “reform” the ADB have not yet gained positive results. One reason for this, besides the fact that the ADB has shown itself to be institutionally incapable of reform, is that in many of the countries in which the Bank operates there is very limited political space in which local communities can safely and effectively voice their concerns or mobilise in opposition to the Bank’s programmes and projects.

In the countries under the ADB’s GMS programme, there is severely restricted political space in every country except Thailand. Yet Thai society is now confronted with ADB proposals that the Thai government privatise the public health system, the education system, and water resources – all in the name of economic efficiency and cost recovery. For this reason, Thai society and its local social movements now have the opportunity to challenge the ADB both as an institution and as a proponent of neo-liberal conventional economic development. It is a challenge long overdue.

**Endnotes:**

1 Asian Development Bank (hereafter, ADB), Basic Information, January 1999.
3 Ibid., p.39.
6 Ibid., p.6.
8 Ibid., p.5.
10 The Environment Agenda, p.23.
11 Ibid.
12 Wolfgang Sachs, et al., Global Ecology, p.11.
13 ADB, Indigenous People Policy, p.29.
14 The Environment Agenda, pp.25-26
15 Basic Information, p.1.
Facts and fiction: Coal and “clean coal”

By Margie Law

For hundreds of years humans have burnt coal to generate heat for industrial and domestic purposes. Today, with the public’s growing awareness of the social and environmental consequences of this reliance on coal, the coal industry is promoting a “new” product, that of “clean coal” and “clean coal” technology. Margie Law examines the impacts of burning coal and exposes the myth of “clean coal”.

Until 50 years ago, coal was the most important fossil fuel on Earth – this piece of rock fuelled the industrial revolution, formed the foundation of some of the most powerful and influential transnational corporations on the planet, and has caused the immiseration, illness, suffering, and death of millions of people. Since coal was first used by humans as a source of energy, local communities have suffered from the pollution caused by the burning of coal. Devastating “coal smogs” in urban areas of the North over the past 100 years have forced changes to government policies and industry practices in an attempt to reduce these impacts. However, despite a number of policy initiatives and technological advances, problems caused by the burning of coal persist.

The earliest documented use of coal for energy production is coal-fired blast furnaces to make steel weapons in China a thousand years ago. However, it was only in the second half of the eighteenth century, as coal fueled the Industrial Revolution in the West, that the mining and burning of coal became a symbol of wealth, modernity and progress. To industrialists in Europe and the United States in the nineteenth century coal was known as “King Coal”, with its production rising with, and fuelling, national power. Economist William Jevons, in his 1865 article The Coal Question, predicted the collapse of the British Empire should its coal resource be depleted. At the end of the twentieth century, coal continues to fuel the ambitions of those who wish to profit by burning this humble rock. In 1999, at a public meeting in Helsinki, Finland, Ari Henriksson, project manager in Thailand for Finnish power company Fortum, a major shareholder in a coal-fired power project proposed to be built in southern Thailand, repeatedly proclaimed to participants that, “There is no future without coal.”

Coal is a combustible rock formed by the compaction of plant material over millions of years. Geological processes that gradually increase temperature and pressure converts this material into lignite, a soft coal with a relatively high content of vegetable matter. Also known as brown coal, lignite consists of about 70 per cent carbon and has a heating value of about 25 per cent that of black coal. Sub-bituminous coal, bituminous coal and anthracite, all classed as black coal, are the geological successors of lignite. Black coal is higher in carbon and lower in moisture content: the higher the carbon content the greater the heating potential. Coal consists of between 50 and 98 per cent carbon, three to 13 per cent hydrogen, plus oxygen, nitrogen, sulphur and other trace elements – up to 30 per cent of coal is composed of clay, metals and inorganic materials that after combustion form the incombustible residue called ash.

Coal is a non-renewable resource, with global reserves estimated by industry sources (and assuming continuing use of coal) to be depleted in approximately 200 years. Major coal reserves are located in China, the United States, India, Australia, South Africa and Russia. Australia and the United States are the leading exporters of coal, while Indonesia is rapidly expanding the development of its relatively small amount of coal, primarily for export. The major uses of coal are electricity generation and heating and coke-making in the iron and steel industries.

Planetary impacts

The primary source of greenhouse gases is “generally accepted to be the Industrial Revolution, with its heavy reliance on fossil fuels as a source of energy,” according to George M. Woodwell, an American researcher of global warming. From the beginning of the Industrial Revolution, and up until 40 to 50 years ago, more than half of world energy was fuelled by coal.

The extraction and burning of fossil fuels like coal and oil release vast amounts of “greenhouse gas” including carbon dioxide and methane. These gases act like a blanket over the Earth’s atmosphere, trapping the sun’s heat that would otherwise radiate from the Earth’s surface and leave the planet’s atmosphere, thereby increasing atmospheric temperatures and changing Earth’s climate. Since coal is by
far the most carbon-intensive fossil fuel – the burning of coal releases 29 per cent more carbon per unit of energy than oil and 80 per cent more than natural gas – there is a direct link between the burning of coal and global warming.

Burning coal currently supplies 23 per cent of world energy but produces 43 per cent of annual global carbon dioxide emissions – globally releasing approximately 2.7 billion tonnes of carbon dioxide every year. There is now more carbon dioxide in the atmosphere than ever before and the earth is experiencing its warmest temperatures in 1,200 years.

Globally, mining coal releases approximately 25 million tonnes of methane annually. The potential for warming of the earth from this quantity of methane is equivalent to that of the United Kingdom’s total carbon output. After mining, coal is often transported thousands of kilometres to power plants, requiring the further burning of fossil fuels for transportation and the release of more greenhouse gases. Rapid global warming is already occurring and as a result the ice shelves at the north and south poles, where 70 per cent of global freshwater is stored in ice, are breaking up and entering the oceans, sea levels are rising, temperature-sensitive ecosystems and the species that depend on them (in particular coral reefs and boreal forests of the northern hemisphere) are declining, the timing and duration of seasons is changing and there is a greater frequency and intensity of extreme weather conditions that cause floods and drought.

The continuation of global warming will result in the spread of infectious parasitic diseases such as malaria, increased flooding particularly of coastal areas, and tens of millions more people suffering from hunger due to their crops failing from drought or flood, and decreasing availability of potable water. Although in absolute values the rise in global temperatures appears to be very slight – in the past 100 years the global average temperature has increased just 0.6 degrees Celsius and is projected to rise a further 1.0 to 3.5 degrees by the year 2100 – it will be a more drastic change of the Earth’s climate than at any other time over the last 10,000 years. This rate of warming is happening too rapidly for many ecosystems and organisms to adapt to these radically altered climate conditions.

“Techno-fixes” not solutions:
From air pollution to acid rain

The poisonous combination of particulates and gases released from burning coal for electricity, industrial processes and home cooking has been responsible for a great many deaths and illnesses. “Coal smogs” killed 2,200 people in London in 1880; a “killer fog” from coal combustion caused half the population of 14,000 to fall ill and killed 50 people in Donora, Pennsylvania, in the United States, in 1948; and the “London fog” (from burning coal) killed 4,000 people in 1952. Following the “London fog” extensive research commenced on air pollution and its effects on health. This eventually led to the World Health Organisation’s (WHO) Air Quality Guidelines for Europe in 1987 and subsequent air quality regulations worldwide, including emission guidelines set by governments and multilateral development banks such as the World Bank.

These ‘clean air laws’ set local air quality standards that established “acceptable” levels of emissions of air-borne pollutants. In response, the coal industry released the same amount of air pollutants but installed taller smokestacks to spread the smoke from burning coal over larger areas, hoping that the reduction in the concentration of pollutants would enable them to continue “business-as-usual” by burning coal.

This simple but narrow “solution” to local air quality problems led to yet another problem. Nitrogen oxides (NOx) and sulphur dioxide (SO2), a colourless gas with a very unpleasant odour, released by the tall smokestacks were then carried higher into the atmosphere where they reacted with moisture to form nitric and sulphuric acids that returned to the Earth as rain, snow or fog, known collectively as “acid rain”. Acid rain increases the acidity of soils and waterways. As a result, the growth-rates of plants decrease, nutrients are leached from soils, crops are damaged, fish and other aquatic animals in lakes and rivers are killed, and forests gradually die in a process known as “dieback”.

When humans and animals inhale the corrosive sulphur gas (the generic name that includes sulphur dioxide, sulphur trioxide and sulphur acid mist) sensitive tissue in the skin, mouth, nose, eyes, throat and lungs are burned and damaged, resulting in pain, breathing difficulties, lethargy, chronic fatigue and increased rates of death. When the sulphur enters the bloodstream it damages blood vessels, muscle tissue, and internal organs, particularly the liver and kidneys.

Ozone, SO2, and NOx, as well as heavy loads of particulates, obstruct the air passages in the lungs and have an irritant effect on mucous membranes. In many places there is a seasonal impact with an ozone haze (from NOx) predominant in summer and smogs of SO2 in the winter. People who suffer asthma, chronic bronchitis and emphysema are particularly sensitive to atmospheric pollution. The World Health Organisation states that an increase in concentration of sulphate particles of a size of only 10 microns (one-millionth of a metre) per cubic metre of air can cause an increase in hospitalisation and also death. Sulphur dioxide has been known to provoke bronchoconstriction (constriction of the bronchial tubes in the lungs) in asthmatics at concentrations as low as 0.4 parts per million (ppm); this is well below the Thai (320 ppm) and World Bank (648 ppm) emission standards for SO2.
The NOx released from the burning of coal reacts with sunlight to form ground-level ozone. Ground-level ozone is toxic, damaging forest and crops by impairing plant growth and causing respiratory problems in humans. More than 100 cities in the United States and Europe are exposed to unhealthy ozone levels. The World Watch Institute reports that each year ground-level ozone pollution costs the United States five to 10 billion dollars in crop losses and reduces wheat yields in parts of China by 10 per cent.

Today, the 10 most polluted cities in the world (nine in China, plus Delhi in India) are all heavy coal users and despite air quality regulations, pollution levels in Beijing and Delhi are nearly as bad as the London and Pennsylvania “fogs”. Prolonged inhalation of acidic gases and small particles (and ingestion, when small particles enter the body via food) causes a range of respiratory and cardio-vascular problems such as emphysema (enlargement of the air sacs of the lungs, causing shortness of breath), asthma (an allergic respiratory disease), bronchitis (inflammation of mucous membranes in the lungs), lung cancer and heart disease, and has been linked to increased rates of infant mortality. The WHO estimates about 500,000 people die every year due to exposure to particulate pollution – mainly in China, India and central Eastern Europe. Worldwide particulate and SO2 pollution has also been linked to at least four to five million new cases of bronchitis and millions of other respiratory illnesses each year.

It is now clear that air quality standards setting “acceptable” limits for concentrations of gases and particulates in the air were never really safe – for example, technical limitations made it difficult to monitor concentrations of smaller, more deadly particles. Many scientists now consider small particulates to be toxic air contaminants for which there is no acceptably “safe” limit below which these particulates do not pose a serious threat to human health; the only preventative is to limit exposure to these particulates as much as possible.

Radiation released by coal

A coal-fired power plant releases more than twice the amount of radiation than does a nuclear power plant under normal operation. Coal particles naturally contain the radioactive elements uranium and thorium that, released in the fly ash from the smokestacks, contribute to the dose of radiation to which humans are exposed. Although many governments’ researchers, funded by the nuclear and coal industries, claim that extended periods of exposure to low doses of radiation are not dangerous to humans, there is now a large volume of research by independent scientists that indicates that people living in the vicinity of nuclear power plants are significantly more at risk of childhood and adult leukaemia, non-Hodgkins lymphoma, and birth defects. There is no reason to believe that communities living in the vicinity of a coal-fired power plant are not being similarly affected by the radiation being released by the burning of coal.

The legacy of radioactive fallout from atmospheric testing of nuclear weapons from 1955 to 1963 is the increased rate of cancer being experienced today. Communities residing close to sources of radiation, including nuclear and coal-fired power plants, are most at risk. Airborne radioactive materials are inhaled, radiation contaminated fish, shellfish and other marine animals are eaten, and radioactive materials that settled in the ocean are re-suspended in air as waves crash onto the seashore and set free the fine contaminated silt.

When these tiny “hot particles” of radioactive material enter the human body they attach themselves to the membranes of cells and irradiate local tissue. Government and industry assessments average the effect of radiation over the whole body or whole organ, effectively ignoring the seriousness of the localised damage to tissue and organs in which these radioactive particles are embedded. The combined exposure to radioactive particles and toxic chemicals, both of which are present in the fly ash released from coal-fuelled power plants, increases the incidence of cancer.

Many communities residing close to nuclear power plants have a higher than national average of incidence of cancer. Over the years, increasing evidence of the harmful effects of extended exposure to “low” doses of radiation has forced the International Commission on Radiological Protection to reduce the “safe” level for people exposed to occupational radiation (people working directly with radioactive materials, such as workers in a nuclear power plant) to a level 36 times lower than the “safe” level established in 1931. The “safe” level of exposure for the general public has been reduced by 80 per cent since 1977. In 1995, the National Radiological Protection Board of the United Kingdom, admitted that “There is no basis for the assumption that there is likely to be a [minimum radiation] dose threshold below which the risk of tumour induction [cancer] would be zero.”

Thermal pollution: Hot water

Coal contains many substances that become waste as the carbon in the coal is burned to create heat for electricity generation. Some of these wastes are released into the atmosphere from the smokestacks and can eventually accumulate in terrestrial, aquatic and marine ecosystems. Other substances are collected at the plant and dumped at a waste site.

Heated wastewater from a coal-fuelled power plant is produced when the plant’s furnace heats water in a boiler to make high pressure steam to drive the turbines that produce the electricity and from the use of water for cooling plant equipment. A contemporary 660 megawatt (MW) plant
Coal and acid rain in Australia

Coal-fired electricity generation in the state of New South Wales (NSW), Australia, is a major source of emissions of both nitrogen oxides (NOx) and sulphur dioxide (SO2). The NSW Environmental Protection Authority (EPA), a state government agency, states that, “While the power stations are located outside the major population centres and emissions are released from tall stacks, there are indications that, under certain conditions, emissions can be transported into the metropolitan airshed.”

The Daily Telegraph newspaper in Sydney reported on 26 April 1997 that a major asthma outbreak north of Sydney could be linked to industrial air pollution, including pollution from coal-fuelled power stations. Local people reported a strong SO2 smell in the area and the Health Department reported a “significant” increase in asthma attacks. In May 1999, the Newcastle Herald in NSW reported air quality problems arising from coal-fired power plants in the Hunter Valley. The EPA explained these problems by noting that the Eraring power station, located in the lower Hunter Valley, burns five million tonnes of coal per year and emits 24,000 tonnes of NOx each year. Eraring power station was showcased in the public relations material of the UPDC, the developer of the proposed Hin Krut coal-fired power plant in Prachuab Khiri Khan, Thailand, for being an environmentally-friendly burner of “clean coal”. The EPA further warned that the location of industrial sources of SO2 and NOx in the Hunter Valley places 9.5 million hectares of naturally acid soils in NSW and the vegetation and animals they support at risk of damage from acid rain.

In 1997, in the state of Western Australia, an Upper House Parliamentary Committee singled out a coal-fuelled power station in the city of Perth as a major source of air pollution. The committee suggested a number of regulatory strategies including requiring the company that runs the plant to phase out the use of coal.

Sources: Newcastle Herald 24.5.99; Daily Telegraph 26.4.97; West Australian 5.12.97; State of the Environment 1997 Report, Environmental Protection Authority (EPA) of New South Wales, Australia.

requires over two million litres of water per hour for this process. The heated wastewater is disposed of in lakes or the ocean where it affects aquatic and marine ecosystems. At particular risk are freshwater breeding areas and temperature-sensitive habitats such as coral reefs where many species of salt water fish and marine animals congregate.

Tropical waters have remained virtually stable in temperature, within two degrees Celsius of current tropical sea temperature, over the past 18,000 years. During the hot season, coral reef systems exist in ambient water temperatures that almost exceed a maximum water temperature level at which coral can survive: any increase in the temperature of the sea will cause heat stress of the organisms that make up the reef – a process that injures and kills the colony of organisms that form coral, as well as affecting and eventually killing sea anemones, giant clams and some sea sponges, which in turn force fishes of the reef to find other suitable habitat or die. Studies of coral reef systems in Australia link an increase in temperature of just one to two degrees Celsius, combined with corresponding increases in exposure to light or decreases in salinity, with damage to, and eventual death of, coral reefs.

“Clean coal” and “clean coal” technologies

The human suffering caused by the coal “fogs” in the United Kingdom and United States 50 years ago initiated a rapid change in the public’s perception of coal from “King Coal” to killer coal. The “quick fix” of building taller smokestacks resulted in the pollution of extensive areas by acid rain. Following public concern about acid rain and the role of coal in global warming, the coal industry, sponsored by governments and multilateral development agencies, invented further technological “quick-fixes”, those of “clean coal” and “clean coal” technologies.

