

Regional Integration and Natural Resource Impacts
3 May 2006 4:30 – 6:00 pm
NGO/Civil Society Room HITEX #1
Hyderabad International Convention Centre
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ADB invests in regional infrastructure programs, such as regional road networks and power grids. While some countries and segments of the population may benefit from the results of integration, others can be negatively impacted. While trade can result in economic growth on the broad scale, some groups may be disadvantaged when local or national markets are facing competition from other regional producers. The panel discussed benefits and negative impacts of regional integration, and explored how they are linked to natural resource extraction. The discussion was moderated by Michael Simon of Oxfam Australia.

I. Summary of Discussions

Red Constantino, Greenpeace:

- Climate change is the single biggest problem facing the region and the world today. Citing the ADB-assisted coal plant in Mae Moh, Thailand, the speaker added that ADB continues to fund coal, which is the most carbon-intensive of all fossil fuels. It is dirty, polluting and destructive. In this regard, ADB is no different from a drug pusher because the region has largely become addicted to coal. Despite the fact that ADB is aware of the impacts, the financing of coal-based power plants continues.
- According to the insurance industry, there is a 45 percent increase in previously unexpected insured losses "due to changes in the physical characteristics of extreme weather events alone." It was estimated that, in 2005, insured losses from weather-related events amounted to \$80 billion. Climate change-related damages could reach \$150 billion annually.
- During the 38th ADB Annual Meeting, Greenpeace stated that the risks facing the poor of Asia today are nothing short of catastrophic. The glaciers of the world, particularly in China, are facing rapid disappearance if action is not taken immediately. Three hundred million people rely on those glaciers for their freshwater needs. ADB's direction in funding energy projects must change in the light of risks involved. ADB should respond to issue on a scale equal to urgency and immensity of opportunity.
- Greenpeace believes that ADB should pay attention to its own reports and rhetoric. For example, ADB should have followed through the recommendation in the 1998 report on health impacts and climate change relating to dengue and malaria. ADB's NGO and Civil Society Center should amplify the calls of civil society. Instead, it chooses to quarantine issues that are of utmost important.
- ADB should disregard non-solutions such as carbon capture and storage (CCS) in terms of economics and alleged potential contribution to reducing climate risks. ADB must ensure DMCs incorporate full strategic benefits of renewable energy. Responding to this issue should be on scale equal to urgency and immensity of opportunity.
- Greenpeace continues to recommend funding for renewable energy. ADB should withdraw financing of projects that create climate change, such as the BLCP Project in Mae Moh Thailand. ADB's energy policy should have leadership and targets so it can measure progress. ADB should also demand justice for communities that have been harmed by the coal plants it has funded. ADB should provide direction and lead, otherwise it will dissolve into insignificance.

Pekka Metso, Director, Unit for Asia, Ministry of Foreign Affairs, Finland

- The main goal of the Finnish Development Policy is to contribute to the eradication of extreme poverty. Activities that help to achieve this goal include prevention of environmental threats; promotion of equality, human rights, democracy and good governance; and increasing global security and economic interaction. Cross-cutting themes in Finnish Development Policy include:
 - a) Promotion of the status of women and girls, and promotion of gender and social equality
 - b) Promotion of the rights of marginalised groups, especially children, the disabled, indigenous peoples and ethnic minorities
 - c) Consideration of environmental issues
- Finland's development cooperation with the Mekong Region started in 1987, mainly through co-financing with Mekong River Commission (MRC), ADB and the World Bank (WB). Finland's Development Cooperation policy for the Mekong Region has the following thematic priorities:
 - a) Sustainable management and use of natural resources
 - b) Development of good governance and administration
- Future cooperation with ADB is based on the Bank's regional economic cooperation programs, and supporting regional public goods, which are the interest of Finland as a bilateral donor. Finland has extensive expertise and interest in the environmental issues, including climate agreements, and in the clean energy and energy efficiency issues which have remarkable regional aspects. Finland would like to encourage the importance of close cooperation between ADB and other regional actors like the MRC and WB.

