

Disclaimer

The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Directors or the governments they represent. ADB makes no representation concerning and does not guarantee the source, originality, accuracy, completeness or reliability of any statement, information, data, finding, interpretation, advice, opinion, or view presented.

ADB Regional Workshop: DAMS AND DEVELOPMENT

ADB Headquarters, Manila, Philippines

19-20 February 2001

Summary of Proceedings

Introduction

1. The ADB Regional Workshop: Dams and Development, was held at the ADB Headquarters, Manila, Philippines, on 19-20 February 2001. The two-day workshop was organized by the ADB under the ADB-funded technical assistance "Large Dams and Recommended Practices," mainly to obtain feedback on the final report of the World Commission on Dams (WCD) and discuss implementation issues and its other implications.

2. The participants included invitees from countries with substantial hydro resources for water and energy uses such as Bangladesh, Bhutan, Cambodia, the People's Republic of China (PRC), India, Indonesia, Kyrgyz, Lao People's Democratic Republic (Lao PDR), Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, and Viet Nam. Commissioners and staff from the World Commission on Dams (WCD), as well as representatives from SEATEC, Lahmeyer, Harza, Phil-NGO, Mekong River Commission (MRC), World Bank (WB), Government of Japan, Philippine NGOs and ADB, also attended. The list of participants is attached as Appendix 1.

3. The Meeting was divided into four (4) sessions as follows: Session I- Feedback on the WCD Report; Session II- Issues for Implementation; Session III- Tailoring Policy to Country Circumstances; and Session IV- The Next Steps. The Agenda and Program of the workshop is attached as Appendix 2. Day 1 took up the first two sessions and was chaired by Mr. Akira Seki, Director, AWD, ADB.

Session I: Feedback on WCD Report

Opening Session

4. Mr. Myoung-Ho Shin, VP (West), ADB, commenced his opening address by welcoming the participants and WCD Commissioners. He noted that the dams debate required WCD to examine the very meaning of development. The five core areas identified by WCD- efficiency, sustainability, equity, accountability and participatory decision-making, all fit well with ADB's policies. He then explained ADB's limited role in project finance and implementation, a situation that constrains its control of resources to take remedial action. He mentioned ADB's effort to consider alternatives for closer cooperation with project owners, to ensure obligations are met and unforeseen impacts are mitigated. He noted that we now have the benefit of WCD's recommendations, which resulted from impartial deliberations. ADB is currently in the process of reviewing WCD's recommendations and considering if changes in its policies are needed. On ADB's overarching objective to reduce poverty, he reiterated ADB's belief that economic growth is essential for job creation and sustained poverty reduction. In closing, he hoped that through the workshop, the countries could express their views on how ADB and other parties can help implement needed changes in the way dams are planned, built, and operated.

5. Ms. Christine Wallich, Director, IWD, ADB, noted that the Workshop aims to develop a way forward that is appropriate for the countries in the region. She put forward a number of questions to overcome what the WCD has found to be the usual failings of dams in the areas of economic efficiency, social equity, and environmental sustainability. She said that the WCD Report provides a road map, preferably called a “rights at risk” approach, where a project affected person (PAP) should have a say on how their rights that are put at risk by a project, are restored. On evaluating options, she suggests that before starting a dam, proponents should ensure alternatives have been evaluated, and the best option selected. In some cases demand management options are most feasible, such as in South Asia where energy subsidies led to inefficient energy use. She added that a comprehensive environmental database is essential for dams and alternatives for comparison between options. She said ADB supports the general thrust of the WCD Report, but will nevertheless review its policies to see where changes are still needed. Some areas of concern include the need to remedy outstanding social issues of existing projects. Redress will always be needed when standards prevailing, or commitments made at project implementation, have not been met. For the proposal to have legally binding agreements with PAPs to be workable, a proponent may require full “options assessment” which is risky and expensive. ADB and other multilateral development banks (MDBs) could also support comprehensive options assessments, which may eventually result in lower project costs and more competitive bids. Finally, as MDBs have recently been avoiding dams, some governments are financing the projects themselves, and if this means standards are lower, it may be asked whether this is a satisfactory situation.