The term “clean coal” is used by the industry to describe technologies and fuel types that aim to reduce environmental impacts. Pre-combustion, “clean coal” means washing the coal to remove some sulphur and ash (called “coal beneficiation”) and using coal with “improved thermal and environmental qualities” (a naturally high carbon content and low sulphur and ash content). During combustion, “clean coal” technologies attempt to increase efficiency so as to reduce emissions of pollutants. Post-combustion “clean coal” technologies attempt to reduce the release of pollutants to the atmosphere, especially SO2, NOx and particulates. Scientists are currently testing technologies to capture carbon dioxide to try to reduce its release from the smokestacks (called “decarbonisation of the fossil fuel cycle”). The final stage of “clean coal” technology is in the treatment and disposal of solid wastes. Despite the claims of the coal industry, harmful substances would still be released from burning “clean coal”, including SO2, NOx, carbon dioxide, particulates, dust and ash.

Dangerous levels of air and water pollution continue to be recorded in areas where so-called “clean coal” is burnt and studies in Australia show that even the so-called best “clean coal” technology has minimal effects on the reduction of greenhouse gas emissions. Coal washing reduces the inorganic sulphur and ash content. The reduced ash content increases the thermal efficiency of combustion, which, in turn, can theoretically reduce emission of pollutants. However residual moisture in the washed coal, which makes the coal burn less efficiently, effectively negates the
hypothetical reductions of pollution and increased thermal efficiency. An Australian government study of the use of washed coal in an Indian power plant found that the overall thermal efficiency was reduced, with a concomitant increase in emissions of pollutants. Studies in the United States and of Australian power plants concur with this finding, especially in terms of the release of carbon dioxide. The “clean coal” technology of coal washing also requires extra water and produces larger amounts of sludge and other solid wastes, high in sulphur content, that must be dumped at a waste site. Thus, far from being clean, coal washing in fact causes the release of more toxic chemicals and other pollutants than if the coal were not “cleaned”.

Between seven and 30 per cent of coal consists of non-combustible material that must eventually be disposed of after the coal is burned. “Clean coal” technology attempts to trap these waste products before they leave the smokestacks; waste material that is trapped is then used (despite containing a number of toxic elements) or dumped as waste. The Commonwealth Scientific Industry Research Organisation of Australia observes that the use of lower sulphur coal and desulphurisation units, whilst having some impact on reducing sulphur emissions, make it more difficult for devices to trap ash.

Improved combustion technologies are being designed to increase efficiency (more electricity produced for same amount of coal burnt) and reduce emissions. The world standard for efficiency at a power plant using pulverised fuel technology, currently the most common technique, stands at 37.5 per cent. Advanced pulverised fuel technology increases the average efficiency to just 41 to 44 per cent with a forecast improvement to 50 per cent in the next hundred years. Other “clean coal” combustion technologies are still in early stages of development and are unlikely to improve efficiency beyond 43 per cent.

The coal industry, and governments supporting the industry, appear to hope that the use of higher quality coal – lower in ash and sulphur – will reduce emissions and increase efficiency. However, according to a report by Australian NGOs AID/WATCH and Greenpeace Australia, the actual increase in thermal efficiency is only about one per cent. They warn that if “clean coal” is used to meet the increased electricity demand predictions of governments instead of cleaner renewable alternatives there will in fact be a net increase in carbon dioxide emissions.

Apparently recognising that “clean coal” will never reduce the coal industry’s responsibility for global warming the coal industry is now looking to alleviate international concerns about the emission of carbon dioxide by testing technologies to separate and capture carbon dioxide from fossil fuels. The trapped carbon dioxide would then be “stored” in oceans, geological formations and terrestrial ecosystems. Exactly how this “storage” would work has not been determined by the industry, but even if this technology could be developed, and is “affordable” for the industry, the release of carbon dioxide from burning fossil fuels would not be halted, just slowed: in the long term, all the stored carbon dioxide would eventually be released into the atmosphere.

The British independent research organisation, The Corner House, reports that carbon dioxide and methane would be released, after only 40 years, from “carbon storage” plantation wood used in housing frames and only 12 per cent of carbon stored in commercial tree plantations is estimated to remain stored for more than five years.

The coal industry claims these technologies will be able to reduce carbon dioxide emissions by 30 per cent but this is as yet unproven and would take decades of trial-and-error experiments to prove. The technology, now in its early stages, requires a great deal of energy input to separate carbon dioxide from nitrogen. Paradoxically this will increase the amount of coal required to be burnt. Carbon dioxide produced (and needing to be trapped) per net kilowatt hour of electricity generated would therefore also increase. Essentially, the coal industry is proposing to burn more coal in an attempt to trap and reduce carbon dioxide emissions from this increased burning of coal by one-third, while increasing the cost of coal-fired generation of electricity. According to the research by AID/WATCH and Greenpeace Australia, “clean coal” technologies “will have negligible impact on the rate of growth in greenhouse gas emissions” – between the years 1989 and 2000 reductions in greenhouse gas emissions related to improved coal mining and coal combustion techniques may be as little as 2.1 to 3.6 per cent whilst the predicted growth in emissions is over 50 per cent.

**Hypocrisy in the Kingdom of Coal**

At the same time as seeking “developing” country action on climate change, and when all “developed” countries except Australia have agreed to reduce their greenhouse gas emissions, some industrialised nations are aggressively promoting their “clean coal” and “clean coal” technologies as a means to contribute to reductions in greenhouse gas emissions. Delivered as a form of “aid”, and assisted by multilateral development institutions such as the Asian Development Bank (ADB) and the World Bank, coal promoters claims that “clean coal” and “clean coal” technologies enable coal to be burnt with greater efficiency, thereby reducing the total amount of fossil fuels required, fail to consider in absolute terms: an increase in burning coal even with the best “clean coal” technologies will increase the total amount of carbon dioxide released; “clean coal” technology has failed in the North to be a financially viable alternative to cleaner natural gas-fired combined cycle turbines; and that the United States, Japan and Australia, all increasingly turning to natural gas, lead the way in promoting the obsolete technology of coal-fuelled electricity generation in the South.
The political influence of the coal industry worldwide and particularly in the major coal producing and exporting countries has marginalised the development and support for cleaner, renewable technologies, including energy conservation measures and wind and solar power. Largely protected from the social and environmental costs by government policies and subsidies, the coal industry now uses the myth of “clean coal” to gain new contracts for large-scale electricity generating projects, especially in the South. The history of the coal industry shows that its technological “fixes” don’t solve the problems caused by the burning of coal. The bottom line is, and always will be, that burning coal releases vast quantities of pollutants dangerous to the environment and to people’s health.

**Potential impacts from the proposed “clean coal” projects in Prachuab Khiri Khan, Thailand**

Proponents of the proposed coal-fired electricity generating plants in Prachuab Khiri Khan, southern Thailand, are quick to point out that their plants would use “clean coal” and modern, “clean coal” technology.

A comparative energy, environmental and economic cost-benefit analysis of the emission of pollutants from the Union Power Development Company (UPDC) project at Krut village by the Thai-Danish Cooperation on Sustainable Energy project estimates that 1,216 thousand tonnes each of SO2 and NOx would be released to the atmosphere over the life of the project; at an average of 48,600 tonnes per year. Large areas of Thailand already appear to be suffering from acidic deposition, but such damage can be difficult to detect until a threshold is crossed and plants and animals die. Acid rain in Prachuab Khiri Khan could contaminate the land and local sources of drinking water, affecting people’s livelihoods and health. As experience in Australia shows, even with the use of low-sulphur coal and “clean coal” technology, acid rain is a major impact of coal-fuelled electricity generation.

Although the developers of the proposed plants in Prachuab Khiri Khan are required by law to “monitor” emissions of certain pollutants, there is now irrefutable evidence to indicate that “monitoring” pollution from coal-fired plants does not prevent the release of numerous toxic substances into the environment and the resulting impacts on people’s health and livelihoods. While scientific research is re-evaluating the relevance of existing air quality guidelines, the proponents of the projects maintain that the projects would meet existing air quality standards. Local communities would thus be exposed to the dangerous combination of tiny particulates, which carry toxic chemicals, and radioactive materials released in the fly ash from these plants.

In 1994, the estimated release of carbon dioxide from human activities in Thailand was 241 million tonnes. The Thai Government, although not required to under the Kyoto Protocol, recently announced it had set a goal of reducing emissions of carbon dioxide by three million tonnes per year. Ironically, although the impact of global warming would especially affect Bangkok, which is listed as one of the world’s capital cities most vulnerable to a rise in sea level resulting from global warming, the Thai Government made it clear that their policy would not lead to a review of the coal-fired power projects proposed for Prachuab Khiri Khan.

The 1,400 MW UPDC project at Krut village plans to import 3.85 million tonnes of Australian “clean coal” per year for 25 years. This plant would contribute an estimated 578 million tonnes of carbon dioxide to the atmosphere over its 25-year life. That is an average of 23.1 million tonnes per year. The 734 MW Gulf Power project plans to import 2.8 million tonnes of “Envirocoal” from Indonesia; based on the calculations for the UPDC plant, the Gulf Power project would release approximately 420 million tonnes of carbon dioxide over its 25 year life, or an average 16.8 million tonnes per year.
contaminated. These are the lands on which local people grow food and the waterways in which children swim.

The power plants would require hundreds of thousands of cubic metres of water to be drawn from the sea each day. The hot wastewater would be pumped back into the sea, leading to sudden rises in the ambient temperature and disruption of the fragile marine and coral reef ecosystems, habitat to more than 190 species of fish and several species of whale and dolphin. The project developers state that the water will never exceed three degrees Celsius above the ambient sea temperature and the UPDC assures local communities the coral reefs will not be affected. However, as scientific research on Australian coral reefs shows, this would place the coral reefs near the UPDC project at great risk and could destroy local livelihoods and small-scale family-owned tourism facilities dependent on the coastal fisheries. In January 2000, the Office of Environmental Policy and Planning (OEPP) recognised the potential damage to the environment and people’s livelihoods from the UPDC plant and rejected a revised EIA for the project that proponents completed after the OEPP rejected the first EIA for the project.

Proponents of both projects in Prachuab Khiri Khan selectively use information provided by the coal industry in Australia and the United States. The developers consistently dismiss the projects’ impacts on the health of local people and their environment. At the “public hearing” for the Gulf Power Generation project at Bo Nok the spokesperson for the developers, Robert E. Driscoll of the U.S. company Edison Mission, offered “mitigation money” in response to concerns about pollution. But for the people trapped in the “London Fog” or the “killer fog” of Pennsylvania 50 years ago or for the local communities of Mae Moh today, mitigation money does not stop illness and death. And in countries such as Australia where “clean coal” and “clean coal” technology is used, local communities and the environment continue to be polluted by the burning of coal.

**Coal in the Greater Mekong Subregion: Development nineteenth century-style**

Coal is a major source of energy in Southeast Asia – millions of tonnes of coal in China, the Philippines, Vietnam and Thailand are used domestically to produce electricity and for export. In 1998, a four-nation consortium led by Japan’s Sumitomo Corp., with the U.S. firm Stone and Webster, Britain’s Mitsui Babock Energy Co. and South Korea’s Hyundai Engineering and Construction Co., won a US$545 million contract to build Vietnam’s biggest coal-fuelled electricity generating plant. Nevertheless the ADB, World Bank, and governments such as Australia, Japan and the United States promote and financially support the development of coal-fired power plants. Despite acknowledging that air in Asian cities is three times dirtier than elsewhere in the world and the ambient level of sulphur dioxide is 50 per cent worse than Africa or Latin America, the ADB, as well as the World Bank and many governments, continue to push for the burning of more and more coal in the name of “development”.

Export-credit and investment insurance agencies (ECAs) of Northern governments are playing an increasingly important role in the expansion of the coal industry. By acting as guarantors for investment in coal mines and coal-fuelled electricity generating plants and providing loans for the importation of coal and power plant equipment, ECAs underwrite millions of dollars worth of coal projects in the region.

Meanwhile governments spend millions of dollars promoting their coal and coal technology – the Australian Government spends Aust$1 million (US$600,000) per year promoting Australia’s so-called “clean coal” in the Asia-Pacific region and the Australian Export Finance and Insurance Corporation (EFIC) has invested more than Aust$15 million annually in coal-fired power plants in China, purely to support Australian industry in the guise of “aid”. The Australian Government also hosts the Asia-Pacific Economic Cooperation Forum (APEC) Energy Working Group, at which the government pushes sale of its coal to the region.

**Vietnam**

Vietnam has a large coal industry – more than 10 million tonnes of coal was produced in 1998, for use domestically for electricity and the cement, chemical and paper industries and for export. Fossil fuels, predominantly coal, comprise approximately 40 per cent of Vietnam’s electricity supply, with hydroelectric projects powering much of the remainder of the grid. Since 1997 the Canadian and Thai governments have funded a feasibility study worth US$90,000 to examine the environmental impact and “sustainable development” of the coal mining industry.

Mismanagement of the coal industry combined with economic downturn has resulted in a massive coal surplus in Vietnam – extraction of coal has almost halted and tens of thousands of miners are now out of work. The state-owned coal producer Vinacoal is seeking to build new thermal power plants in order to burn the excess coal.

In 1998, a four-nation consortium led by Japan’s Sumitomo Corp., with the U.S. firm Stone and Webster, Britain’s Mitsui Babock Energy Co. and South Korea’s Hyundai Engineering and Construction Co., won a US$545 million contract to build Vietnam’s biggest coal-fuelled electricity generating plant. However, Vietnam’s former President, Le Duc Anh, criticised the contract in an interview with the Communist party daily newspaper, Nhan Dan, saying that, “There was something unusual during the bidding process and the process of qualifying tenders, which led to a situation where the competitive capability of tenders was eliminated.” Alleging that an unspecified diplomatic mission had “put pressure on Vietnamese leaders”, Anh warned that, “Vietnamese people themselves will have to carry the consequences, whether they are good or bad, and in the future will have to pay off loans and interest rates.”

**Nevertheless the ADB, World Bank, and governments such as Australia, Japan and the United States continue to push for the burning of more and more coal in the name of “development”.”**
feature

Thailand
The 2,625 MW Mae Moh power plant located in Lampang province of Thailand, the country’s largest electricity generation plant, is fuelled by locally mined lignite (brown coal). Coal deposits are estimated to be 700 million tonnes and the open mining pits cover 32 square kilometres, making it one of the largest coal mines in Southeast Asia. Since the mine began operations in the late 1960s more than 30,000 people have been evicted from their homes so that the Electricity Generating Authority of Thailand (EGAT) could access the coal reserves. Coal dust laden with sulphates and other toxic chemicals have been carried by the wind into the rivers and ponds of the Mae Moh valley, including the reservoir that supplies drinking water for the local people.

Every year the lignite burnt at Mae Moh to generate electricity releases into the air approximately 1.6 million tonnes of acidic sulphur gas which has blackened streams, burnt rice fields and resulted in severe health problems for local people [see Watershed Vol. 2 No. 2].

On 3 October 1992, EGAT switched on all 11 units at Mae Moh (units 12 and 13 commenced operations in 1996) and within days more than a thousand village people residing within seven kilometres of the plant fell ill with breathing difficulties, nausea, dizziness and inflammation of eyes and nasal cavities caused by the inhalation of the sulphur gas. Within two months more than 50 per cent of the rice fields near the plant were damaged by acid rain and at least 42,000 local people were suffering from breathing ailments. Yet at the peak of the crisis, EGAT insisted that, “The [Mae Moh] emissions are lower than the standard set by the National Environment Board (NEB)… the emissions are safe for human beings and the environment.” Pollution problems recurred in April and May 1996 when six village people in the Mae Moh valley died of blood poisoning. Severe air pollution in mid-

1999 left hundreds sick and in December 1999 more than 600 local people suffered respiratory problems caused by sulphur dioxide emissions.

Australian aid money provided consulting and engineering advice for the development of the Mae Moh mines. The adjacent power plant received large amounts of bilateral aid and multilateral development bank funding via the ADB and the World Bank, and Australian engineers also provided advice to EGAT on coal combustion. Despite the overall negative impact of pollution from the mine and power plant, AusAID, the Australian agency for overseas aid, maintains its role in the project was positive.

As Thailand’s economy grew rapidly in the late 1980s and early 1990s, EGAT planned many new electricity generating projects to meet their estimates of projected electricity demand. Ignoring official development objectives for Thailand’s energy sector (that include reducing foreign debt, strengthening rural employment and empowerment, and promoting clean technologies and clean environment) and in an attempt to avoid opposition from local communities who were aware of the years of sulphur dioxide emissions at Mae Moh, EGAT intends to import so-called “clean coal” to fuel new coal-fired power plants it wants to build. EGAT forecasts that, by the year 2011, large coal- and lignite-fired power plants in Thailand will account for 25 per cent of total electricity generated in the country.