Olexi Pasyuk, Central Asia Advocacy, CEE Bankwatch, Ukraine

- Central Asia is a rather big area that is landlocked. The statement that Central Asia today is somewhere Mekong was ten years ago is probably incorrect. Central Asia is a region that is very much integrated, probably more than any other region. This is in terms of infrastructure as well as integration within the context of the former Soviet Union.
- Today, the region is becoming interesting within the international community because of the valuable resources which it possesses. Cotton is an important resource but the area along the Caspian Sea is rich in oil and gas.
- International financial institutions (IFIs) refer to this region as possessing a huge value of resources and the question really is how to make it accessible for international markets, and how to make the profit come down to the people. IFIs are more concerned on how to bring the resources to the market, rather than how people can benefit from these resources. The IFIs' argument is that it is up to the national governments to play this role in sharing the profit equally.
- Banks working in the region like the ADB are inclined to putting these countries together. However, the difficulty lies in the fact that these are countries in transition. In addition, there is a clear economic interest among the elites in the countries to prevent regional integration in order to protect their interests.
- The profile of ADB assistance in the region lacks support for natural resource extraction. The reason for this is that ADB is leading in the bigger program which is called the Central Asia Regional Integration Program where IFIs have split among themselves different tasks. ADB's role is to create the infrastructure which would enable bringing of these resources outside the region for sale.

- Outside this program, ADB is considering financing of a pipeline from Turkmenistan to Pakistan. The project aims to bring profit to local people which may not be possible, considering the political conditions in Turkmenistan, where profits are under the control of one person. This will also create a negative impact to local communities in Afghanistan where agriculture is a means of income. Developing the pipeline would mean they will have to give up their lands. From the point of view of ADB, this is a good tool for integration because the governments of Turkmenistan Afghanistan and Pakistan will start talking together. To gain profit, these governments will agree to work together, but would it mean any change for the people actually living in these countries?
- Regional integration is not bad per se. However, there should be the right way of doing it. At this juncture, there are more pressing issues within the individual state/s that require careful consideration.

Toe Zaw Latt, Representative, Earthrights International, Thailand

- The key concerns identified by the speaker in the Greater Mekong Subregion (GMS) Program as it impacts to Myanmar include:
 - a) Widespread environmental damage
 - b) Widespread human rights violations
 - c) Legitimizing the military government
- Myanmar has a repressive military. ADB claims that it is a non-political organization. But dealing with Myanmar makes it a political issue, because there are economic sanctions on Myanmar from the United States, the European Union, and others.
- Mr. Latt made the following remarks about two projects:
 - a) The Ta Sang Dam Project which has already displaced 300,000 people and has caused widespread human rights violation due to military presence in the area. If built, the Ta Sang Dam will drive thousands more from their homes and will involve more forced relocations by the government of Myanmar. The dam is based on the Salween River, which is an important river system in Asia. This will affect biodiversity and disrupt fishing activities, which will result in deforestation and displacement of indigenous groups.
 - b) The speaker is skeptical that the Asian Highway component of the East-West Economic Corridor Project will encourage development in the region without the use of forced labor. It was noted that the recent International Labor Organization annual meeting indicated that the government of Myanmar is fundamentally unable to control the use of forced labor by its military much less eradicate the practice.
- Mr. Latt stated that the Government of Myanmar should not be considered a legitimate government because it is a military junta. However, ADB continues to deal with it through technical assistance projects. ADB should consult with local people before starting with a project. We would like to see more socially-responsible development. Development is good, but at whose expense?

Rajat Nag, Director General, Mekong Regional Department, ADB

- Mr. Nag emphasized that climate change is absolutely a major challenge that ADB takes seriously. In addressing these issues, we often engage in a dialogue with civil society organizations such as Greenpeace to come up with innovative solutions. We held such a meeting with Greenpeace in November 2005 to explore possible collaboration in reviewing ADB's energy strategy. While the speaker agreed with most arguments, he noted the fact that development has trade offs. ADB has been working towards eradicating poverty in Asia

and the Pacific over the past 39 years. ADB's project development process has also evolved through the years. Projects financed by the ADB in the 1970s, including some of the infrastructure projects mentioned in the discussion were different compared with the projects supported by the ADB today. Today, we know more about the adverse impacts of infrastructure projects. We, therefore, undertake a rigorous due diligence process to ensure that the project benefits are obtained without causing adverse impacts. If adverse impacts cannot be avoided, we ensure that adequate compensation is provided to the affected people.