6. Mr. Rolf Zelius, Chief, OESD, ADB, reviewed the evolution of ADB policies and practices related to decision making for dams for development. Policies formulated in ADB reflected strong concern for social development and environment. These policies dealt with involuntary resettlement, forestry, energy, governance, inspection, industrial pollution, and NGO cooperation, among others. He noted ADB’s poverty reduction strategy and its three elements. He mentioned examples, which demonstrated that ADB has been planning and undertaking efforts consistent with strategic priorities, best practices and institutional responses suggested by WCD. He cited the work in the Greater Mekong Subregion (GMS) to develop a Strategic Environment Framework, part of which is a map based prototype early warning information system to help planners identify hotspots where socially/ environmentally sensitive areas may be in the path of future development plans. These efforts focus on the need to gain public acceptance, assess options comprehensively, address existing dams, recognize entitlements and share benefits, ensure compliance, and share rivers in a sustainable development context. Among ADB follow-up activities to disseminate the WCD Report findings is a move to intensify partnership with NGOs and civil society.

A Global Review/ The Way Forward

7. Mr. Seki introduced former WCD Commissioner Dr. Judy Henderson, and WCD Secretariat Staff Mr. Jeremy Bird, to make the presentation on behalf of WCD. Dr. Henderson then requested Mr. Don Blackmore, former WCD Commissioner, to join her at the head table. The WCD presentation commenced with a video message from the WCD Chairman Prof. Kader Asmal of South Africa, which summarized the findings of the WCD as contained in its Report “Dams and Development: A New Framework for Decision Making”. A major finding is that while dams have made significant contributions to development, there were too many cases of unnecessary social costs, and large inequities in the distribution of costs and benefits. Additional WCD findings include financial/ economic under-performance of large dams, their

impacts on riverine/ downstream eco-systems, heavy toll on affected communities, and in some cases the presence of less costly alternatives. The Report provides a framework for future decision making, moving beyond traditional cost-benefit trade-offs to a “rights and risks” approach, which includes all legitimate stakeholders in development choices.

8. Dr. Henderson presented a background on the WCD and its objectives. The brief on the WCD covered its membership, its study approach, and the principles that guided its work. The WCD was established as a response to the escalating conflicts over the role of dams in development. The debate was that even while the needs are intensifying, concerns are growing over significant impacts of dam projects. Freshwater withdrawals have doubled in 50 years while aquatic ecosystems and wetlands are declining. Meanwhile, there are 45,000 large dams worldwide where an estimated 40-80 million people have been displaced. The WCD was created with a broad-based mandate to review development effectiveness and assess alternatives to dams, and develop acceptable criteria and guidelines for dam development. The WCD’s authority rested on the diversity of its membership and guided by an inclusive, transparent, and participatory work programme. The WCD undertook the most comprehensive, global and independent review of dams so far, which it used to frame recommendations for decision making.

9. From WCD’s knowledge base, it was found that in too many cases, the price paid has been unacceptable and often unnecessary. There were, aside from economic and financial under-performance, significant impacts on riverine and downstream ecosystems and heavy tolls on affected communities. Alternatives often exist, however, such as reduction of demand through increased end-user efficiency, and promotion of small scale, local approaches. She then presented the WCD’s new framework for decision-making based on rights and risks of all affected parties. Internationally accepted norms are the basis for WCD’s recommendations, such as the UN Declaration of Human Rights, the Right to Development, and the Rio Principles. She said the way forward for WCD was to move towards shared values, objectives, and goals, which includes the core values of equity, efficiency, participatory decision-making, sustainability, and accountability. She then explained the rationale of each of these values in relation to the knowledge base gathered by the WCD. She asserted that the WCD Report is not anti-dam, nor anti-development.

10. Mr. Jeremy Bird elaborated on the way forward and the seven strategic priorities recommended by WCD that could be used as key decision points. The first, gaining public acceptance, emerges from recognizing rights and addressing risks of affected groups. The second, comprehensive options assessment, requires that needs for water, food, and energy are assessed and objectives clearly defined. Third, addressing existing dams, involves improving benefits and reducing impacts by changes in management, physical/ land use changes in the river basin, and others. He also included the issue of reparation- making good on commitments made and unexpected impacts. The fourth strategic priority, sustaining rivers and livelihoods, calls for avoidance of impacts and mitigation of harm to the river system. The fifth, recognizing entitlements and sharing of benefits, provides for successful mitigation, resettlement and development as commitments of the State and developer. The sixth, ensuring compliance, involves the use of incentives and sanctions to ensure effectiveness of various measures. Lastly, sharing rivers for peace, development and security provides that the use and management of resources is subject to agreement between States to promote mutual self-interest and collaboration.