Three coal-fired electricity-generating projects are proposed to be built in the southern Thai province of Prachuab Khiri Khan. One of the projects, proposed at Tab Sakae by EGAT, was postponed in January 1999 due to EGAT’s poor financial situation and excess generating capacity. The proposed 1,400 megawatt (MW) Union Power Development Company (UPDC) plant adjacent to Krut village and the proposed Gulf Power Generation Company’s 734 MW plant near Bo Nok village both face strong local opposition [see Watershed Vol.5 No. 2]. While each project is being assessed separately, if all three projects are built there would be more than 14 million tonnes of coal burnt each year along a hundred kilometres of rural coastline. These projects pose a risk to local people’s livelihoods, which are based on ocean fishing, coconut and pineapple farms and small-scale tourism. Ecologically important coral reefs and wetlands located in the immediate vicinity of the proposed plants are also at risk.

Lao PDR
A massive lignite mine and power plant in the mountains of Hongsa district in Sayaburi province, northern Lao PDR has been identified as a high priority project by the government of Laos [see Watershed Vol. 2 No. 2]. Electricity produced would be sold to Thailand as part of a Thai-Lao power...
purchase agreement. The mine is to be developed, with a 40 year lease from the Lao Government, by Hongsa Lignite Company, a joint venture between state-owned Lao Agricultural and Forest Development Company Ltd. (LAFD) and the Thai-Lao Lignite Power Company (TLL). The lignite would be sold to TLL who would build the power plant. Export-credit agencies, including the Export-Import Bank of Thailand, are expected to finance the project. It was to be completed in 2002 but the project faces delays; the Memorandum of Understanding between the Government of Laos and EGAT is currently under re-negotiation.

At Hongsa there are approximately 530 million tonnes of lignite considered economically recoverable by the coal industry. The first phase of the power plant plans to use five million tonnes of lignite per year to produce 740 MW of electricity, 608 MW of which would be exported to Thailand via a transmission line to Mae Moh, some 150 kilometres away. There are plans for an additional 600 MW to be exported to Thailand. The Hongsa lignite has a sulphur content of 0.7 to 1.1 per cent, significantly less than the three per cent sulphur content of Mae Moh lignite and the power plant intends to install flue gas desulphurisation units (to attempt to stop sulphur gases from being released through the smokestacks) and follow the World Bank’s 1995 environmental standards.

However, according to a report by consultants Laymeyer International and Worley International to assess the risks of a number of proposed electricity generating projects in Laos, the proposed desulphurisation process at Hongsa would release poisonous sulphur dioxide and nitrogen oxides. The project proposes to resettle 1,400 people but Laymeyer International and Worley International report that the project would adversely affect 13,000 other people in the valley because of toxic air pollution from the burning of coal, noise, dust pollutants, mine and dump runoff, and disposal of solid and hazardous wastes.

The ‘decoalinisation’ of the future

According to the World Watch Institute, coal usage is now in decline despite historically low prices and excess supply. In 1910, at coal’s peak, 62 per cent of world energy was produced by coal; today the figure is only about 23 per cent and dropping. In 1998, coal use worldwide fell by 2.1 per cent. The true cost of coal usage is hidden in many countries by a number of government policies. Direct payments to coal mining companies per tonne of coal mined, tax breaks, tariffs, import quotas and domestic policies that ignore the rights of local people, subsidise the coal industry so as to reduce the cost of production, substantially protecting the industry from the real costs and risks. Most of the social and environmental costs are borne by local communities.

The removal of subsidies for the coal industry, along with introducing a “polluter pays” tax, would expose the myth that coal is a cheap source of energy. The World Watch Institute estimates that the total world coal subsidies are currently US$63 billion. In the last 15 years, when Belgium, France, Japan, Spain and the United Kingdom slashed or ceased subsidies to the coal industry, coal use in these countries declined by some 50 per cent; electricity suppliers turned to cheaper and cleaner sources of energy.

In the United States, a University of Miami study found that if all the external social and environmental costs of burning coal were included, electricity generated from coal would cost approximately 30 US cents per kilowatt-hour (kWh); electricity consumers in the United States actually pay an average eight cents per kWh because the social and environmental costs are largely “externalised” and borne by local communities.

A recent European Commission study showed that including all the costs of burning coal at a plant in Germany would raise the price of power produced by 50 per cent; however, pressured by the coal industry, the German Government excluded coal from its ecological tax reform in 1998.

The cost of electricity from a 150 MW coal-fired power plant in Southeast Asia (using imported fuel and including emission controls and external costs) is estimated in a report for Greenpeace International to be 9.40 US cents per kWh compared to only 7.96 cents per kWh for a 150 MW combined renewable energy facility or five cents per kWh to improve energy efficiency by 75 MW. However, as the University of Miami’s study indicates, the Greenpeace report should have considered the entire life of the coal-fired power plant but relies on ADB and World Bank figures, agencies who are keen to expand the coal industry. It is likely that the report underestimates the external costs for coal-fired electricity generation.

Gulf Power Generation Co. advertisement promoting the burning of coal to generate electricity at its proposed plant in Prachuab Khiri Khan, 18 May 1999. The ad. partially reads, “If we dream of paying less for electricity in the future, the only alternative that will make that dream come true is the increased use of coal.”

Globally, coal use is decreasing in recognition of the increasing costs to people’s health and the environment. Meanwhile the capital costs of building, operating and supplying coal to these plants is no longer economically
viable. In China (the world’s major coal producer and consumer) most residential stoves and 75 per cent of electricity generation are fuelled by coal – a situation similar to Great Britain in the late nineteenth century. However, in the past few years public concern over air pollution has forced the municipal authorities in Beijing to establish “coal-free zones” in the city. With the aim of eventually effecting a total ban, high sulphur coal faces a very substantial tax. Increasing concern for public health and the urban environment is leading other Chinese cities to follow Beijing’s lead. In Britain, Europe, North and South America, many power producers are switching from coal to natural gas to gain better economic returns and reduce the environmental impacts of generating electricity.

No future with coal

Those who promote coal as a necessary source of fuel to generate electricity for conventional economic development are endangering both the lives of local communities polluted by the burning of coal and the stability of the Earth’s climate – upon which all humans rely for our very survival. Yet the coal industry, the governments and international financial institutions that support it, and the global financial system that funds it, together form a seemingly impregnable fortress defending the status quo of business-as-usual, and profit-at-any-cost.

For example, the ADB is a major funder of coal-fired power plants and other destructive projects like hydroelectric dams. In its Annual Report 1998, the Bank congratulated itself for arranging funding for a coal-fired plant in China by citing two awards received by the project. According to the Report, “The Bank-financed Meizhou Wan Power project in Fujian Province, People’s Republic of China, won two awards for excellence...The awards were given by the International Finance Review (“Asian Project Finance Loan of the Year”), and by Project Finance International (PFI) (“Power Deal of the Year – Asia Pacific Awards 1998”) in its PFI Yearbook 1999. The project, now well under way, is for the construction of a 720 MW coal-fired plant on the Zhongmen Peninsula...”

The fact that a polluting, greenhouse gas-producing project receives awards because of the financing package that funded its construction clearly illustrates the insulated business-as-usual reality inhabited by international financial institutions like the ADB, transnational banks, and the international financial system (or in this case, its “newspapers”).

Nevertheless, the coal industry and its supporters are increasingly challenged by local communities, scientists and researchers, innovative electricity supply companies, and an international movement of environmentalists who refuse to accept that, “There is no future without coal.” Throughout the North and South, if people have access to information about the environmental and public health impacts of burning coal, and live in a society in which democratic process ensures freedom of expression, they are likely to be concerned about a proposal to build coal-fired power plant near their homes and communities – and aware of viable alternatives to coal. One of the most recent examples of this is the opposition by local communities to the proposed Hin Krut coal-fired power plant in southern Thailand. Although these communities have been targeted by the state’s security apparatus and corporate propaganda, they remain convinced that the Hin Krut plant will have a devastating impact on their communities and have united to make their opposition to the construction of Hin Krut known to Thai society and the government.

However, as much as the opposition of local communities puts the coal industry on the defensive and may prevent the construction or continued operation of a coal-fired plant, it is the inefficiency and high capital costs of coal-fuelled generation of electricity that is endangering the future of the coal industry. In fact, governments and corporations now investing in coal-fuelled electricity generation plants and other components of the coal industry will soon find that their massive financial investments are stranded and lost in an obsolete technology overtaken by less expensive and readily available electricity supply alternatives.

High efficiency combined cycle turbines fuelled by natural gas are now the most popular investment in electricity supply technology in the world, allowing flexibility in capacity, location, and timing of supply, and with natural gas reserves sufficient to meet increased demand for electricity over the next 50 years. However, like coal and oil before it, natural gas will likely be overtaken as the fuel of choice for electricity generation long before available reserves are depleted, probably within the next two to three decades. Already, investments in less polluting electricity supply through increased end-use efficiency of electricity, solar photovoltaic, solar thermal energy, biomass gasification, and windpower electricity generation are increasing significantly every year.

As independent energy industry analysts Christopher Flavin and Nicholas Lenssen have observed, “Today, ...economic, environmental, and social pressures have made the old system unsustainable and obsolete, and the process of change is quietly gathering momentum.”

That change will result in electricity generation systems that are de-centralised, small- to medium-scale, non-polluting and sustainable – everything the coal industry is unable to accept if it is to continue to profit from the pollution, poison, and planetary climate change caused by its product.

A fully referenced version of this article, and a fully referenced briefing paper by TERRA, Exposing the myths of the “clean coal” industry, is available from Watershed.

Selected references:
Thai-Danish Cooperation on Sustainable Energy (1999) Sustainable energy alternatives to the power plant at Prachuap Khiri Khan: A comparative energy, environmental and economic cost-benefit analysis of the 1,400 MW coal-fired power plant under construction at Prachuap Khiri Khan.
The Cambodian Government has received a US$40 million loan from the Asian Development Bank to widen the road from Phnom Penh to Bavet on the Cambodia-Vietnam border, passing through two provinces, Prey Veng and Svay Rieng. Local people living along the existing road talk about the impacts the road widening will have on their lives.

Mrs. Neang Sokhet, Kompong Trobek commune, Prey Veng province.

How long have you lived here?
I came to live here in 1982. Six people, my husband, myself and four children live in this house. Three children are studying, but my oldest child who is 16, has dropped out of school. We are poor so he is going to get a job and help support the family. My husband is a police officer working in Phnom Penh and I work at home selling some fruit and cakes here in front of the house. I make about 3,000 riel (US$0.80) per day which can buy just 10 cans (Nestle milk can) of rice. This money is only enough for day to day living. I have no money to move the house or resettle to live in another place.

Have you heard about the plan to widen the road?
I found out about it several months ago, when people came here to do some studies and they gave me a card. I heard that the road will be widened 25 metres on each side measured from the middle line of the road, but I don’t know how big the road will be when it is paved. My house is within the measured size – see they put a marked post more than 10 metres behind my house. My house is built five metres from the road. My land is five metres wide and 25 metres deep, it stretches into the pond in the backyard.

They told me that have to move away from here to wherever I want to live, but it must be out of the posted area. If the government forces me to move, I don’t know where I will go to live.

Do you have rice land?
No I don’t have any, I had it before but the state took it back because I didn’t pay the tax. There were a lot of floods and I couldn’t grow rice, so the land was taken back. They said that even though I could not grow rice on my field, I still had to pay tax for the rice land.

What information have you been given about compensation for the loss of your property?
The people who came to study the road and my house are from Phnom Penh and some are provincial authority officers. They said that there are three different types of house, the best is a concrete house, second is a wooden house with tiled roof and third is a leaf-roofed house, and my house is the third type.

They told me that they would pay US$390 for the removal of my house. They told me the compensation is only for the removal of the house and that loss of land would not be compensated. I complained about that but they kept saying only $390. Three hundred and ninety dollars is not enough to buy even a plot of house land. The current land price is around $1,000 to $1,500 for a small plot. I don’t know what to do with the small amount of money they will give me. Some rich people will get higher compensation payments than me. I would like to suggest that the poor should get higher compensation than the rich.

They said they also compensate for a well but I don’t have one. This hut, where I sell cakes and fruit in front of my house, will also be moved away without compensation. My neighbour’s house has a pig cage that will be moved.
community voices

away without compensation as well. I was also forced to cut
down the two jackfruit trees in front of the house, I used to
make 3,000 to 4,000 riel for each jackfruit which came to 100,000
to 150,000 riel ($29 to $39) per year but this income will not be
compensated. The village people here all complained to the
authorities to get compensation for the jackfruit trees but
those people said they won’t pay.

I use the money from selling fruit to support my family and
my children, to buy clothes, books and pens for them to go
to school. One of my children is in high school and now I
don’t know how to make enough money to support his
study. My husband is a police officer in Phnom Penh, and he
earns only 70,000 riel per month. Sometimes after he
comes back home I give him some money when he goes
back to work.

I am very sorry about those jackfruit trees. If someone
offered me 400,000 riel to buy it, I would still not sell it, because
I can sell the fruit every year and make more than 100,000 riel
each year. After I had grown them for four years they began
fruiting and I have picked and sold the fruit for five or six
years so far. The trees are 18 years old. They forced me to cut
them down, and my husband already felled one. They told
me I would be punished if I refuse to cut down the trees.
Every family here has cut down several jackfruit trees.

Some people in Svay Rieng have been told they will
receive US$36 compensation for each mango tree they
have been forced to cut down. Have you heard about
that?

I don’t know what types of tree they will give compensation
for. Besides, people here have already cut down lots of the
trees. If Angkari (the government) change their mind and offer
compensation for jackfruit trees, I won’t know how to complain
because we already cut them down. There were lots of jackfruit
trees in this village on both sides of the road. A Vietnamese
family near here made more than a million riel each year just
from selling jackfruit, but they have also cut almost all of
them down.

Do you know who has made the decisions about what is
compensated?
Someone told me that it was decided by the provincial office
of finance and some people from Phnom Penh.

Did you see an official document saying what property
is eligible for compensation?
No, the people who came here didn’t show any documents
to us. I saw that when those people came here to do the
study, they looked like they were trying to hide something
from us. If we tried to ask them more questions they tried not
to tell us.

Do you agree with the amount of compensation you
have been told you will receive?
I bought this land to live and it cost five chimeas[50 grammes
of gold]. The sale agreement document was signed by the
district chief, but now I’ve lost it.

I live in a phteah sleuk (house roofed with leaves) and
I’ve repaired it twice already. Once, when I didn’t have enough
money for a repair, I sold a motor bike that my husband used
for his job as a motor-taxi driver and I also borrowed some
money from a relative. In total, I spent two domleung meas
[200 grammes of gold] just for repairs to the house.

I have spent about $4,000 but they will pay me only $390.
I don’t agree with that, even $1,000 is too small because it’s
not enough to buy land. I only want them to pay me enough
to buy a similar size of land and a house like I have today. If
I get this I would agree, but I don’t know what to do. If all the
people here agree I will also agree, but if I make a protest
alone, I could be accused of anything. Also, my husband is
government worker so it may be more difficult for us to make
a protest.

Some people, who don’t agree with the cost that the
government will pay, were not given this card. They gave me
this card with a thumb print on it.

What will you do when you have to move?
I will probably be poorer than today, I cannot think of any
solution. The amount of money they will give cannot buy
what I have back. I am going to lose my garden and the
jackfruit trees that I spent many years growing. In my current
situation my life is all right, I can live with the money I make at
present. I can just try to live.

It would cost about one million riel [$263] to move my
house, which is almost all the money they would give me, so
there is no money left to buy land?
Rich people will be able to buy new land and a house, but
the poor are going to be poorer. After the owners of the rice
farm behind my house found out that we are going to have
to move they increased the price of their land, which is a
similar size to my land, to $1,000. I can’t afford that much,
and I think that land prices will increase even more when a
lot of people have to move at that time. For many families
living alongside this road, the widening of the road will cause
a “dol ko haoey,” [crisis situation]. It will be very difficult
when I resettle and I worry about my children. If I can’t buy
land I don’t know where I and my family will go. I may just
have to come back to live near the road again.

Do you believe that you will receive US$390 as you were
promised?
Already they said that they will not give 100 per cent of the
amount that they informed us, it will be lower. All the village
people here will agree not to move unless we get 100 per cent
of the amount of money we have been promised.

I don’t believe in much they say, but if we don’t agree
they said they will bring bulldozers here to bulldoze our
house.
Mr. Nauv Thee, Srah Vuong village, Svay Rieng province.