- Regarding the use of coal technology, it would be dishonest to say that ADB will not do coal. However, ADB tries to do coal as sensitively as possible. We will ensure that the cleanest possible technologies are applied for projects involving ADB. We also have to be concerned about energy security, in particular with respect to the diversification of energy sources. For example, Thailand has 70 percent of its energy from natural gas. France from nuclear power. This is not to make an argument but to plead for understanding on the complexities of issues we are dealing with.
- ADB is working with organizations like Greenpeace on several initiatives dealing with climate change. ADB has initiated the Renewable Energy, Energy Efficiency, and Climate Change (REACH Program) which promotes renewable energy through the Promotion of Renewable Energy, Energy Efficiency and Greenhouse Gas Abatement (PREGA), in 15 member countries. The issues on climate change should not be discussed in isolation.
- The speaker emphasized that economic growth is an absolute must for poverty reduction. One cannot have economic growth without infrastructure development and that is the reason why ADB is here. One cannot have infrastructure development without energy whether you are in Laos, New York or in Hyderabad. The challenge is how to manage environmentally and human rights-sensitive economic growth. ADB's concerns for the environment, and for the rights of individuals, are enshrined in ADB's safeguards policies, which state that no project in ADB goes through without those filters of environmental, social, gender, and labor standards compliance. Renewable energy is very much a part of ADB's strategy. Renewable energy is certainly not cost-free and renewable energy is always not the least cost solution.
- Regarding the discussion on Myanmar, the question to ask is would the situation in Myanmar be different or better if Myanmar were not part of GMS? It is true that Myanmar is part of the GMS only because the government attends the meetings and workshops; but the project on the Salween River is not part of ADB's program. It was studied as a potential project in Mekong but it does not mean ADB is funding it. ADB is an apolitical institution but its owners, including Myanmar, are political. It is a judgment call that the owners are making, not ADB staff or ADB Management.
- The advice is well taken that regional cooperation is rooted in reality. However, experience has shown that the bootstrap effect of a big economy is good for the small economy. By and large, an economy in your neighborhood growing at 7 to 10 percent does tremendous things for your own economy. The point is taken that regional projects must not be at the cost of national programs. But regional cooperation is not an either or – regional or national – it is a question of both. Regional cooperation over the past 50 years shows that cooperation pays and conflict does not. Therefore, regional cooperation and integration is a very positive force for growth and for poverty reduction, but it will be naïve to say that it has no losers, only winners. How you balance that is a political choice that the countries must make.

II. Open Forum

On reasons behind ADB's regional loans as against country-specific loans, are there cost-benefit analyses undertaken?

- Mr. Nag replied that ADB's loans remain country-specific. Loan agreements are always entered into with a sovereign country. If a regional project involves two or three countries, ADB enters into separate loan agreements with each country. The question is who gets the benefit at whose cost. It is an imperfect science where negotiation is very important.

At which stage or level are the policies mentioned enforced?

- Mr. Nag responded that ADB has safeguard policies that it must follow. At the time of project design, ADB undertakes technical, economic, environment and social assessment. A compliance certificate is given before the project is submitted to the Board. There are built in processes and safeguards in ADB's project cycle.
- Mr. Metso of the Ministry of Foreign Affairs, Finland, stressed the importance of regular consultation with civil society on these issues in order to ensure quality control.

Does ADB consider the local political conditions of a country before it extends support, like in cases of Myanmar and Nepal?

- Mr. Nag explained that ADB walks a thin line between politics and political intervention. Political decisions that were referred to are really made by ADB's Board of Directors. In the case of Myanmar, the Board decided that ADB will not operate in Myanmar. In Nepal, the decision was not to pursue that approach. These decisions do not mean that ADB does not take the issues of human rights and political rights seriously. If ADB judges that a situation in a country has gone to the point where being involved would be counterproductive to development, then ADB will not pursue matters. There are winners and losers, but ADB makes sure that the losers are not left any worse off. Development is all about tradeoffs. That's a judgment call we all make and we have to live with the consequences and with our conscience.