11. Mr. Bird then presented the strategy for having the recommendations adopted. He cited the five key decision points. The first two related to the planning stage before a decision on whether a dam is built, i.e. needs assessment, and selection of alternatives. For dams in the pipeline, WCD recommended establishing a stakeholder forum, conducting distribution analysis, promoting development opportunities, and sharing benefits, among others. In the long term he believed WCD's framework will improve development outcomes by reducing cost, saving time, and avoiding conflicts by achieving more equitable outcomes, although in the short term there could be additional costs involved.

Effect on ADB Water Resources Policy

12. Mr. Ian Fox Sr., Project Specialist, AEFN, ADB, gave a presentation on ADB's water policy and how well it fulfills the goals set by WCD. Water policy is premised on the urgent need to formulate and implement integrated, cross-sectoral approaches to water management and development. He mentioned seven (7) principal elements of ADB's water policy, which includes among others: promoting effective national water policies; fostering integrated water resources management within river basins; improving/ expanding the delivery of water services; and fostering the conservation of water.

13. The policy takes note of ADB's strategy for poverty reduction, providing for the poor's involvement in water conservation and management. It also reflects ADB's strategy for private sector development through well managed and cost effective private sector participation in the water sector. Policy actions in ADB's water policy contains around 131 actions covering policy dialogue with developing member countries (DMCs), sector work in support of program/ lending portfolio, project design, and regional cooperation. He mentioned specific requirements under various types of projects such as irrigation/ drainage and flood management projects. ADB will henceforth promote awareness and understanding of water resource issues within each DMC. It will also support joint projects for planning, development and management of shared water resources. Downstream impacts of ADB-financed water projects will be closely examined in a river basin context. The Forestry and Natural Resources Division East (AEFN) is now the focal point in ADB to improve the quality of ADB's water sector operations.

14. ADB's water policy thus closely reflects recommendations of the WCD Report, given that its decision making process emphasizes sustainability, avoidance of negative socio-environmental impacts, and stakeholders consultations. Careful planning and management of participatory processes, as well as their monitoring and evaluation, will be made to ensure such processes are not undermined.

1st Breakout Work Session- Comments on WCD Study Process and Results

15. The delegate-participants split into three working groups (A, B, and C) in order to process the views of individuals within each group.

Session II- Issues for Implementation

ADB Study "Large Dams and Recommended Practices": Comparison with WCD Conclusions

16. Dr. Amador Remigio presented the general objective of RETA 5828, which was to formulate recommendations of best practice for implementation of new large dams, and

maintenance of existing ones. Overall project methodology involved a literature review, selection of four dams for case studies, analysis, and synthesis of lessons learned. He then presented what the study consultants considered to be the major steps in an ideal project development and decision-making process: needs evaluation, options assessment, prefeasibility study, feasibility study, final design, construction, and operation. Specific milestones for each of these steps were presented. The actual performance of the four (4) case studies, namely, Nam Ngum (Lao PDR), Victoria (Sri Lanka), Magat (Philippines), and Lingjintan (PRC), were compared with the ideal process.

17. Comparisons were made between findings of the WCD Report and the ADB study. On technical, financial, and economic performance of dams, the WCD Report noted that substantive evaluations of performance of large dams are few in number, narrow in scope, and poorly integrated across impact categories and scales. These are aligned with lessons learned from the ADB study, where irrigation benefits were less than estimated, and some other benefits, even when achieved, were not quantified, such as flood control, navigation, and urban/ industrial water supply. On ecosystem performance, the WCD Report found more negative than positive impacts, and in many cases, dams led to irreversible loss of species/ eco-systems. Mitigation of such impacts, as required by the WCD Report, was limited because of the lack of attention, poor quality of predictions, and partial implementation of mitigation measures. The ADB study meanwhile focused on the following aspects: inadequate attention to effects on riverine ecosystems; inadequate attention to problems of erosion/ deforestation of upper watersheds; and disease hazards during construction/ operation.