How long have you lived in this house?
I came to live here in the 1980s. This house was built in the French period but when I came it was ruined. I asked for this house from the previous provincial governor of Svay Rieng province, Om Kai, and he agreed. When I came I made my living by growing lotus in the Tonle Vaiko lake here. Then I had a job brewing orange but I failed. It took me five years to save enough money to repair the house and I spent seven to eight domleung [70 to 80 grammes of gold] on the repairs.

Are you aware of a project planned to widen this road?
Yes I know about this project. Some groups of people came here to study the road in about August last year. They were from Phnom Penh and some of them were provincial authorities in this province.

I heard that the road will be widened 25 metres each side. My house will be affected, the size of the widening reaches half of my house area.

What job do you have at present?
After my job of orange juice manufacture failed, I turned to growing lotus again, and to fishing and planting fruit trees. I don’t have land to grow rice here.

I grow coconut, custard apple, banana and mango. The mango is now more than 10 years old but it doesn’t give fruit yet – it just started flowering this year. The coconut is now two years old. I grew all of these trees by myself.

I make around 7,000 to 8,000 riel (US$1.80 to $2.10) per day from selling the fish that I catch. I spend this money buying rice and to treat my mother’s illness – she’s old and ill.

What income have you made from your trees so far?
The custard apples and bananas bear fruit already. It’s hard to tell the exact amount, because banana is not a seasonal plant. I collect its fruit year round and make 7,000 to 8,000 riel (US$1.80 to $2.10) for each bunch. I estimate I make about 200,000 to 300,000 riel (US$52.64 to $80) per year from selling the bananas and custard apple.

Will you receive compensation for the loss of your house and fruit trees?
Those people who studied the road told me I would only get compensation for the half of my house that will be affected due to the widening of the road. The compensation is only for the removal of the house. They have also said that they will pay me $36 for each mango tree I will lose, but not for the others, the bananas, custard apples and coconut, as these species are not included in the list.

How much compensation will you receive for your house?
They said I will receive $980. That amount isn’t enough to buy a new plot of homeland, which now costs more than $1,000, and to build a new house. So, I think that I will probably continue to live in this house even though half of it will be broken up. I will then try to repair it.

Did you ask for compensation for the loss of your plants and fruit trees?
I did ask them to pay compensation for these trees but they said they will bring this request to Phnom Penh to decide. I spent many years growing these plants, and they have given me fruit for several years so far. My livelihood relies heavily on these plants and trees.

How much compensation would be needed to buy land and a house in this area?
It is probably about $3,000. Over a thousand dollars for buying new land and the remaining money for building a new house. I am very sad about the loss of my fruit trees and plants, but I don’t know what to do about this because it is the government.

Have you been shown an official document saying what property is eligible for compensation?
No, they didn’t show me any documents. The people who came just made a verbal announcement about the amount of money that I will receive for compensation. I want to see the list of compensation due for different types of houses.

Do you know where or from whom you will receive the compensation money, and do you believe you will receive the whole US$980?
When they came they gave me a card and told me to keep it for receiving the compensation money and then there was silence, I haven’t heard anything more about it.

I don’t know from whom and where I will go to receive the money. I don’t believe in much because even the card they gave me does not clarify the amount. If I receive lower than the amount that has been told I won’t agree and won’t move from here. A concrete house like this is impossible to move, I will have to break it up and it will then be badly damaged.
“Why does the ADB not listen to the local people?”

Acclaimed by the Asian Development Bank (ADB) as an “environmental project”, the proposed wastewater treatment plant in Thailand’s Samut Prakarn province threatens mangrove forest areas, coastal fisheries, and hundreds of fishing-based livelihoods.

Watershed talked with Mr. Chalao Timthong, a fisher, and Ms Dawan Chantarahassadi, residents of Klongdan subdistrict, Bangbo district, Samut Prakarn province, about the controversy surrounding the project.

Could you describe the means of livelihood in your community.
Mr. Chalao: The Klongdan subdistrict has 14 villages with about 30,000 people. The main livelihood and source of cash income for our communities is coastal fishing. We sell the catch to fish merchants who process and sell it to the markets in Bangkok and elsewhere. The fishing livelihood is like an interconnected chain because nearly 60 to 70 per cent of the local people depend on a variety of occupations related to fisheries.

Coastal fisheries have been our way of life over the past several generations and we expect that future generations of our children will also depend on fisheries for a living. The fishing in Klongdan is very diverse. The coast of Klongdan is probably the largest source of mussels (hoy malaeng puu) as well as other kinds of shellfish in Thailand. Some families use small boats in the small freshwater channels and backwaters to catch fish, shrimp and sea crabs. There is fishing along the seashore for cockleshells, striped mussel (hoy line), and squid. We also collect cockleshells when the tides go down.

Our fishing livelihoods do not make us rich, but we can live in contentment and we like it this way. Even the recent economic crisis in Thailand did not affect us that much.

How did your community become aware of the planned wastewater treatment project for Samut Prakarn province?
Mr. Chalao: Previously, in 1985-86, some company had plans to build a golf course and tourist resort on the same site that is now planned for the wastewater treatment plant. At that time some companies belonging to businessmen and politicians bought up lots of village common land very cheaply. But this golf project was cancelled because the company realised that the site was not suitable for construction since the soil was soft and there was regular flooding by seawater.

Later in 1998 we heard that this same site would be used to build a huge wastewater plant. We asked ourselves why a wastewater treatment plant would be built in our area although there are no industries here. We were doubtful about where the wastewater would come from and what were the real reasons for building a wastewater treatment plant in our community.

Mr. Chalao: “This project is being used by the ADB and the government to build an image to the Thai as well as international public that they are solving the area’s pollution problems with the loan. But in reality, the project will destroy the country...and destroy the traditional livelihoods of coastal communities.”

We asked the village head and other local leaders about the impacts from this project. What about the bad smell from the wastewater being processed and released into the sea? At that time, we did not know how much wastewater would be processed until one day we saw a sign at the site announcing the project details such as the building contract and the duration of construction. We were shocked to find that the plant would release up to 525,000 cubic metres per day.
of treated water into the sea. In the future, they plan to expand the water treatment up to 1.5 million cubic metres per day.

**Will the wastewater be collected only from Samut Prakarn?**

**Mr. Chalao:** We realised that the plant would bring industrial wastewater not only from the Bangpu Industrial Estate near Samut Prakarn but also other factories along the east and west banks of the Chao Phraya River through a system of pipes totalling 125 kilometres in length. The treated water would then be released into the sea around the adjacent areas of Klongdan subdistrict in Samut Prakarn province and Songklong subdistrict in Chachoengsao province. If the wastewater treatment plant is built here, the enormous amounts of wastewater released into the sea will definitely affect our way of life.

**After hearing about the project, what did the local communities do?**

**Ms Dawan:** In December 1998, we submitted a letter to Mr. Suvit Khunkitti, the then-Minister of the Ministry of Science, Technology and Environment (MOSTE) requesting details about the project. After our letter, the Pollution Control Department (PCD) became active although previously they had never informed us about the project. The PCD came and talked at the Subdistrict Administrative Organisation (SAO) of Klongdan. At the meeting, we asked the PCD the reason for building a large wastewater project in our area. We asked about the problems of smell, the methods for storing and managing the solid waste, and the possible impacts on the health of the community.

The PCD replied that the project is only at the stage of studies and that they are still considering the solutions. So I asked them, you have started construction of a huge project in our area but you have not done any studies and now you are saying that everything is under consideration? They replied that they haven’t actually started to build. I told them that the area has already been cleared and prepared for construction.

After the meeting, we decided that this is a big issue that needs to be discussed by the community. At first, the local people believed that a wastewater treatment plant is a good thing. It took some time and effort for the community to understand the possible impacts to our fishing livelihoods.

Then the local people in Klongdan and Songklong collected money in order to travel to Bangkok and submit a petition with all our signatures to the Prime Minister. Initially, we prepared 16 buses for travel but the numbers of people kept increasing, they had heard about the protest and gathered from all over the two subdistricts. Eventually, we ended up with 27 buses totalling nearly 2,000 people. Although many of the people were not fishers, they knew that the project would still have impacts on their fisheries-related livelihoods.

In the petition to the Prime Minister, we pointed out that local people have a right to know about the project because the project has so far not provided any information about the impacts on local communities. We also stated that the project violates Article 56 and Article 59 of the country’s Constitution concerning public participation.

**Mr. Chalao:** We raised three specific demands to the Prime Minister: 1) Halt the project in order to undertake environmental impact studies; 2) Hold public hearings to discuss the project; 3) Invite the Counter Corruption Commission to look into the irregularities in the use of government funds particularly in the purchase of land at prices much above the market value.

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**“Government Area: No Trespassing” on the proposed site of the Samut Prakarn Wastewater Management facility. An ADB US$230 million “environment-oriented loan” for the project will, says the Bank, “improve the quality of the environment and public health and welfare in Samut Prakarn”.

**Could you explain the community concerns about the use of project funds and the nature of the land bought for the project site?**

**Ms Dawan:** Initially, a Cabinet Resolution in October 1995 allocated 13,612 million baht for building two wastewater plants in Bangpu and Bangplakod subdistricts.

On 25 March 1997, a new Cabinet Resolution increased the project budget to 23,703 million baht by borrowing US$150 million [at exchange rate 25 baht = US$1] from the Asian Development Bank (ADB), US$70 million from OECF [Oversea Economic Cooperation Fund], 750 million baht from Thailand’s Environment Fund and 17,385 million baht from the National Budget Bureau (NBB).

After the budget was increased, the PCD moved the project to Klongdan without any Cabinet Resolution giving any reason for shifting the project. In August 1999, Dr. Arthit Uriarat, the present Minister of MOSTE, recommended that the government borrow another US$80 million [3,200 million baht, at 40 baht to US$1] from the ADB because the NBB was short of funds after the economic crisis.

**Mr. Chalao:** The total land for the project is 1,903 rai [304 hectares]. The area is mostly fertile mangrove forests used by local people to breed shrimp and shellfish in small ponds. Many politicians and land speculators bought parcels of land from local people for the previously planned golf and resort project. When the golf and resort project was cancelled, local people continued using the area. But once the wastewater treatment project was approved, the officials fenced off the site with large red signs and barred the local people from using the area.
PCD then bought the land from the new owners at prices much higher than the market value. For instance, the market value was set at 480,000 per rai, but the PCD bought the land at prices ranging up to one million baht – more than double the market value. This clearly shows the dubiousness of the land deals. Actually, if the site is inspected, the government may find that actually 1,903 rai doesn’t exist because about 200-300 rai of land would have been lost to sea erosion by now.

Ms Dawan: “We told him [ADB official] that the project is not a solution, it will only cause more problems because our area has fertile fishing grounds... At least the ADB should try and listen to us and send someone to verify our concerns before making a decision.”

Ms Dawan: We are also not sure if the project site of 1,903 rai includes the Klongdon water channel that local people use as a fishing commons. Although the Klongdon water channel is not part of the project, the PCD is dumping soil in the area to increase the land level that is narrowing the entrance of the channel to the sea. The Klongdon is an important freshwater channel particularly during the rainy season to flush seawater and for fisheries. But soon we will not be able to use our boats in the channel. They have no right to include the village commons in the project area.

Mr. Chalao: The most important issue is that this area is totally unsuitable for building the project. Even the golf course was cancelled because the soil is soft. There is land subsidence of about 10 centimetres per year. Every 15 days, the coastal tides flood a large area for three to five days. Sea encroachment is usually about 10 metres per year. In severe monsoon periods, sea encroachment can reach up to 20 metres. During 1985-86, the area near the project that is now covered by sea was actually land with roads and houses before being abandoned due to sea encroachment. The wastewater treatment site is planned to be located not more than 100 metres from the sea. With this level of sea encroachment every year, it will not be many years before the sea will surround the plant completely. The water treatment ponds will then resemble a reservoir in the middle of the sea. The PCD says that this will be the biggest water treatment plant in Southeast Asia. But our question to the PCD is, “Is it really suitable to build such a huge plant in this kind of area?”

Please describe the two technical hearings held on the project. Did the local people participate in these hearings?

Ms Dawan: The PCD held two technical hearings concerning the project. We were not aware of the first technical hearing, even the media were not permitted to enter the first hearing. But it was clear from the results of the first hearing that the PCD was unable to respond to the questions on environmental impacts raised by many Thai academics.

We went to the second hearing although they did not invite local people. At the second hearing, many academics complained that they received the documents summarising the results of the first hearing only that morning, allowing them no time to read and analyse the results.

At the second hearing, the chairperson stated that the warmer temperatures in the Klongdan area will lead to higher build up of bacteria and gas which will increase the awful smell coming from the plant. Moreover, the hearing also said that the plant cannot extract heavy metal from the wastewater which means that our sea will increasingly be poisoned.

After the second hearing, we contacted PCD to find out the results but the PCD refused to give us the report. However, we managed to get the report and found that the chairperson of the technical hearings had written on the front page that “the information provided by the PCD was misleading and was largely biased in favour of the project.”

How do you see the ADB’s role in the project?

Mr. Chalao: This project is being used by the ADB and the government to build an image to the Thai as well as international public that they are solving the area’s pollution problems with the loan. But in reality, the project will destroy the country – exploit Thai public money and destroy the traditional livelihoods of coastal communities. I think that the ADB staff are aware of the project’s impacts but they agree with the government because they can get a share of commission from approving the loan.

Did you have an opportunity to speak to the representatives of the ADB about the project?

Ms Dawan: At the second hearing, we asked the ADB representative whether he knew about the opposition to the project. He said “yes”. We told him that the project is not a solution, it will only cause more problems because our area
has fertile fishing grounds. We asked him, why does the ADB not listen to the local people? The ADB representative replied that he believes in the government and the PCD. If this is the reply, how are we supposed to have a dialogue? Why cannot the ADB believe that the government can also be in the wrong? At least the ADB should try and listen to us and send someone to verify our concerns before making a decision.

What do you think about the economic benefits of the project? Will it justify the huge economic investment?

Mr. Chalao: The ADB believes that the project will be economically viable and provide returns on the loan. But we know that about 40 per cent of industrial factories in the region around Bangkok already have standard wastewater treatment measures. About 50 per cent of factories are in a position where they can make a small investment to improve their wastewater treatment. So the majority of the factories will not need to use the wastewater treatment services. There are already many waste treatment ponds built by the PCD that are not being used.

Ms Dawan: The problem is that there is no one directly responsible for operating the wastewater treatment system after it is built. The PCD is only responsible for building it. Why is the ADB not giving smaller loans to each municipality to solve their problems with wastewater in each local area? If the ADB is really interested in protecting the environment, then it should allow the local areas to solve the problem.

According to Thailand’s environmental laws, large projects require an environmental impact assessment (EIA). What about the EIA study for this project?

Mr. Chalao: This project does not have an EIA. We asked the PCD why they have not studied the environmental impacts. They replied that the project was approved in 1995 before the Constitution of 1997 came into force. But at that time, the project sites were Bangpu subdistrict and Bangplakod subdistrict. They shifted the project to Klongdan only on 20 February 1998. So they have to do an EIA for Klongdan.

Now the PCD says that there is no need for an EIA because the project is a “public utility” project that does not require an EIA. But we think that getting wastewater from hundreds of factories and releasing it in our area cannot be called a “public utility” project.

Ms Dawan: Although the PCD says there was no need for an EIA, when the project was planned for Bangpu and Bangplakod, the PCD hired the consultant company Montgomery Watson to do an EIA that was funded by the ADB. Now when the location of the project has been changed, isn’t the ecosystem also different, and isn’t an EIA necessary?

We can ask a number of questions about the legal validity of this project. The PCD has broken the environmental laws since the beginning of the project. First, they changed the project site without obtaining a Cabinet Resolution. Then they failed to hold public hearings to get public opinion. It was only after we raised questions about the lack of an EIA that they have begun an EIA process.

In fact, Thailand’s Juridical Council which looks into the violation of the Kingdom’s laws by specific projects clearly pointed out in a letter to the MOSTE that “the project has violated the law since it was given approval before an EIA was prepared for consideration by the National Environment Board (NEB).” The Council has stated that there are legal grounds to cancel the project.

What are the local communities’ demands to the government or the ADB?

Mr. Chalao: Our first demand is to halt the project. We think that whoever causes the pollution must take responsibility and pay to solve the problem. We are not the cause of the pollution problem. The industrial factories have to solve their pollution problems. This project does not solve the root of the problem, it merely shifts the problem from one area to another.

The local people have said that they will definitely not accept this project. Even though this project will continue in our areas, I don’t believe the local people will passively wait and watch because the area is like a rice bowl, it’s our artery that has helped us survive for many generations. If the project continues, we think that there will only be problems in the community.

