

Up to the elbows in slush: The ADB and the “Inspection” of the Samut Prakarn Wastewater Management Project

The Asian Development Bank (ADB) management has faced sharp criticism for the involvement in Thailand’s Samut Prakarn Wastewater Management Project.

At the ADB’s Annual Meeting of the Board of Governors in Shanghai in May 2002, protesters called for the ADB’s President, Tadao Chino to resign because of the ADB’s violation of own policies in the project.

Ever since its inception in the late 1990s, the Samut Prakarn Wastewater Management Project has been surrounded by controversy over corruption, mismanagement of ADB loan funds, violations of ADB policies by Bank staff, flawed project design, lack of local people’s participation in decision-making, and concerns over the project’s planned release of wastewater containing industrial, heavy metals and toxic waste into the coastal ecosystem of Samut Prakarn province on the Gulf of Thailand.

The project figured prominently during the ADB’s Annual Meeting of the Board of Governors in Chiang Mai in May 2000 when hundreds of local people staged protests against the project and presented a letter stating their concerns to the ADB’s President Chino.

In November 2000, local people’s representatives filed a complaint to the ADB and sought an investigation into the project by an Independent Inspection Panel. The inspection started in July 2001, and concluded in March this year.

Since the beginning, however, it became clear that the inspection process had serious problems of non-transparency and non-accountability to the local communities who had sought the Inspection Panel investigation. Rather than using the inspection process as a genuine means of investigating the project towards either reforming or stopping the project, the ADB continually attempted to manipulate the process to serve its public relations agenda, where once again “accountability”, “transparency” and “good governance” or “local participation” ended up as merely empty rhetoric.

Throughout the Inspection Panel process, neither the transparency of the process nor the participation of the communities to be affected by the project was guaranteed. Certain policies in particular, such as the

Luntharimar Longcharoen is an activist working in the Mekong Region. She attended the ADB’s Annual Meeting of the Board of Governors in Shanghai in May 2002.

Bank’s Anticorruption and Fisheries policies, and the Bank’s self-proclaimed mandate of “Poverty Reduction” were also excluded from investigation by the Inspection Panel.

The corruption surrounding the project related to a change in project design and the project being shifted to Klong Dan subdistrict from its previous planned site that was closer to the factories discharging the wastewater.

These changes meant a huge increase in the construction and operations budget, and a series of money-related scams relating to purchase of land for the project that has benefited many influential businessmen and politicians. The changes also meant that the project would threaten the livelihoods of thousands of people who depend on the marine fisheries and coastal resources in the vicinity of Klong Dan. But to date, no complete studies exist about the social-economic livelihood base of the Klong Dan communities and the potential impacts from the project.

Contrary to the ADB’s “overarching objective” of poverty reduction, the project will reduce income for thousands of people in Klong Dan and therefore increase poverty. The doubling of the project cost as a result of change in design will result in increasing the debt burden for the people of Thailand.

The most critical failure of the Inspection Panel was its failure to actually visit the project site and hold discussions with the local people to be affected by the project as well as academics, senators and other concerned people in Thailand.

Despite these failures, the Panel found the ADB to have violated several policies in processing and implementing the project. The report of the Inspection Panel was provided to the Inspection Committee which reported to the ADB’s Executive Directors in March this year.

In its report, the Inspection Committee agreed with the Inspection Panel that the communities have suffered direct and material harm as a result of the ADB’s non-compliance with its operational policies and procedures.

But the Committee’s weak recommendations simply reiterated steps that management should have done and has continually failed to do. This shows the extreme reluctance of the ADB to take responsibility for its failures and policy violations in the project, while attempting to use the inspection panel to justify the

Bank's continued involvement in the project. For example, the ADB recommends that the government must have more discussions with the Klong Dan community, make a resettlement plan and pay compensation to the affected local people, and monitor the social and environmental impacts.

However, according to the ADB's own policy and procedures, these three important areas should have been looked at carefully *before* the project got approval and the ADB provided its loans. These remedial recommendations do not address the more fundamental questions and concerns raised by local communities.

Ms Dawan Chantarahasadee of the Klong Dan community stated clearly to the Bank management at the Shanghai meeting that "money cannot compensate Klong Dan people's lives," and called for President Chino to resign due to his refusal to accept any responsibility for his and the Bank's mistakes. Mr. Rajat Nag, Director of the ADB's Mekong Department defended President Chino's inaction on the Samut Prakarn project, saying that the Bank will follow the recommendations approved by the Board. Mr. Nag told Ms Dawan that the ADB cannot stop the project as such a decision rests with the Government of Thailand.

This raises many questions about the ADB's role as a project donor and its accountability regarding the projects that it funds. How can the ADB ensure that its loans will be used properly? Does the ADB as a project funder have a right to inspect the use of its money? As the ADB is an international financial institution, and is not a government and does not represent the people of any country, how do the Bank's persistent claims of accountability relate to the sovereignty of the national governments with which the ADB does business – particularly when ADB loans cause the suffering of so many people?

Thailand's Pollution Control Department, the executing agency of the project, recently announced in Thai newspapers that the allegations of corruption in the project are a domestic matter in which the ADB cannot interfere. So how can the ADB investigate corruption in cases where it appears that the Bank's client government refuses to cooperate, especially since the huge loans are provided by the ADB through an extremely non-transparent and non-democratic process? It is this very process that is the main factor responsible for providing the possibilities for corruption and the diversion of project monies to

politicians and business interests. And how are taxpayers in ADB-donor countries to be assured that their tax dollars have not been diverted for corrupt purposes? How can these taxpayers ensure that allegations, if any, would be fully and independently investigated?

The Inspection process has revealed many serious flaws in the ADB's governing structure and its moral and ethical responsibilities to the people affected by projects it funds. The Inspection Panel report found that the ADB management and staff had violated six of the Bank's policies and procedures in processing and approving the project. But there is no response yet from the ADB of how its staff is to be found accountable and be forced to take responsibility for these violations. Are the ADB personnel responsible for these violations to be demoted or penalised?

The ADB's President stated in the ADB's Annual Meeting in Shanghai that the Inspection Panel process was a worthwhile learning experience for the ADB. But while the ADB has learned an expensive lesson, the ADB's lesson has left the people of Klong Dan in danger. The ADB's victims are paying a very heavy price for the Bank's lessons.

At the beginning, when the local people raised their concerns to the Thai government and the ADB, the ADB's External Relations staff commented that the resistance of the local people arose from their feeling that the project should not be "in my backyard." But the ADB staff forgets that the Klong Dan area was never in the initial plan, and the "backyards" of Klong Dan do not need to be cleaned up. The polluting industries and factories that need the proposed wastewater treatment plant are located hundreds of kilometres away from the community. The people of Klong Dan, on the other hand, only want to conserve their existing coastal environment so that they can protect their fisheries, natural resources and livelihoods for themselves and future generations.

The Samut Prakarn Wastewater Management Project reveals that it is corruption, unaccountability and "bad governance" in the ADB's own backyard that needs to be cleaned up.