18. On social performance, the WCD Report showed the inadequate assessment of adverse social impacts of large dams, particularly the serious effects on livelihoods and health of affected communities, and loss of cultural resources and heritage. Meanwhile, direct benefits-like irrigation water, power, water supply, flood control- and indirect, multiplier effects- were poorly accounted for. The WCD Knowledge Base, in sum, reflects a lack of commitment /capacity to cope with displacement, with the poor, vulnerable groups bearing a disproportionate share of social environmental costs without gaining a commensurate share of benefits. The mismatch between those who gain from the benefits and those who pay the costs, is serious and pervasive, and negate the “balance sheet” approach to decision-making. The lessons learned from the ADB study parallel those of WCD in terms of inadequate attention to affected persons downstream of project, non-restoration of livelihoods of those resettled, and increased difficulty of livelihood restoration as the number of displaced persons rose.

19. The WCD Report mentioned that many options currently exist for meeting energy, water and food needs- including demand side management, supply efficiency, and new supply options. However, numerous market, policy, and other barriers hinder widespread use of a mix of options, and these include lack of awareness of non-conventional alternatives. Moreover, hidden subsidies and incentives to conventional options constrain the use of even superior alternatives. The ADB study concluded that a more effective options assessment is necessary, in order to overcome the barriers and restrictions identified by WCD.

20. The decision-making, planning, and compliance section of the WCD Report contends that whereas there have been substantial improvement in policies, legal requirements and assessment guidelines, business appears to be conducted “as usual” when planning and decision-making. Past conflicts remain largely unresolved and past impacts largely unmitigated. WCD’s global review found significant barriers to reform, such as vested interests and legal/ regulatory gaps, which if surmounted, could make planning and decision-making more open,

responsive and accountable. The findings in the ADB study agree that once lessons have been learned, the difficulties can be overcome, but this requires an improved approach. Mr. Remigio presented a matrix of project characteristics and aspects of the four case dams, and highlighted the social and environmental aspects of each.

21. Dr. Quassem (Bangladesh) asked about the sampling criteria for dams selected as case studies. Mr. Amador explained the factors used, which included age, function, accessibility of the dams and availability of information. Mr. Zaman (Bangladesh) asked which dam is the best; Mr. Amador noted that none of the dams studied met all ideal conditions articulated by WCD. Mr. Gonzales (Philippines) noted that most of the problems shown were the fault of people operating the dam.

Implication of the WCD Report on the Murray-Darling Basin

22. Mr. Donald Blackmore, former Commissioner of WCD, presented the Murray-Darling (MD) experiences as a large dam operator. He said that many people had commented that one aspect not emphasized in the WCD Report, was the benefit from dams, especially the multiplier effects from these. Another issue raised was the lack of government participation in WCD deliberations. One comment that was not made during discussions was the temporal issue, the change that comes over time; this is crucial particularly with respect to the variability of rainfall and the limits of water and other resources available. In Australia, the option of building more dams is no longer being explored, since resources are no longer there. Other options (like demand management) are now seriously being considered. There are now policy changes particularly on the pricing and access to water resources. He noted the effects of dam building on forest cover, which affects salinity, soil cover and a host of other problems. He also noted dams' effects on riverine fisheries, which in the MD area, was a very slow process of degradation. He cited the need to allocate property rights for both water and pollution. There is need to change community thinking in so far as their position on the river (whether upstream or downstream) is concerned.

2nd Breakout Work Session: Major Issues in each country affecting application of the “rights and risks” approach

23. After the discussions of the 2nd breakout session, the group facilitators (Dr. Remigio for A, Mr. Bird for B and Mr. Ranji Casinader for C) summarized the discussions/ observations made by the group members. The presentations below present the five-minute summary of each group's discussions as presented in the plenary.