Ms Dawan: If the ADB wants to conserve the environment, they must cancel the loan.

A boatload of hoy malaeng puu. Local people derive income from harvesting these mussels, a popular and inexpensive food eaten in most Bangkok restaurants. The emissions, including heavy metals, from the wastewater plant will inevitably contaminate the flesh of these mussels.
community voices (3)

“We have had too much development.”

The Asian Development Bank (ADB) proposes increased integration of ethnic communities living and farming in upland regions into the global market economy in order to achieve “poverty reduction” and “environmental protection”.

However, local communities view “development projects” promoting cash crops like coffee, cabbage and tomato as leading to increased forest clearance, soil degradation, health problems and severe indebtedness.

Ms Alema, a Lisu woman in Doi Chang village, Doi Wawi subdistrict, Mae Suay district, Chiang Rai province talked to Watershed about the Thai-German Upland Development Project.

Please tell us about your means of livelihood.
Doi Chang is a village that is more than 100 years old. The first settlers were Muser and Hmong. Later, Lisu, Chin Haw and Akha people settled here.

We usually plant upland rice in five to 10 rai [0.8 to 1.6 hectares] and rotate the plot every three to four years. We also have a small area for wet rice cultivation in the lowland. I have planted two plots of lychee trees, about three to four rai in two plots of tomato and cabbage and about 10 rai of rice.

We plant many vegetables such as green lettuce, potato, and eggplant. In the past, we planted corn and rice for consumption. We would get some cash by planting opium and breeding pigs for sale. The opium was planted in the upland areas in about three plots of two rai each. We would plant the opium during the end of the rainy season in September/October and harvested in January/February.

In some years, we do not have enough rice to eat because the soil is a little degraded from repeated use of the same plot.

Please describe the activities of Thai-German Upland Development Project in the village.
The Thai-German Upland Development Project cooperated with the government’s Social Welfare Department to reduce the planting of opium in the village. The TG [Thai-German] project came to the Doi Wawi area in 1982-83 and stayed for four to five years. The TG project recommended the planting of perennial fruit trees as well as white lettuce, cabbage, tomato, and coffee to sell in the market. We planted tomato and cabbage interspersed with the coffee plants.

Four TG project staff came to the village to give training to the community on agricultural methods such as planting crops and the use of chemical pesticides and fertilisers. The village people followed the recommendations of the TG project staff because we had to reduce opium cultivation.

At first, the TG project provided free distribution of 400 coffee saplings per household for trial planting. But subsequently, the village people had to buy the coffee saplings from TG or other merchants at three baht per sapling.

What were the benefits and impacts from the TG project?
The good outcome of the TG project was that they supported the planting of perennial fruit trees. But the main problem with the project was they did not buy the produce. So the village people had to find their own markets. We would rent a vehicle and travel down to the city market in Chiang Mai and, later, in Chiang Rai to sell the produce.

The TG project also recommended the use of chemical fertiliser which has resulted in health problems in the community. Tomato cultivation requires the application of many chemicals and pesticides every 10 days. Otherwise the tomato crop attracts pests and fungi, the crop does not mature properly and becomes small and wrinkled.

Has the community increased its income from planting cash crops?

Page 46 Watershed Vol. 5 No. 3 March – June 2000
There is actually a debt problem in the community because of planting the cash crops.

At present, we have to invest more than 10,000 baht per rai for the tomato crop. We can plant only one tomato crop in a plot; we have to change to a different plot for the next crop. We also have to buy new seeds after the second tomato crop, otherwise the yield is not good. Those people without cultivable land have to rent from other village people for about 500 to 1,000 baht per rai.

In some years, if the yield is good, we would get a good income. But sometimes we do not have money to rent the vehicle to travel to the market or we do not know where to sell the crop, so the produce would go to waste. Once we were also cheated by a company that came to buy the coffee crop and promised payment but never returned to the village.

We usually borrow money from the government’s Bank for Agriculture and Agricultural Cooperatives or the local pharmacy to plant the crop. The loans are two types: a maximum amount of 30-40,000 baht for a short-term period of one year and about 50,000 baht for a longer term period of five years. In some years, we are able to repay the loans but in other years we have to borrow from our relatives.

It was only after starting tomato cultivation that village people began borrowing money. We also pawn our family’s silver ornaments for cash. We would redeem the ornaments temporarily to wear them during festivals such as our New Year festival, and then go back to the pawn shop with the ornaments.

There seems to be no solution to the problem of debt. In the past, village people did not have the necessity to use money except when we were sick. We had enough rice to eat and the food was more delicious because we did not have to use chemicals.

We want to return to our previous way of life when we did not have to use money. But it is not possible anymore because we have had too much development. So now we just want to plant crops and be able to sell them for cash income. We don’t want middlemen to come and cheat us, we only want a good market for our crops.

What do you think about the Asian Development Bank [ADB] view that poverty of upland communities and “slash and burn” cultivation are the main causes of forest destruction?
The Royal Forestry Department [RFD] has told us that we should not do “slash and burn” cultivation. The RFD officials once told us that they will have to take our farming areas because it was a watershed area and it belongs to the RFD. But the village people refused; we told them that the village people are not clearing more forest areas but rotate farming within the same areas. So now the RFD does not bother us.

In the past, the area of forest was very large. About 20 years ago, the RFD gave logging concessions. During 1980-81, the loggers used large machinery to cut all the big trees and brought elephants to drag the logs away.

The TG project came to Doi Wawi and built many roads that were used by the companies to transport the logs. We think that the logging companies are the main reason for the forest disappearing because they cleared all the big trees. After the logging concessions, the TG project came and promoted vegetable crops. The TG project resulted in more clearance of forest areas to plant cash crops.

The upland communities are poor as the ADB says we are. But the reason is we have to use more and more money to plant cash crops every year. But our poverty is not making us clear the forests. Although some village people collect fuelwood from the forests, the majority use wood from their own fruit trees.

Ms Alema: “The upland communities are poor as the ADB says we are. But the reason is we have to use more and more money to plant cash crops every year. But our poverty is not making us clear the forests.”

Ever since Doi Chang village was established long ago, we have had three community forest areas of 50 rai, 200 rai and 10 rai. The cutting of trees is prohibited in our community forest. But if necessary, a family can make a request to the Village Committee for permission to cut down a tree in the forest. The community follows the rules for using the community forest. Only once, a person took fuelwood from the forest without permission and was fined 1,000 baht by the community.

The 10 rai of community forest located at the top of the mountain ridge is called Pa Mue Kuku or the forest of the Lisu people’s ancestor spirits. We go to this forest twice every year, around early February and in September, to worship and seek the blessings of the spirits.
The National Hydropower Plan Study: Planning and damming in Vietnam

By Chris Lang

Late last year, an article published in the Bangkok Post newspaper questioned some of the assumptions being used to justify construction of the proposed Nam Theun 2 Hydroelectric Project. A month later, the Vientiane Times, the State-run English language newspaper in Laos, published a front page article in response that stated the Post article was, “part of a campaign by some organisations to use whatever strategies are necessary to oppose the construction of dams anywhere in the world, especially in developing countries”. Chris Lang profiles the National Hydropower Plan Study in Vietnam as an illustration of the campaign by some organisations to use whatever strategies are necessary to promote the construction of dams anywhere in the world, especially in developing countries.

Behind the decisions about whether or not to build dams is a web of actors: Northern and Southern governments, multilateral and bilateral agencies, academics, politicians and even nongovernmental organisations. Sometimes working in contractual partnerships, sometimes working independently of each other, they continuously generate studies, plans and projects that ensure that dams continue to get built. Together they help support dam-building companies: consultants, construction companies and machinery suppliers, who are the ultimate beneficiaries of dam-building through the lucrative contracts they receive to investigate, study, advise on, design and build dams. A clear example of the ways in which various institutions work to tilt the decision making process in favour of dam-building is the National Hydropower Plan Study in Vietnam.

A number of large dams have already been built in Vietnam. The country’s largest, the 1,920 megawatt (MW) Hoa Binh dam in northern Vietnam, was completed in 1994 and 58,000 people were evicted from their homes and land by Hoa Binh’s reservoir. On the La Nga River in the southern province of Lam Dong, construction of the Ham Thuan and Da Mi dams (472 MW in total and funded by Japan’s Overseas Economic Cooperation Fund) is approaching completion, while construction of the 60 MW Can Don project on the Song Be River began last year. In the Central Highlands, the 720 MW Yali Falls dam on the Se San River was recently completed and its operations have reportedly caused the flooding of riverside gardens and other hardship for people living along the Se San River downstream of the dam in Ratanakiri province in northeast Cambodia. Meanwhile, construction of the 70 MW Song Hinh dam is nearing completion. In 1995 and 1996, village people who would be forced off their land by the project sent 60 separate petitions to the district authorities in an attempt to ensure that they would receive adequate compensation. The government authorities simply returned the petitions.1

Another project, the Son La dam, is proposed to be built immediately upstream of the reservoir of the Hoa Binh dam. The reservoir behind this 3,600 MW dam (designed so that the flood would reach the Chinese border over 200 kilometres upstream), would flood the homes of 130,000 people. On the Se San River in the Central Highlands, the Se San 3 dam is the subject of a Project Preparatory Technical Assistance (PPTA) study funded by the Asian Development Bank to prepare the project for construction. According to Vietnam’s Institute of Energy three other dams are proposed for the Se San River: Pleikrong (120 MW), Upper Kontum (260 MW) and Se San 4 (366 MW). Other proposed dams include Huoi Quang (600 MW, Da River Basin), Ban Mai (350 MW, Ca River), Dai Ninh (300 MW, Dong Nai River), Dong Nai 3 (180 MW) and Dong Nai 4 (200 MW).

These dams have been studied for the past 40 years or so, and the Government of Vietnam is selecting one, two or three at a time and then building them. According to consultants working on the environmental impact assessment for the Dong Nai dam in 1996, “The sites for 18 [hydro]power plants to be built early next century, with a combined capacity of 9,524 MW...are currently being selected.” Yet in April 1999, a consortium of consulting companies began a two-year study to design a National Hydropower Plan (NHP) for Vietnam. Why a National Hydropower Plan for a country in which many dam projects, some of them very large and expensive...
dams, have been studied and are readily approved by the government whenever project funding becomes available? The actual purpose of the NHP Study is revealed by identifying some of the companies and government agencies involved in the study.

Planning business as usual

The US$3.24 million NHP Study is funded by the Norwegian Agency for Development Cooperation (NORAD) and the Swedish International Development Cooperation Agency (Sida), the overseas aid agencies of Norway and Sweden. The consortium of Nordic consulting companies doing the NHP study are SWECO International (Sweden), Statkraft Engineering (Norway) and Norplan AS (Norway). The consultants won the contract on the basis of a limited tender offered only to Swedish and Norwegian companies.

In recent years, Sida and NORAD have been instrumental in promoting dams in the Mekong Region. In Vietnam, Sida has provided funding for the construction of the Song Hinh dam, a masterplan for dams on the Se San River, an engineering/tunnelling training project on the Yali Falls dam, and studies for the proposed Son La dam. In Lao PDR, NORAD provided partial funding for the Theun Hinboun hydroelectric dam – the Norwegian utility company Statkraft SF and consulting company Norplan were also involved in this project.

Statkraft Engineering is a wholly owned subsidiary of Statkraft SF, Norway’s largest electricity utility, and is 100 per cent owned by the Norwegian government. Statkraft, in partnership with the Swedish electricity utility Vattenfall, owns 20 per cent of the Theun Hinboun dam which is the first dam either company has undertaken outside the Nordic region.

Norplan AS is a consultancy and planning firm, established in the 1970s, and hydroelectric projects form the largest part of its work. Norplan has produced power sector studies for Indonesia and Angola (funded by the World Bank and UNDP). Norplan also worked on the Theun Hinboun dam – the company did “supplementary studies” after the first EIA for the project (done by the Norwegian company Norconsult) was rejected by NORAD. However, construction of this dam had already begun by the time Norplan’s “supplementary studies” were completed. [See Watershed, Vol.2, No.2.]

SWECO International is owned by VBB Viak – the engineering firm that built many of Sweden’s dams. SWECO International was registered on the Stockholm stock market in 1961, and is the part of the SWECO Group (which consists of eight companies) that works outside Sweden. As a consulting company SWECO plans, designs, and supervises all stages of the development of dams, as well as other large engineering projects. In 1994, SWECO produced a feasibility study for the Son La dam. SWECO, in association with Statkraft Engineering, produced the Review of the Master Plan for Se San River in 1997, and the same two companies completed a feasibility study for the Se San 3 hydroelectric dam in 1999.

There is little doubt as to whether any of these consultants are dam-builders. And even less doubt as to what they will recommend in the National Hydropower Plan for Vietnam – dams, dams and more dams.

Mission: World Bank-able

The idea for the National Hydropower Plan came from the World Bank. Bank officials suggested the need for a hydropower plan to the Vietnamese Government. In February 1997, Van Tieng Hung, Operations Officer at the Bank’s office in Hanoi, stated that the Bank had refused to consider any funding for the proposed Son La dam until a National Hydropower Plan was drawn up for Vietnam – thus giving the Vietnamese Government a little more encouragement to think seriously about agreeing to a national hydropower study.

World Bank staff then contacted the Sida representative in Hanoi asking them to fund a study, according to Sida official Goran Haag, that would enable the Bank to find “bankable” hydropower projects in Vietnam. Bank staff also wrote the original Terms of Reference (ToR) for the study, although the ToR was subsequently rewritten by the Norwegian Water Resources and Energy Directorate (NVE).

The World Bank wields an enormous influence in Hanoi, influence gained not least because the Bank chairs the Donors’ Group meetings which every year offer Vietnam around US$2 billion in “aid”. Additionally, in the four year period after the US-led embargo on Vietnam was lifted in 1994, the World Bank’s International Development Association
approved 19 projects in Vietnam worth a total of US$2 billion. In Vietnam, when the World Bank says there must be a national hydropower plan, its a good bet that a national hydropower plan will be produced.

But now that the NHP Study is underway, World Bank officials are saying that the Bank will not fund any dam projects in Vietnam, in particular the Son La dam. In fact, Bank officials have suddenly started to describe the Son La project as “not a good idea”. In Vietnam, says Bank official Nisha Agrawal, “we are not in the business of power production...It’s an area we’ve gotten out of, basically.”

Yet “the Son La hydro plant appears promising,” at least from an economic perspective, according to a World Bank report, published in 1999. While the Bank might not directly fund dams, behind the scenes it will certainly continue to promote hydropower.

In October 1999, the NHP Study consultants produced a 1,600 page draft “inception report”. Egil Skoffeland, NVE’s advisor to the NHP Management Board explained, “The complete Inception Report is available here in Vietnam for any stakeholder in both English and Vietnamese. It has also been submitted to the World Bank, the Asian Development Bank and NVE.”

Mistake-holders

The NHP Study will look at the future options for the Vietnamese Government in the hydropower sector. Only in the final phase of the study will the consultants analyse combinations of hydropower and other options for electricity generation, such as gas, coal, solar or wind power. The NHP Study will make no attempt to look at problems associated with existing dams in Vietnam or anywhere else in the world.

So what is the NHP Study for? Hydropower dams are going ahead in Vietnam regardless of the study. However, none of the dams proposed or under construction are economically viable without funding from international aid agencies. The Terms of Reference for the NHP Study states that one of the purposes of the study is to provide the “rigor and cross-sectoral approach that in recent years are required by international funding agencies”.

Meanwhile, “stakeholders” are to be included in the NHP process, and are defined by the ToR as “someone who has something at stake when a certain (governmental) decision inflicted on them has consequences for themselves or their legal rights”. Before the consultants wrote the inception report, “stakeholder” involvement consisted of two meetings in Hanoi. The objective of the first meeting, according to the consultants, was to “inform the stakeholders about the Project, the methodology of the studies and the task for the stakeholders”. The second meeting was held to “present the results of the coarse screening of the projects in the five river basins and the preparation for the next phase of the Study”.

The consultants complain that the number of “stakeholders” – “more than 50” – is “very large”, even though the number of participants in the “stakeholder” meetings, including officials from the World Bank, Sida and NORAD, is a tiny percentage of the people that would be evicted from their homes by any one of the dams proposed. In fact, the consultants selected the projects for further study without even talking to any people living in the proposed reservoir areas.

“Stakeholders” are to be involved not because “project affected people” have a right to know that they are to be kicked out of their homes to make way for a dam, but according to the ToR, because the NHP Study will be “accepted by the stakeholders who will facilitate easier and more effective implementation of the plan”. In other words it will be easier to get international funders to agree to fund dams if “stakeholders” have been involved in the study.

In the draft Inception Report the NHP consultants list for further study 16 dams on four rivers; the Lo, Da, Se San, and Dong Nai. The institution in charge of overseeing the NHP Study is a management board consisting of people from the Son La Management Board – whose responsibilities include supervising the proposed Son La dam project through to completion. It is not surprising that the consultants for the NHP Study selected the Son La dam as one of the 16 projects for further study in phase two of the NHP process. The selection of projects provides an illustration of how accommodating the consultants are prepared to be. Originally the consultants selected five rivers, but none of the dams that had been previously proposed on the Ca River (including the Ban Mai dam) passed the consultants’ cost-benefit analysis. Not to be outdone, the Vietnamese Power Engineering Consulting Company No. 1 is currently looking...
A Selection of Dams: With the compliments of Sida and NORAD

Sida and NORAD have funded a series of dams around the world, in Chile, China, Ethiopia, Kenya, Laos, Sri Lanka, Tanzania, Venezuela, Vietnam and other countries. Sida states that, “The overall aim of Swedish development cooperation is to improve the living standards of the poorest groups of people.” Yet Sida also estimates that up to three-quarters of the money it lends for hydroelectric dam projects goes to Swedish companies.

Sida- and NORAD-funded dam projects include:

**Pangue dam, Chile.** The first of a proposed series of dams on the Biobio River and funded by both Sida and NORAD. Access roads to the project site have led to accelerated logging in species-rich forests. The project has been vigorously opposed by the indigenous Pehuenche people.

**Muela dam, Lesotho.** Sida funded this project, itself part of the huge Lesotho Highlands Water Project. The project hit the headlines in August 1999 after the Lesotho Government accused the former Chief Executive Officer of the Lesotho Highlands Development Authority of taking US$2 million in bribes from ten companies and two consortia.

**Pangani dam, Tanzania.** This Sida/NORAD-funded project intended to boost output from an existing dam, but due to extraction of water for irrigation upstream, water flow in the dry season is likely to be insufficient to run the plant at full capacity.

**Kihansi dam, Tanzania.** Due to be completed by the end of 1999 and receiving funds from Sida and NORAD, the Kihansi project area includes two of Tanzania’s protected areas: a regional forest reserve and a national park.

**Epupa dam, Namibia.** With funding provided by both Sida and NORAD, the 295 square kilometre reservoir behind the Epupa dam would flood homelands of the Himba people. The Himba travel around a wide area with their cattle, sheep and goat herds, relying on the Kunene River during the dry season. Their livelihoods and social organisation would be permanently destroyed by the dam.

for other possibilities to dam the Ca. The consultants therefore acknowledge that “one project in the Ca River basin, tentatively named ‘Ban Mai Substitute’, will be included in the list of projects for further studies.”

**Aid for who?**

For the consultants, the NHP Study is an important process. By performing their roles in the Study, they will get to know the institutions and the people in Vietnam who are responsible for the decisions about planning and building dams. A 1991 report by NORAD explains, “As a result of development aid, several Norwegian companies gain good international contacts and better knowledge of international terms. The development aid opens doors, both for the Norwegian industrial sector as such and for individual countries to markets and partners that will be of great importance for ordinary business as well. One example of Norwegian involvement in the development aid sector creating this kind of positive consequences is the participation in the hydropower sector in China and Vietnam.”

The NHP Study consultants will be in a good position to lobby for future work in Vietnam. As part of the Study, the consultants will recommend dams that should be the subject of further study, and they will no doubt then attempt to win the contracts to do the further studies themselves. This is an obvious conflict of interest. The more dams the consultants recommend for further study, the more potential work there is for dam-building consultants such as themselves. If, on the other hand, the consultants were to recommend that no more dams be built in Vietnam, then they would be unable to work in Vietnam in the future. In February 2000, Egil Skoffeland, NVE’s advisor to the NHP Management Board said, “Since the number of potential hydropower projects proposed to be analysed further is much higher than anticipated at the start of the Study, the Client is just now in the process of preparing a final response to the Consultant’s Inception Report.” Skoffeland explained that Electricity of Vietnam (“the Client”) requested that the number of projects to be studied further should be increased. He added, “This is based on a professional discussion between the Client and the Consultant on the methodology leading up to which projects are considered viable.” The consultants subsequently recommended that the NHP Study be extended by six months, with a US$700,000 increase in budget to further increase their profits.

**Endnotes:**

4 Ibid., Annex 5.
6 Ibid.
7 Op cit. 3.
8 Op cit. 5.
Japan Bank for International Cooperation: 
A “development” giant is born

The recent merger of the Japanese export credit agency, J-ExIm and the Japanese bilateral development assistance agency, OECF, has created the world’s largest institutional donor of development assistance; the Japan Bank for International Cooperation. Hisako Motoyama profiles this “new” institution.

In October 1999, the world’s top donor of development assistance, Japan, merged two mega-agencies to form the Japan Bank for International Cooperation (JBIC). JBIC is now the largest source of development finance in the world, with an annual budget of over 3 trillion yen (approximately US$27 billion). JBIC, which is larger than the World Bank, brings into one institution the former Japan Overseas Economic Cooperation Fund (OECF), one of Japan’s bilateral aid agencies, and the Export-Import Bank of Japan (J-ExIm), Japan’s export credit agency.

The former J-ExIm

J-ExIm was a giant among the world’s export credit agencies, with an annual budget of around US$18 billion. The primary purpose of J-ExIm was to support Japanese business. It provided loans and guarantees to support Japanese corporate activities overseas including Japanese foreign investments and exports of industrial plant and mechanical equipment. J-ExIm’s investment and export loans for Japanese business have been important sources of funds for large scale development projects in developing countries.

The former J-ExIm also actively financed structural/sectoral adjustment programmes in countries of the South by means of loans untied to the purchase of goods and services from Japanese companies, which accounted for US$13 billion in 1998.

Under JBIC these financing activities are expected to continue unchanged. The focus of J-ExIm can be expected to dominate the administration and investment expenditures of JBIC as the former J-ExIm accounts for two-thirds of JBIC’s budget and staff.

The former OECF

The OECF was one of two major agencies implementing Japan’s official development assistance (ODA) programme. The other Japanese agency, JICA (Japan International Cooperation Agency), focuses on grant aid for technical assistance and has not been incorporated into JBIC, remaining as a separate institution. With an annual budget of about US$8 billion, the OECF was the largest bilateral development assistance agency in the world.

What next for JBIC?

The scale of Japanese development assistance and financial aid, and the consequent influence of Japan in the Asia region are growing in significance, especially since the 1997 Asian economic crisis. Japan has provided a large amount of aid in assistance programmes to Asian countries hit by the crisis, including the US$30 billion Miyazawa Initiatives.

It appears the rationale behind merging the two agencies was limited to the fact that both agencies did similar types of activities – providing loans to developing countries. The amalgamation of J-ExIm and OECF into JBIC was first proposed in 1995 and became part of the Japanese Government’s restructuring plan that resulted in a nominal decrease in the number of governmental agencies. No pressing functional needs or positive reasons were cited by the government to justify the merger.

As a result of bringing J-ExIm and OECF together, with no change in their orientation, there now exists a lack of clarity in JBIC’s development rationale, and an apparent discrepancy between international cooperation on one hand, and subsidies and benefits for Japanese business on the other. This situation of uncertainty poses great risks for misuse of public money, particularly since JBIC lacks any type of administrative or policy guarantee that would ensure the transparency of, and public accountability for, its activities.

Guidelines on the environment and transparency

Since before the merger of J-ExIm and OECF, Japanese NGOs have focused on demanding unified and rigorous environmental guidelines to cover the operations of both (former) agencies. Previously, only OECF had any guidelines for assessing the environmental impact of the projects it funded. Pressured by several members of the national Diet [Parliament], JBIC promised to prepare unified environmental guidelines that “comply with international standards” in 1999. NGOs were promised that JBIC’s process in preparing the guidelines would ensure transparency and public
Japan is the largest provider of official development assistance (ODA), including grant aid and concessional loans (loans with low interest rates), in the Mekong Region. In 1997, the most recent year for which figures are publicly available, Japan's contributions in the region were:

- As Japan is also one of the largest shareholders in the Asian Development Bank (ADB), (16 per cent shareholding, equal to the USA), and the second largest shareholder in the World Bank, (after the USA), Japan occupies an extremely powerful position within the Mekong Region.

Japanese development assistance has historically had a major focus on conventional economic development based on large infrastructure projects. A large proportion of Japanese development assistance is directed towards the construction of dams, roads and coal-fuelled electricity generation facilities.

In the 1990s, official development assistance from Japan supported the following major dam projects in the countries of the Lower Mekong River Basin.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Japanese aid contribution</th>
<th>Contribution of the second largest donor</th>
<th>Japanese bilateral assistance as percentage of total bilateral assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lao PDR</td>
<td>US$78.6 million</td>
<td>Germany US$16.6 million</td>
<td>47.8 per cent</td>
</tr>
<tr>
<td>Thailand</td>
<td>US$468.3 million</td>
<td>Germany US$35.3 million</td>
<td>77.9 per cent</td>
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<tr>
<td>Cambodia</td>
<td>US$61.6 million</td>
<td>USA US$30 million</td>
<td>27.3 per cent</td>
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<tr>
<td>Vietnam</td>
<td>US$232.5 million</td>
<td>France US$63.9 million</td>
<td>39.7 per cent</td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th>Country</th>
<th>Dam Project</th>
<th>Amount of Financial Support</th>
<th>Type of Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>Construction of Ham Thuan Da Mi dam</td>
<td>US$501.1 million</td>
<td>OECF Loan</td>
</tr>
<tr>
<td></td>
<td>Construction of Dai Ninh dam</td>
<td>US$38.1 million</td>
<td>OECF Loan</td>
</tr>
<tr>
<td></td>
<td>Development Study/ Master Plan Study for the Dong Nai 3 and 4 dams</td>
<td>Not available (NA)</td>
<td>JICA Grant</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>Construction of Nam Leuk dam</td>
<td>US$36.8 million</td>
<td>OECF Loan</td>
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<td></td>
<td>Development Study/ Feasibility Study on the Nam Ngiep 1 dam</td>
<td>NA</td>
<td>JICA Grant</td>
</tr>
<tr>
<td></td>
<td>Master Plan Study on Hydroelectric Power Development in the Se Kong River Basin</td>
<td>NA</td>
<td>JICA Grant</td>
</tr>
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<td></td>
<td>Private Sector Investment Finance for Nam Ngum 3 dam</td>
<td>NA</td>
<td>OECF Loan for private sector</td>
</tr>
<tr>
<td>Thailand</td>
<td>Construction Bhumipol Unit No.8</td>
<td>US$74.1 million</td>
<td>OECF Loan</td>
</tr>
<tr>
<td></td>
<td>Construction of Sirikit Unit No.4</td>
<td>US$41.5 million</td>
<td>OECF Loan</td>
</tr>
<tr>
<td></td>
<td>Construction of Lam Thakong dam</td>
<td>US$172.2 million</td>
<td>OECF Loan</td>
</tr>
<tr>
<td></td>
<td>Development Study/ Feasibility Study on the Kok-Ing-Nan Water Diversion project</td>
<td>NA</td>
<td>JICA Grant</td>
</tr>
</tbody>
</table>

Meanwhile there are no guarantees in place to ensure the transparency of JBIC’s adherence to their guidelines. The recently enacted Information Disclosure Law excludes public access to diplomatic documents, including documents relating to Japan’s international cooperation and development assistance programmes.

Watershed Vol. 5 No. 3 March – June 2000 Page 53
The Asian Development Bank’s role in the Asia-Pacific region

by Takahiro Nanri

The Asian Development Bank’s rhetoric of “sustainable development” is not being put into practice and the social and environmental impacts of Bank-funded projects continue to be severe. Takahiro Nanri explores the reasons for the ADB’s failure to make its rhetoric into reality.

Background

The Asian Development Bank (ADB) was founded in 1966 as a regional multilateral development bank to finance development activities in the countries of the Asia-Pacific region. The ADB, with its headquarters in Manila, currently has 57 member countries, including a number of non-regional donor countries, such as the USA, Canada, and Japan.

The ADB is a public sector institution supported by taxpayers’ money contributed to the Bank by its donor countries. As such, the ADB must be accountable to citizens of both borrowing and donor countries. However, its past performance clearly shows that the ADB has made no attempt to involve local communities, indigenous peoples, regional nongovernmental organisations (NGOs), and other sectors of civil society in any meaningful way in any of its development plans for the region. This is in direct contradiction to the ADB’s own guidelines on participatory development.

Consequently, many projects funded by the ADB proceed on the basis of feasibility studies and environmental impact assessments that ignore or dismiss real impacts to national economies and local communities, as well as the natural environment, rivers and forests. For example, in project documents of dam projects to be funded by the ADB, many questions relating to fish biology, riverine ecology, tributary and mainstream hydrology, sediment dynamics, and a river’s importance to local communities remain unanswered. These omissions call into question the accountability and legitimacy of the ADB as a development institution.

No responsibility, no response

In 1994, a special task force led by the ADB’s then Vice-President Gunther Schulz conducted an internal review of the Bank’s operations and produced a “Report of the Task Force on Improving Project Quality” that examined 427 ADB-funded projects completed between 1966 to 1993. Of these, about 10 per cent were evaluated as “unsuccessful” and 30 per cent “partially successful”. The ADB, in other words, admitted that only 60 per cent of its past projects were successful, while 40 per cent were flawed in one way or another.

How should the ADB respond to self-acknowledged failure of this magnitude? It should, first of all, accept full responsibility for these negative results and acknowledge the negative consequences for the Asia-Pacific region. A 40 per cent rate of failure should also invite questions as to the premises and assumptions upon which the ADB has based its development plans in the region.

The reality, however, is that the ADB has rarely implemented appropriate or sufficient measures to counteract the impacts of its projects. One of the major shortcomings that results in inaction is that the ADB lacks systems and policies that can properly address and solve such problems (or if any systems or policies exist, they do not function effectively). For example, NGOs have suggested a number of times that the ADB should conduct a comprehensive survey, similar to that completed by the World Bank, to investigate the impact on people who have been involuntarily resettled out of a project site, especially those relocated before the adoption of the ADB’s current resettlement policy. It is well known that people under such circumstances might have become poorer, despite the ADB’s claims that it has contributed much to people’s well-being. However, this suggestion has never been taken seriously by the ADB who claims that it will “never repeat the same mistakes”.

Fundamental problems

For the past three decades, the ADB has pushed policies and operations based on the assumption that economic growth brings about the well-being of people living in the Asia-Pacific region. Yet, in reality, the results of the ADB’s activities based on this development model have been devastating to the region.

For instance, rapid modernisation and industrialisation have come at a high cost, damaging the social and environmental fabric of the region. The examples are many: local communities and indigenous peoples have been forcibly evicted from their homes and land to make way for ADB-funded large infrastructure projects; commercial logging has...
deforested vast areas; and people who were once able to rely on a future in which the bounty of rivers provided sustenance and livelihoods now face diminishing fisheries and a future of doubts.

Moreover, the ADB has financed a number of destructive projects, such as the Theun Hinboun and Nam Leuk hydropower projects in Laos, through its concessional loan facility, the Asian Development Fund (ADF). This is especially alarming for the major purpose of the ADF is to facilitate poverty alleviation in the region.

All too often, the poorest communities have been those most severely affected by the ADB’s development projects. They are the ones who pay the price for the so-called economic development of their countries. Meanwhile, the beneficiaries are limited to the economically and socially privileged big capital and multinational corporations. The problem is deeply rooted in the underlying ideology of the ADB’s policies and operations. It is no coincidence that the World Bank and other development institutions suffer the same shortcomings. The ADB’s approaches to development are extremely bureaucratic and top-down. Decisions are made at the governmental level with no meaningful input from members of civil society and/or local communities that are supposedly the beneficiaries of development projects.

In the past few years, the ADB has adopted a range of new policies relating to agriculture and natural resources, gender, energy, resettlement, environment, education, indigenous peoples, forestry, and fisheries. The ADB has also implemented so-called “institutional reforms”, ostensibly to better address environmental and social concerns in its programmes and projects. ADB documents consistently employ expressions such as “poverty reduction” and “sustainable development”. However, the ADB’s policies and guidelines are not being implemented at the project level, nor has there been a noticeable increase in the quality of ADB-financed projects that would presumably reflect the practical results of the stated institutional reforms and new policies.

Consider public participation as an example. The ADB’s Guidelines on the Incorporation of Social Dimensions in Bank Operations states that the Bank must undertake a participatory approach to development, “in which individuals who would be affected by a development strategy, policy, programme or project, participate in the identification, formulation, implementation and evaluation of the action or item that will affect them.” Despite this seemingly unequivocal commitment, local communities and NGOs are strategically excluded from the most crucial stages of country programming and project identification. Local communities are not routinely consulted about projects. What information is made publicly accessible is mostly released in the English language, and is rarely made available in the project area.