Reports on 1st Breakout Work Session/ 2nd Breakout Work Session

Group A

24. **1st session.** The group noted the problems in the WCD study process that can be improved. One is the lack of consultation/ participation by government/ operations people in the discussions. Also, beneficiaries have not been properly consulted. Better dam studies should be classified (in relation to impact categories), and case studies could be done at country level. There are methodological problems that should be addressed. On the group members' responses to the findings of the WCD knowledge base, it was noted that country specific approaches should be given more importance. The WCD Report was found to be impressive and not entirely negative, but it should emphasize the bottom up approach. It was felt the dam

study findings discourage dam building; greenhouse gas aspects (GHG) are underrated. On the extent to which available options and decision-making aspects were covered by WCD, the members observed that transboundary river aspects were not adequately addressed. There were limited options for developing countries, and country specific findings should be spelled out. There is need for the environmental/ social aspects to be given more stress.

25. **2nd Session.** On the issue “from balance sheet to rights and risks”, the group felt all projects have both costs and benefits; the bigger issue is how to address costs and implement proper mitigation, restoration and developmental measures. Complaints have to be properly received and monitored. The group noted that the “no-veto” and “no prolonged negotiation” cases arise from instances where dam projects are arbitrarily implemented, or inversely, killed off by powerful individuals. There is importance of maintaining negotiating strength. Further, timing and cost issues are also important. On effective representation, the group noted that stakeholders should be properly identified/ taken into account, and there is need for education and awareness building toward attitudinal change. There should be motivation based on knowledge. Involvement of foreign NGOs is also critical. The failure of government on the issue of participation, and the process of articulation of stakeholder interest at different levels, were also deemed important in building effective participation.

Group B

26. **1st Session.** The group felt the WCD Report was comprehensive-heavy but not heavy reading. It had to cover very divergent national circumstances, which was difficult to reflect in the report. The negative tone gives impression that dams are bad, a “last resort”. There were concerns over the sample size, mainly old dams. There was significant effort but the level of representation was insufficient for a global exercise. Performance of dams is not different from other large infrastructure. There was confusion on language. Some of the participants were not aware whether Governments had formally received the report. There was a general agreement on the five core values. The implementation criteria and guidelines were considered theoretical and not practical in terms of cost and time. The criteria and guidelines are already being used as a campaign tool by advocacy groups to stop dams which are causing problems. Guidelines should be applied to other options. Projects should not be prevented by lack of acceptance by single small opposition. Overall costs will increase, not decrease. The group acknowledged that it is not feasible to get the best always; they have to accept second best at times. One concern is whether saving species is considered as the same level as meeting human needs. There was a query on how guidelines relate to existing agreements, for example, existing bilateral treaties.

27. **2nd Session.** Generally, the group agreed that resettlement should be a development opportunity, and there are examples of this being done. They could not accept that one person can stop a project. There was concern on how negotiations will work, seen as prone to external influences, but the right of appeal is important. The group wanted to think about the next steps- such as suggestions for a national consultation in Malaysia. Treating indigenous peoples as a special case can cause problems. One query is on whether there is a veto right in the Report, as many interpreted this to be the case with prior informed consent.

Group C

28. **1st Session.** The Group observed that while the Executive Summary of the Report seemed balanced with regard to the benefits and disbenefits of dams, the Main Report appeared to indicate a bias against dams. The considerable effort put into the study was

appreciated and the Report is a good first step, but a lot more work needed to be done on how best to implement its recommendations. The Report further emphasizes the rights of adversely affected people, but does not equally emphasize the rights of beneficiaries and the national good.

29. **2nd Session.** There is general agreement to the “rights and risks” approach, but as an extension, and not as substitute of cost benefit analysis. Processes to involve stakeholders are in place in some countries, and others agree in principle to this approach, but not to the extent of causing delays to the project. The seven strategic priorities were generally accepted, with reservations from one country that felt there were more than these priorities.