Another example is the ADB’s activities in the forestry sector. The Bank’s Policy on Forestry, approved in March 1995, explicitly states that the ADB will not finance any rural infrastructure or other public investment that contributes significantly, directly or indirectly, to deforestation or to the degradation and depletion of forests. However, the ADB has already announced major road, railway, and hydropower dam projects to be implemented into the Greater Mekong Subregion (GMS), without any analysis of whether or how these projects would contribute to destruction of forests in the region.

Unless the ADB intends to reconsider its development model of the past three decades, the same problems and “mistakes” will continue to be repeated. NGOs and people in the region will also remain skeptical about the ADB’s supposed policy shifts to prioritise poverty reduction while the same traditional “growth-based” development model continues to be the foundation of the ADB’s policies and operations.

The ADB and the Asian Crisis: No lessons learnt

The ADB has ignored the lessons to be learned from the recent Asian monetary crisis and continues to impose a market-oriented economy on its developing member countries (DMCs), this time through much closer cooperation with the International Monetary Fund and the World Bank – two development institutions accused by many NGOs of uprooting societies in the region through their structural adjustment programmes (SAPs). SAPs and privatisation, which have been relentlessly imposed by these institutions, have created much confusion and resentment among many people living in the region. However, the ADB seems to believe that such approaches are still effective in giving support to the crisis-affected countries. In doing this, the ADB has shamelessly been claiming that it has transformed itself into a “broad-based development institution”.

However, the Asian crisis has provided opportunities for NGOs to look at the ADB’s performance from different perspectives. For instance, the ADB’s non-project lending has increased after the economic crisis. The ADB has funded 50 recovery-related projects totalling US$7.32 billion (as of December 1999), most of them in the form of non-project loans. In fact, non-project loans accounted for more than 50 per cent of the ADB’s total lending during its 1997-98 operations.

Compared to the ADB’s conventional project lending, it is much more difficult for the public to access information pertaining to the objectives and implementation of the ADB’s non-project loans. It is particularly unclear how the money is utilised and whether or not these loans really reach the people they target. Furthermore, it is not clear that the ADB’s existing policies as ‘safeguard measures’ are really applicable to these loans.

Moreover, the ADB’s conditionalities for non-project lending greatly influence the national and the local policies of the recipient countries in various ways. Any amendments in national and/or local policies eventually affect people. Notable examples are the reform of the Land Law in Cambodia, the agriculture policy and water resource bill in Thailand, and the Mining Act in the Philippines. In people’s participation in development, consensus building is one of the most important factors. However, in all three cases, the
majority of people are usually not well-informed about very important changes made in national and local laws that have occurred as a result of the ADB’s non-project loans. Such modifications have been rapidly planned and proposed at the government level in order for these governments to receive loans from the ADB more easily. The increase in non-project loans has highlighted corruption and governance issues too, especially with regard to those governments with little accountability and much corruption.

The ADB and “Poverty Reduction”

Soon after the period of the Asian crisis, the ADB declared that it would make “poverty reduction” its most important mission, its “overarching objective”, in the region. Accordingly, a policy paper on poverty reduction was approved by the ADB Board of Directors. Although other policies are expected to be revised to make adjustments to better fit this new strategy, this has not yet started. Thus, inconsistencies and gaps still remain between the new poverty reduction policy and the other policies.

NGOs’ reactions to this shift in the ADB’s policy seem to vary: some have welcomed it and others are sceptical. In any case, it should first of all be noted that the ADB’s explanations of the new poverty reduction scheme basically come from the “trickle-down” premise, i.e., economic growth will eventually bring about poverty alleviation. Apparently, the ADB intends to alleviate poverty by promoting equal distribution of resources and increased income under a market mechanism guided by industrial growth and the corporate sector. The ADB thus dismisses the diversity of community livelihoods and local economies in most Asian countries. Therefore, the ADB’s conceptualisation of the dynamics of the economy, which lie behind its poverty reduction policy, is simply misguided and is not relevant to the diverse local realities of the Asia-Pacific region.

The ADB has also claimed in its poverty reduction strategy that growth “must be sustainable” and that “measures to protect the environment must be integral to the fight against poverty.” It is not at all clear, however, how the ADB can actually integrate protection of the environment and economic growth, and the corporate sector. The ADB thus dismisses the diversity of community livelihoods and local economies in most Asian countries. Therefore, the ADB’s conceptualisation of the dynamics of the economy, which lie behind its poverty reduction policy, is simply misguided and is not relevant to the diverse local realities of the Asia-Pacific region.

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It is difficult to find any real shifts in the ADB’s fundamental operating principles even after the Asian crisis, as compared to the ADB’s principles prior to the crisis. For example, in the ADB’s new “overarching objective”, poverty is still defined mainly, if not solely, in terms of economic statistics, typically GDP. In particular, the ideas and images that people have about themselves are not reflected in either the definitions of poverty or the Bank’s strategies to reduce it. The same hierarchical structures are intact, as a result of which development experts impose their ideas of development on people. The ADB provides little space for local and indigenous communities to voice their opinions and make their own decisions about development.

Before anything else, the ADB should examine how poverty in the region has been and continues to be created, rather than pretending that it is a given non-historical and purely economic condition. Although the ADB’s new poverty reduction strategy includes many of the same words and phrases used by many NGOs, it is obvious that what the strategy actually means is quite different from NGOs’ perspectives towards development in the region.

Another problem with the ADB’s new poverty reduction policy is that the vast majority of its support to developing countries is made through loans. This is the reality, no matter how hard the ADB wants to change its course and consider poverty reduction as its principal mission. Loans must be paid back. The burden of repaying loans is in the end shouldered as debts by people living in the recipient countries. How does the increasing indebtedness of these countries contribute to the objective of poverty reduction? This makes it doubtful whether the ADB can truly achieve its “overarching objective”.

Poverty reduction can not succeed unless it is complimented by another strategy to counter the affluence and increasing enrichment of a small minority of the people in each country. This strategy must go beyond the national and even the regional level to the global level, where the interests of non-regional member-states of the ADB dominate. The ADB must address the roles of these countries in the global economy, instead of considering them just as donors.

A final concern that should be raised with regard to the recently approved poverty reduction policy is how changes, if there are any, will actually be formulated and implemented. NGOs have noted in the past that there is always a huge gap between the ADB’s rhetoric (often and most typically encountered in the ADB’s policy papers) and what the ADB actually does. When it comes to the implementation of the policy, NGOs have good reasons to believe that the “poverty reduction” strategy will become another example of the ADB paying lip-service to an objective that it is incapable of achieving.

The ADB has admitted that the number of people in the region living in absolute poverty has increased as a result of the Asian crisis. The economic crisis should not be considered as a mere accident. The ADB should consider the crisis and its consequences as evidence that indicates the ADB’s development model has failed with regard to “sustainable” economic growth, sustainable development, and poverty alleviation. It is clear that nothing will be changed, let alone improved, unless the ADB reconsiders its fundamental strategies of development in the Asia-Pacific region.

At the dawn of the twenty-first century, the ADB is at a critical turning point. If the ADB is serious about contributing to development and poverty alleviation in the Asia-Pacific region, it must become truly accountable and transparent to citizens of both borrowing and donor countries. However, accountability and transparency will mean nothing if the ADB refuses to question its model of “development” that causes and increases social, economic and political inequality while destroying the natural environment upon which all people in the Asia-Pacific ultimately depend on for their survival.
The forests of Lao PDR are rapidly disappearing. Although the Government of Laos and international financial institutions like the World Bank have consistently cited a figure of 47 per cent forest cover since the 1980s, extensive areas of forest have been logged in the past decade. In an unsolicited contribution to Watershed, Anonymous* explains the factors responsible for the destruction of forests in Laos.

The Lao People’s Democratic Republic has some of the most significant forest areas remaining in Southeast Asia. Satellite images of the region reveal a sharp divide between the desolation of Thai deforestation and the still forested areas in the Lao PDR. According to the Government of Lao PDR (GoL) 47 per cent of the country’s area is under forest.

The forests of Laos support a level of biodiversity that is highly significant within Asia and the world. Internationally important populations of many declining and otherwise threatened species find a refuge in Lao forests that is rare or absent in neighbouring countries. In addition, they provide essential subsistence for much of the 80 per cent of the country’s population that lives in rural areas.

In 1940, forest was estimated to cover 70 per cent of the country. By the early 1960s this had been reduced to 64 per cent. A 1989 nationwide reconnaissance survey estimated that 47 per cent of the country was forested, a frightening rate of loss if the earlier estimates were accurate, with more than one-fifth of the forests gone in less than 30 years. This figure of 47 per cent is still used by the GoL to show the extent of the country’s forest areas although a land use survey in 1992 by the National Office for Forest Inventory and Planning resulted in an estimate of 50.7 per cent forest cover. While this figure has occasionally been cited in attempts to attract foreign investment, the figure of 47 per cent generally remains firmly fixed in government rhetoric.

No wonder then that when a recent Forest Cover Mapping Project assessment of forest cover using 1997 data showing just under 40 per cent of the country was forested, the government reacted strongly. Perhaps not surprisingly, the government immediately blocked the distribution of reports and maps from the project, though in reality the 40 per cent of forest cover revealed by this study could not be compared with the previous estimate of 47 per cent because the studies used different classifications. What was less easy to explain away was that the project’s analysis of 1993 and 1997 satellite data found that in these four years some 2.3 per cent of the country’s forests had been lost.

The real situation behind the forestry statistics, the government’s reaction, and what can be seen in practice is interesting, but incredibly difficult to piece together. The Lao PDR is a one-party communist state, where party control of the media, the government apparatus and the general population is comparable to that in Burma, though much less publicised.

It is highly likely that no one in either the GoL or the extensive foreign aid community (whether they be expert consultants or staff of major funding bodies such as the World Bank, Asian Development Bank or United Nations Development Programme) has a complete understanding of the way in which Lao forests are being (mis)managed. There are too many players and too much self-interest to be protected for the story to be easily assembled.

The authors of this document have attempted to draw together as much information as possible, as a first step in the process of clarifying the way in which Lao forest resources are being exploited. The information presented here has been gathered over several months as opportunities presented themselves. The material is as accurate as we can make it, but necessarily relies on individual reports and

*As this contribution is authored by individuals wishing to remain anonymous, Watershed is publishing this unedited contribution in the Opinion section in the hope that the information it contains will contribute to open and informed debate about issues relating to forests and forest management in Laos.
observations that are difficult to substantiate without considerable risk to the sources. Nevertheless, it points to a situation which is out of control, and which can continue only to the detriment of the Lao people, the future of the Lao economy, and the condition of global biodiversity. It is hoped that this summary report of our findings can be used by others as the basis for a more detailed analysis of the situation. We also hope that it encourages people who have information about the real nature of forest management in the country to share their knowledge.

The Government of Laos maintains that it is managing the country’s forests sustainably. On the other hand, expatriate advisors with long experience in the country, as well as concerned government staff, believe they are seeing a “fire sale” of the country’s forest resources. Logs are apparently being extracted from the forests at a rate not seen since the mid-1980s. A random day’s observation of the border crossing at Thakhek in mid-1999 revealed 69 truck-loads of logs, sawn wood and plywood waiting to cross by the ferry to Thailand. Local residents reported that this was not unusual in early and mid-1999. Similar scenes were seen in mid-1999 at various border crossing points with both Thailand and Vietnam, including Chong Mek in Champassak province, Lao Bao in Savannakhet province and Nam Phao in Bolikhamsay province. Further evidence of a sell-off of forestry resources comes from Savannakhet province, where the logging quota averaged 15,000 cubic metres per year for the five-year period before 1998-1999, but in that year [1999], the quota jumped to over 100,000 cubic metres.

From the Lao Government’s side, the loss of forests is blamed almost entirely on “shifting cultivation” carried out by the rural population, and ethnic minorities are particularly targeted as the cause of deforestation. It has been an article of faith of the government since before 1975, when they controlled only the liberated zone in the north of the country, that shifting cultivation is destructive and needs to be replaced by more sedentary cropping techniques such as wet rice cultivation.

Such is the pressure on government staff and village communities to wipe out shifting cultivation that it has given rise to a new vocabulary, designed to eliminate the need to report failure to stamp out this method of agriculture. Thus shifting cultivation fields of crops other than rice are now frequently recorded as “gardens”.

Government statistics cite very large areas of forest clearance resulting from shifting cultivation – generally around one hectare per family per year. This is highly unlikely to have led to large-scale destruction of northern forest areas. It is even more misleading to suggest that shifting cultivation is responsible for the majority of forest destruction currently occurring.

The country

The Lao PDR occupies an area of 236,800 square kilometres with a population predicted to reach 5.2 million people by the year 2000 (but growing at a rate of 2.5 per cent per year). This compares with populations of approximately 65 million in Thailand, nearly 80 million in Vietnam and approximately 60 million in China’s Yunnan province.

Similarly, the country’s economy is much smaller than those of its neighbours. With no real resource base apart from its forests and hydro-power potential (but only a limited market for electricity), the GoL constantly struggles to earn foreign exchange. For the last two years its economy has been particularly hard hit by the Asian economic recession and inflation is currently around 200 per cent per year.

Around 45 per cent of the population belongs to one of the country’s ethnic minority groups, nearly all of whom are part of the 80 per cent of the population which is rural-based. Lacking many essential services, sometimes only marginally in the cash economy, and frequently depending on forests and forest products for their living, these are the people who are the first to be affected by the destruction of the country’s forest resources.

Lack of openness in forest management

Considering the importance of the country’s forests and the
foreign aid effort that has been directed toward their conservation and management during the last few decades, it is surprisingly difficult to find out exactly how the forests and logging operations in Laos are managed. The World Bank has recently been sharply critical of the lack of transparency in decision-making with respect to forest management. After four years of a World Bank/Finnish Government-funded Forest Management and Conservation Project, these two bodies have proposed a national review of Lao forestry policy. Initially this review was resisted by the Ministry of Agriculture and Forestry (MAF), though they eventually said that they were unable to approve the review, citing the need for it to be scrutinised by a “higher authority”. This apparently referred to the Prime Minister’s Office which makes many of the major decisions about forestry matters in the country, ranging from issuing forest management decrees to giving final approvals for logging quotas. The review is proposed to commence in January 2000.

The extreme lack of transparency in the whole forest management process extends to and affects forestry staff at all levels. Staff are generally only partly familiar with government policy and unsure of the legal basis for many actions that they are required to take. This makes it very difficult to evaluate the reliability of information provided by these people. Rumour, half-truths and guesswork substitute for information and policy, particularly at the province and district levels. This problem needs to be kept in mind when reading the following account. Another important effect of the lack of transparency is that staff involved in day-to-day forestry management frequently have no confidence in the sustainability of the system and feel powerless to make it more sustainable. This, combined with their very low salaries and poor working conditions, makes it easier for them to participate in corrupt management practices.

**Setting of quotas**

Logging quotas specify the amount of timber that can be cut each year and are set at the national level. Like all aspects of forest management in Laos, the process is far from transparent. Criteria for setting quotas are not disclosed. Provincial governments annually submit their estimates of the total volume that they propose to be logged within their province to MAF. However several other ministries (the Ministry of Trade and Tourism, the Ministry of Finance and the Prime Minister’s Office) play a more important role in setting the quota. None of these ministries consult the Department of Forestry (DOF) Division of Inventory and Planning for advice on sustainable yields. In fact, the major basis for quota levels appears to be the Ministry of Finance’s estimates of the income required from royalties and other taxes on wood products, together with the income needs of state-owned logging and wood processing enterprises. Ultimately the Prime Minister’s Office controls the process and adds its own quota component – widely rumored to be directly related to deals between the Prime Minister and timber companies – before establishing the final figure.

The MAF has the task of sharing the quota among the provinces, though here again the process is lacking in transparency. Quota allocation is said to be characterised by covert influence and bargaining, and does not reflect sustainable yields in particular provinces. It is also noteworthy that the quotas are, almost without exception, several times less than the installed timber processing capacity in each province. For example, in the years 1997-1999 quotas in Champassak, Salavan, Sekong and Attapeu provinces were, at most, one-fifth of the installed processing capacity. This suggests that timber harvested under official quotas is only a part of what is actually being processed. In addition, it points to a massive over-investment in processing facilities, something the government has been powerless or unwilling to stop even though many plants are owned by state enterprises. This over-investment is continuing, with a huge plywood plant being established near Lak Xiao in Bolikhamsay province in late 1999.

The initial annual allocation of province quotas is not the end of the story. According to officials in some provinces, the Ministry of Finance has in the past increased the quota several times during the course of the year in order to prop up the national budget.

**Allocation of quotas within provinces**

At the province level quotas are ostensibly allocated on the basis of factors such as the capacity of the relevant mill, “political awareness” of the management, and their contribution to “community development”. In practice, because of the very large amounts of money involved, a range of other factors come into play. From all accounts, matters such as enhancing the efficiency, sustainability and long term profitability of forestry management are not taken into consideration.

Quotas are not allocated solely to those with the capacity to process logs. For example, influential officials may be
opinion

allocated a logging quota when they retire, to supplement their negligible government pension. This practice apparently started with central government allocations to party members or high level military figures, as a reward for services for the country, but is reported to also have become common at a provincial level. Timber processors then either buy these separate quotas outright or amalgamate a number of them into a package which is processed under one contract and the profit is then shared with the individuals.

Of more concern are additional “quotas” granted by provinces, particularly to finance infrastructure costs. This apparently works in the following way. A province or district identifies the need for, say, a new office building. Because there is generally no money to pay for such projects, the equivalent of the estimated cost of the construction is then allocated to the contractor as a logging quota in place of a cash payment. This system has the unfortunate result that the contractor is then motivated to carry out the construction at the lowest possible cost, while extracting the maximum possible value of timber from the forests. He is assisted in both objectives by the endemic corruption within the bureaucratic system (see also, Documenting the harvest and export of timber, below). “Infrastructure logging” can even occur at the village level, for example to fund the village contribution to electrification costs.

In theory the allocation of “infrastructure quotas” at the provincial level has been prohibited under the new Prime Minister’s Order No.11/PMO of August 1999. However the issuing of infrastructure quotas with central government approval is still permitted, and quotas for national and military infrastructure were being issued in late 1999.

Other logging initiated at the provincial level occurs as a result of road and agriculture projects which necessitate the clearing of forest. Not only are the areas cleared sometimes excessive, but in some instances there is a suspicion that the project is motivated more by logging profits than by development needs (see also, Other questionable logging practices, below). While there are substantial profits to be made from logging of the (widest possible) road alignment, even more can be made from logging the forest area that the road makes accessible.

Allocation of logging sites

Quota holders (or their sub-contracted logging companies) are allocated logging areas by provincial authorities. These sites are allocated at least partly on the basis of the immediate profit that can be made from logging, rather than considerations of sustainability under a long-term strategy. In fact the quota holders gather any information that they can on the location of good stands of forest and then seek provincial approval for logging on an ad hoc basis.

The 1996 Forestry Law (Article 25) requires that “the harvest of timber and other forest products can proceed only in surveyed and inventoried production forest areas for which there is a forest management plan.” The notion of what constitutes a “production forest” is more than a little flexible. In actual practice, brokers or saw millers identify areas with good stands of timber (often helped unofficially by government staff who have knowledge about these forest areas through their work). The area is then labeled “village production forest” (possibly one reason for the government’s haste to complete land and forest allocation), and the trees of the species required by the brokers are identified, marked and measured. Almost without exception there is no regard for basic forestry practices such as leaving seed trees or creating buffer zones along streams.

Village people receive only a pittance to compensate them for the loss of their resources. One source mentioned 15,000 kip (US$2) per cubic metre for logs worth more than US$120 per cubic metre. Low though this payment seems, particularly in relation to the value of the logs, and considering that they come from traditional village-use forests, communities are reported to be accepting such payments without protest. How much this can be attributed to the effects of extreme poverty, and how much it reflects a lack of consultation is impossible to know. It is quite likely that the communities believe that they have no choice in the matter. Protest against government decisions is virtually unknown within the strict confines of the Lao state.

What is clear is that some communities have come to regret the logging of their forests. Few individuals ever see any of the payment for the trees, apart from those who own yang oil trees (a species which is highly sought after by loggers). Most other trees in village forests are communally owned, though individuals may harvest from them. Most of the logging payment goes to the village administration for expenditure on public facilities such as temples, buildings and roads. However all of the community depends on the non-timber forest products (NTFPs) that the forest provides – and typically the poorest rely on these products far more than others, both for food and income. Complaints are starting to be heard about the significant decrease in availability of NTFPs following logging.
Management plans and codes of practice

Apart from a very small number of operations associated with development assistance projects, no logging in Laos has been done under a proper forest management plan. Even if forestry authorities were motivated to develop such plans, there are no growth models for most commercial species and information on growing stocks is inadequate, meaning that development of effective management plans is generally not possible. However, this has not prevented the hasty production of sham management plans after desirable logging sites have been identified, in order to meet legal requirements.

It is worth noting here that not only are there virtually no professional management plans, but there is also no code of conduct for logging practice. This means that there is nothing to guide the preparation of conditions on logging permissions and no basis for staff to evaluate logging activities.

Documenting the harvest and export of timber

Once the sites have been allocated and the logs have been cut, there are several more steps in the process before timber can leave the country.

First, Provincial Agriculture and Forestry Office (PAFO) staff from the Forest Management Unit must inspect and mark the logs according to species, volume and grade. This serves as the basis for royalty payments. Numerous reports indicate that it is the norm for forestry staff to downgrade logs by recording them as less valuable species, and lower than actual volumes and grades. Forestry staff are reputedly paid very high “allowances” for doing this by brokers who work directly or indirectly for the timber companies. Presumably these payments are then shared upward through the forestry bureaucracy. Forestry staff are extremely open about this downgrading and the “allowances” they are paid, suggesting that corrupt practices such as this are the norm and that they do not carry any social stigma.

These same brokers who supervise the downgrading of logs are also involved in obtaining transport and export permits and other documentation at later stages of the export process. Bribe are routinely paid at each step of this process. The brokers are either private individuals or work for companies which can be Lao or foreign. The military company, the Development-Agriculture-Forestry-Industry Company (DAFI), for example, is known to have acted as broker for Vietnamese and Lao logging operations.

Other questionable logging practices

Apart from the corruption associated with official logging, there are a number of other practices which further undermine chances for sustainable logging in Laos.

One commonly practised scam is for sawmill operators to arrange with village people to cut certain species of trees. In some cases the sawmill staff will even indicate to the villagers the particular trees to be cut. Once the trees have been felled, the sawmill operator “reports” these to the District Forestry Office as illegally felled. The DFO inspects and classifies the logs and reports to the PAFO which then sometimes also reports the matter to the province’s Governor. A decision must then be made as to what to do with the logs. The most expedient and least wasteful option is to sell them and, unsurprisingly, the buyer is the sawmill operator who first arranged the logging.

In this way the government officials receive income associated with the sale of the logs, the sawmill operator receives an allocation of logs outside of the official quota, and the village people are paid (very small amounts) by the sawmill operator for their trees.

A second widespread practice is for government officials to make use of work-related visits to villages to arrange to buy timber which village people have cut, ostensibly as part of their allowable subsistence harvest of five cubic metres per family per year. This timber is then sold privately by the officials, either to sawmills or to local construction companies.

Large-scale logging is by no means confined to national Production Forests. For example, Dr. Phillip Round reported that in the far southwest of Champassak province, “Overall, the evidence points to widespread organised logging being
carried out by collusion between influential outsiders, possibly with official connections, and local Dong Khanthung residents. Data collected by the IUCN Non-timber Forest Product (NTFP) project indicates that logging has been a major source of cash-income for the inhabitants of several villages in Dong Khanthung since 1990. There are no Production Forests in the area.

Government officials are also not slow to recognise chance opportunities for profit. In a typical case a community forestry project inventory identified an area in Savannakhet province with a concentration of high value tree species growing in close proximity of a number of streams. Because of the nearness to the streams, most of the area was proposed to be zoned as protection forest. Within a comparatively short time, however, the area had been logged for its high value species under an arrangement between provincial and military officials. In fact, the logging extended well beyond the area covered by the agreement. This was purportedly to create a rice growing area for the military, though trees left standing in the area appeared to preclude the creation of rice paddy in the near future. The sale of logs from this area was arranged by the PAFO, suggesting that all the profits from this logging would go to the PAFO (or be shared with the military).

In another instance, when biodiversity surveys resulted in a proposal for a large extension of the Dong Phou Vieng National Biodiversity Conservation Area (NBCA), large-scale logging of the area commenced soon after.

Military involvement in logging

Three military companies are heavily involved in the timber industry. These are: the Mountain Region Development Company (BPKP) in the central part of the country; the DAFI in the south; and the Agriculture and Forestry Development Company in the north. These companies tend to be involved in a wide range of industries other than timber, e.g. construction, tourism, mining and petroleum.

The timber operations of these companies are outside the jurisdiction of the MAF/DOF – to quote one provincial forestry official who had just uncovered major infringements of forestry laws by a BPKP logging operation on the Nakai Plateau: “What could we do anyway? They are more powerful than the government.”

At least two of these companies (BPKP and DAFI) have very large plywood plants in addition to their harvesting and sawmill operations. The BPKP plant is a joint venture with Luen Fat Hong, a Taiwanese corporation. The military companies are very secretive about their activities, and ensure the volumes of timber harvested, and the location and capacity of their plywood plants is kept confidential. When a wood processing specialist visited Khammouane province a few years ago, he was refused access to the BPKP plant in case he was able to estimate its processing capacity. It goes without saying that no information is made available on whether their logging practices are sustainable or how well their quotas are respected.

One of BPKP’s operations in Khammouane province may provide some insight into how these companies operate. The BPKP – Luen Fat Hong partnership began logging the Dong Kaphat-Nakating Production Forest in the southeast of Khammouane province between the Khammouane-Savannakhet border and the Xe Bang Fai River in the 1997/1998 dry season. This Production Forest is divided into two concession areas. There were apparently no forest management plans, (at least none existed in late 1997 just before logging commenced), and no logging coupes [annual logging areas] were identified. Whereas the estimated sustainable annual harvest of trees of diameter at breast height (dbh) greater than 60 centimetres for the whole area was estimated to be 20,000 cubic metres, the BPKP partnership intended to take 80,000 cubic metres of plywood-sized trees (around one metre dbh) from just one concession area.

Apart from these three companies, the military generally appears to have a number of less formal involvements in logging. These include applying for permission to cut timber to construct camps, but requesting volumes which are substantially greater than required for camp construction. The additional volume is then sold. Provincial authorities say that they are not in position to refuse these applications.

A number of recent instances of “military infrastructure” logging operations suggests that this may be a ploy, possibly worked out with PAFOs, to circumvent quota and royalty regulations (in some instances no royalty is payable on infrastructure logging).

There is also evidence which suggests that the military may be involved in logging operations near the Cambodian border and in the (legal and illegal) movement of Cambodian logs through Laos to Thailand and Vietnam.

Logging and hydroelectric dams

In recent years around half of the official log harvest has come from [proposed] hydroelectric project areas. Logging
areas appear not to be enforced. It is believed, for example, that the logging of the Nam Theun 2 area is required to remove the majority of the trees so as to avoid water quality problems once the area is flooded. However, until now only the high value species have been logged, leaving a substantial part of the forest standing in some areas.

### Debt repayments and barter

Provision of logging quotas to Vietnamese and Chinese companies as a form of “debt repayment” is yet another worrying aspect of Lao forestry management which is shrouded in mystery. According to both Lao forestry officials and foreign advisors, large quotas are allocated for repayment of war debts by the Prime Minister’s Office. However no such quotas are mentioned in available documentation. None of the informants was able to supply information on the origin or conditions of the debts.

A report in the *Vientiane Times* mentioned a volume of 90,000 cubic metres in the 1998/1999 quota (12.5 per cent of the total national quota for that year) to cover “debt repayment” nationwide. However this 90,000 cubic metres was less than the debt repayment volume reported by officials of just one province in the same year.

There are two possible explanations for these “debt” quotas. They may be a cover for allocations by the Prime Minister’s Office outside the normal quotas, or alternatively they may be repayment of barter trade debts, possibly incurred during the Indochina War. One reliable source reports that much of the current log export to Vietnam is barter trade to pay for construction work and “civilian and military services”.

In 1999 the Lao Government was encouraging businesses, including state companies, to enter into international barter trade, using commodities such as wood and coffee as currency. While a number of countries had been approached, most would not enter into such arrangements. Vietnam, on the other hand, has agreed to provide unlimited credit for barter trade. This may reflect a continuation of a long-standing arrangement which has proved highly profitable for Vietnam. For example, Vietnamese enterprises have been subcontracted in the Nam Theun [sic] dam construction site and much of this trade is barter trade to pay for construction work, and other services. In the last year or two there has been an upsurge in “study tours” by Lao forestry staff and provincial officials to Vietnam. One of the objectives of these tours is to investigate barter trade possibilities. The costs of at least some of these tours are paid by Vietnamese sources.

Another concern associated with current “war debt” quotas is that provincial officials report that there is no restriction on the source of the timber. Apparently Vietnamese contractors can log basically wherever they choose, including taking timber from village forests without the approval of the community (which in any case would not dare to object). As with other logging, there is likely to be little relationship between the real value of the extracted logs and the official records.

In addition to any war debt repayments to China, there is a significant amount of barter trade in timber with Chinese companies, usually to pay for infrastructure, such as road and dam construction, and equipment, such as machinery for state-owned enterprises. In Phongsaly province in 1998/1999 an additional quota of 20,000 cubic metres was issued to allow a barter agreement for road construction by a Chinese enterprise. The Phongsaly quota for 1997/1998 had been only 1,500 cubic metres.

Furthermore, when Lao companies are awarded government contracts in the north of the country, they are often unable to provide all of the necessary equipment and skilled manpower. They sub-contract to Chinese companies which bring in the labour and sometimes the building materials. However, generally the Lao government has no money to pay for the construction, so that payments are made in goods, mostly forest products, including logs and timber. Most of this goes to the Chinese sub-contracting company.

This shortage of equipment affects companies throughout the country. DAFI, for instance, regularly sub-contracts...
logging and transport operations to Vietnamese companies.

National income from logging

The contribution of forests (timber and NTFPs) to gross domestic product (GDP) in the 1990s is estimated to be 4.5 per cent annually. Timber royalties provided some 11 per cent of government revenues in 1997/1998. However, despite basing logging quotas on immediate national income needs rather than long term sustainability, the Lao Government collects only a fraction of the royalties due on timber harvests.

For example, Table 1 shows that between 1994 and 1998 only in one year was more than 50 per cent of the estimated royalties on harvested timber actually paid.

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<td>per cent of Estimated Royalty Paid</td>
<td>49%</td>
<td>37%</td>
<td>66%</td>
<td>32%</td>
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Table I: Estimated percentage of royalties actually paid in each year

This is the result of a range of widespread corrupt practices associated with forest management. These practices are so widely known that the lack of official action to halt them suggests that they are condoned by the government. In all probability the benefits are shared throughout the forestry bureaucracy to such an extent that there is little or no incentive to take action.

Illegal logging

In addition to the revenue lost through corrupt practices, the country suffers significant losses due to illegal logging, on which usually no revenues are paid. The volume of illegal logging has been estimated to be at least one-sixth of the legal harvest.

One important effect of this is that much larger areas need to be logged in order for the government to collect the necessary revenue.

Conclusion

This overview is necessarily brief and incomplete, and no doubt inaccurate in places. This is an inevitable consequence of trying to gather information in a highly secretive environment in which the Department of Forestry has been sidelined from any real role in forest management, and where punishments for disturbing the status quo can be sudden and drastic.

Nevertheless, there is clearly sufficient evidence to suggest that forest management in Laos is currently unsustainable, and that there is no chance that it can become sustainable under the present system. Until sustainability criteria become the basis for allocating quotas and logging areas, more than lip service is given to the enforcement of forestry laws, and social attitudes make corrupt self-interest unacceptable, there is no chance that real sustainability can be achieved. What is needed is a combination of a thorough review of the current mis-allocation of responsibilities (including removing the military and its subsidiary companies from the industry), upgrading of the capacity, level of authority and salaries of government forestry staff, introduction of a forestry code of practice and engendering political will at the highest levels to make all of this happen.

These conditions are unlikely to be met in the Lao PDR in the near future, mainly because of the self-interest of individuals at all levels (inside and outside government) who are benefiting from the current state of affairs, but also as a result of the gross inefficiencies of the government system. Donor agencies with any interest in the economic future of the country and the living conditions of its rural population are, however, well placed to initiate changes through conditions that they attach to assistance packages. Past experience suggests that the firm imposition of such conditions can make a difference to the way that forests are managed in developing countries.

In conclusion, it should be obvious that any future review of forest management in Laos must take into account the issues raised in this overview if it is to result in any real improvement in the situation.

Endnotes:

2 Xiong T. and D. Gilmour (1999) Forest Rehabilitation Policy and Practice in Lao PDR.
4 Vientiane Times, July 30-August 2, 1999
6 Ibid.

Sources:

A range of sources has been used to prepare this overview. Some useful documents which are more or less freely available are listed below. However much of the information has come from confidential sources in the Lao PDR, and these of course cannot be listed.