Open Discussions on Sessions 1 and 2

30. **Comments.** Mr. Seki noted the mix of reactions on the acceptability of the WCD Report. He opened the floor to comments from participants. Ms. Jingjing Li (PRC) noted the WCD study has a long way to go and felt that it should consider opinions from developing countries. Mr. Bandusena (Sri Lanka) felt the WCD Report gravitates toward the negative, and failed to emphasize the benefits to humanity. He proposed that workshops be conducted in each country and to decide on a final document. Dr. Quassem (Bangladesh) noted that the WCD Report will have implications for other large infrastructure projects, because it is going to establish some principles which may be applicable to any such large project. He felt other countries with such large projects be consulted. Mr. Haq (Pakistan) felt that there should be intensive dissemination and consultations on the Report before this is adopted. Mr. Namgay (Bhutan) felt that it is not the structure, but the water it impounds, that matters in determining the size of dams; thus, it is felt that run-of-river schemes are more environment friendly. Mr. Seki summarized the comments for the guidance of the WCD commissioners.

31. **Responses.** Mr. Blackmore clarified that the WCD Report consists of guidelines, and not regulations, and leaves it to the countries to sort out those important for their needs. He agreed that for the definition of dams, structure height is not what matters but the potential environmental impact. Dr. Henderson said that individual countries are expected to hold workshops internally, to discuss the Report and the next steps involving wide stakeholder participation. On transboundary effects not being properly addressed, she acknowledged this is a weakness of the WCD Report, but that the Report had promoted a consistent approach among financiers. Some of the issues that came out involve the issue of transparency and availability of information. She stressed the importance of transparency in this age of the internet, and she pleaded that decision makers be transparent to win broad ownership of their decisions.

32. **Comments.** Mr. Briscoe of WB noted that the WCD Report has very strong statements that are almost regulatory in nature, and this naturally raises anxiety of borrowers. Mr. Rajput of Pakistan notes that poverty alleviation efforts in developing countries may be hampered by the demands of the WCD Report. Mr. Iyer (India) cited the negative reactions to the Report and there should be a way out of the divisiveness the Report generated. Mr. Li Guanghui (PRC) was concerned about the short time in eliciting the views of countries like China, on the provisions of the Report. There are problems in applying these in a practical way. Mr. Zaman (Bangladesh) asked for the opportunity to review the guidelines.

33. **Responses.** Mr. Blackmore clarified that WCD guidelines are not regulations since there is no policing as to compliance. He noted that short-term poverty reduction efforts and long term

sustainability issues are closely inter-related. Dr. Henderson added that the language of the WCD Report may be strong, but these are still guidelines to be taken as suggestions. She appreciated the fact that China sent a strong delegation to provide feedback. Mr. Blackmore said the WCD Report raises the governance issue by advocating a more transparent consultation process.

Summary of Day 1 and Announcements

34. Mr. Seki concluded by reiterating that the Workshop's objective is to increase awareness of the WCD findings. He observed that the WCD Report fairly presented the vision and guidelines for dam development. What follows is a review in the country context, such as the run-of-river dams in Bhutan. He felt that interpretation of criteria requires much thinking as to application by country. He said that this meeting is a beginning and there is time for concerns raised to be addressed.

Mr. Seki announced that there will be cocktails at 5 p.m. The workshop will commence at 8:30 a.m. the next day.

Cocktails hosted by ADB 17:00- 19:00

DAY 2 (20 February 2001)

Session III- Tailoring Policy to Country Circumstances

Opening Remarks

35. The Chairman for Day 2, Mr. Satish Rao, Manager, IEEN, ADB, reviewed the major comments made during Day 1 discussions. He mentioned that while most agree on the five core values mentioned, there are differences in the way these are applied in the country context. He introduced Ms. Susanna Price, SOCD, ADB, to present the effect of the Report on ADB's Social Policy.

Effect on ADB Social Policy

36. Ms. Price noted ADB President Chino's statement that ADB will examine its own procedures, including environment and social development policies, in the light of the WCD recommendations. She praised the WCD Report for addressing social perspectives so explicitly to redress past imbalances. Three perspectives are highlighted by MDBs such as ADB in the review of the Report's social development aspects. One is on policy directives, and ADB has recently made efforts to understand more fully the policy and legal frameworks of its DMCs and assist governments to enhance them. The second is on impact assessments, and for reservoir projects, a recent ADB evaluation study shares many similar findings with the WCD Report that highlight limitations, risks, and failures. The third, on process guidelines, considered the opportunities in processing development interventions to address issues raised in the WCD Report.

37. Ms. Price enumerated the various ADB Board documents containing ADB's social policies. She enumerated the three pillars of the poverty reduction strategy, namely, pro-poor sustainable economic growth, good governance, and social development. She noted objectives of Bank policy on indigenous peoples, and the approaches to intervention. A summary of the

development principles and key points in the involuntary resettlement policy of ADB was presented. A brief overview of resettlement risks and reconstruction was shown. Ms. Price noted the permeating themes of benefits sharing, consultation and public agreement, and risk identification/ mitigation. She detailed some of the similarities and differences between ADB's Policy on Involuntary Resettlement and WCD's recommendations. ADB policy focuses on the right of affected persons to compensation, and does not preclude benefit sharing. On gaining public acceptance, there are differences between ADB and WCD. She outlined the consultation practices of ADB to have a two-way exchange of views, but measures to address the concerns of those affected remains an ongoing challenge. WCD's requirement for negotiated agreements presents additional challenges. The third point is the emphasis of WCD on risks to people affected, and ADB's poverty reduction thrust has challenged it to develop more sensitive methods for identifying risks and resolving these.

38. Ms. Price mentioned some new developments in ADB's processing guidelines, which offer opportunities to address the issues of early consultation and assessment of options. She noted such processes in ADB where such concerns could be addressed, such as poverty analysis, forums with civil society NGOs, and ADB country operational strategies, among others. She summarized key points of the proposed new business practice and mentioned the work in progress for a new handbook for poverty and social analysis, with focus on, among others, new methods of data collection and use of participatory approaches. Finally, Ms. Price noted that for ADB to better project likely social impacts of projects, Initial Social Analysis (ISA) and Poverty and Social Analysis during the project design phase, will be undertaken.

Reality Check of WCD Guidelines

39. Mr. H. Satish Rao next introduced Mr. Engelbertus Oud, head of Lahmeyer International's Department of Water, Power, and Land Development, to present a reality check of WCD Guidelines using the Nam Theun 2 (NT2) case.

Introduction to NT2. Mr. Oud noted that the NT2 project consists of diversion from Nam Theun to Xe Bang Fai of 200 cu. meters per second. Installed capacity of the plant is 1,070 MW with generation of 6,000 GWh per annum. NT2 is a joint venture between a private developer (75%) and the Government of Lao PDR (25%). The project cost is estimated to be \$1.1 billion, with over 90% of output for export to Thailand. Commissioning is expected in 2007.

40. A mapping of NT2 showed negative impacts such as the inundation of 450 sq. km. of land, resettlement of 4,800 people, loss of wildlife habitat and effects on fish migration and fishery. On the plus side, the project will allow year round flow for navigation and irrigation, reduce flooding, allow protection of National Biodiversity Conservation Area (NCBA), and generate higher income for government for poverty alleviation. The developer's philosophy has been to ensure broad community involvement in both design and implementation. Resettlement policy for people affected by the project (PAPs), is to improve their lot, via increased incomes and access to essential infrastructure and services. The project also set aside \$1 million per year for 30 years for conservation management for the area. A comprehensive reservoir fisheries management plan, will create full time jobs for some resettled people. The public participation and consultation process aims to have stakeholders influence the design of the project and involve them in preparation of the resettlement action plan.

41. **Measuring Compliance.** Mr. Oud noted that to investigate compliance of NT2, two alternative routes were followed, one based on stage of development, and the other based on

guidelines. The first checklist was prepared with the following hierarchy: key stage of development (needs and options assessment, etc.); relevant strategic priority (gaining public acceptance, addressing existing dams, etc.); and achievements to be obtained, and if relevant, the number of applicable guidelines. For the second checklist, the hierarchy is as follows: guideline (multi-criteria analysis, life cycle assessment, etc.); and up to 17 objectives per guideline, which may need fulfillment to achieve desired result. In both checklists, it is indicated if the objective is complied with, complied with exceptions, or not complied with.

42. **NT2 Compliance with WCD Criteria and Guidelines.** Mr. Oud gave illustrations of the first checklist (on project preparation) and the second checklist (project level impact assessment for environmental, social, health and cultural heritage issues). Both rated as having been complied with and earning overall compliance of 87% to 90%. For non-compliance cases, project is not at fault in some instances, such as when targets are too ambitious, too uncertain and too expensive. Given this, the actual level of compliance of NT2 is therefore much higher provided that intended compliance will be converted to compliance itself at the appropriate time. Also, since NT2 is ready for construction and has complied with many WCD guidelines prior to construction, the project is an ideal testbed to check workability of WCD criteria/ guidelines.

43. **General Comments to WCD Guidelines.** A number of detailed proposals were made by Mr. Oud to operationalize the guidelines, mainly involving such issues as the right of stakeholders to dismiss members who boycott or do not contribute to the whole procedure, and the need for negotiated decision making to aim at consensus. Moreover, it has been suggested that socio-environmental, techno-economic studies, and risk analysis, be integrated. There have been questions however on who decides on when performance bonds/ trust funds may be released, and who sets the missing guidelines on terrestrial ecology.

44. **Financial and Institutional Consequences.** Given that the developing world has yet to build most of the dams they need, development agencies must support the developing world financially and institutionally to comply with WCD recommendations. There should be massive grants for country-wide multi-criteria needs options assessment studies and feasibility studies for best water resources and power projects, which based on US dollars \$10 to \$30 million for each of local countries, would amount to US dollars \$1-3 billion. There is also need to equip the countries with modern measuring equipment to execute baseline studies. An issue is the availability of suitable specialists from the countries or international markets, to do comprehensive options assessment studies.

45. **Advice for Ongoing Projects.** Mr. Oud considered that a project in an advanced stage of development should not be delayed until a comprehensive Needs and Options Assessment study is done. One or the other measure in the WCD guidelines (such as performance bonds or trust funds) could be helpful for execution of environmental/ social mitigation measures.

46. Mr. Rao noted the high level of compliance shown for NT2. He noted that Needs and Options Assessment is an area which requires much work. He invited comments from the participants. Mr. Guanghui Li (PRC) noted the expense involved in operationalizing WCD guidelines and asked about the flexibility for each country's circumstances. Mr. Rao noted that there has been no estimate of the cost of compliance, even with the ADB checklist. Ms. Price agreed that some flexibility will be allowed for differences in the country context, but minimum requirements have to be met. Mr. Oud noted that there should be weighting of the various items in the checklist, depending on country situations. On the cost of studies, Mr. Oud clarified that the US dollars \$1-3 billion was his personal estimate, which he considers is at the low end. Mr.

Somboune (Lao PDR) clarified that Mr. Oud's presentation was his own personal view and not the position of the Lao PDR Government. He raised concerns about the practicality and cost of meeting the criteria and guidelines in the WCD Report. Mr. Rao said there is concern about the cost of the studies, and the source of funding for these. He hoped that eventually these costs may be passed on to the proponents.

3rd Breakout Work Session: Removing the Obstacles to Development

47. Mr. Rao suggested that the presentations by each group be made after the breakout sessions, to provide the basis for discussions on the topic of the session.

Reports on Breakout Work Session 3

48. **Group A.** Dr. Remigio presented the relevant concerns of the group. A widespread fear is that WCD policies, guidelines, and criteria, if adopted by MDBs, will be used by MDBs to foist non-realistic conditionalities on DMCs. Also, country practices, relative to WCD policies/guidelines, are characterized by duality or double standard. It was felt that more time is needed for a more realistic appraisal of WCD policies/guidelines. They proposed in-country workshops to undertake in-depth analysis of WCD Report by all stakeholders. The group noted that possible help for the workshops, is available from organizations such as the 3rd World Water Forum. The group also suggested development of a TOR (generic) checklist for dam projects to be funded by international organizations.

49. **Group B.** Mr. Jeremy Bird noted the group's expressed need for more detailed comparative study of how WB and ADB guidelines compare with WCD guidelines. The group also felt the need for clear groundrules of options assessment and negotiation. There was disagreement that the workshop should be discussing compliance with WCD guidelines, since time is needed first for individual countries to digest the WCD Report. There are very country specific issues needing time to discuss, consider, and adjust. The problem in public consultation is how to ensure people are really informed of the issues.

50. **Group C.** Mr. Ranji Casinader noted that the group made two main points. One is that policies in place in most countries are consistent with the five core values and seven strategic priorities, but implementation is not always realized in practice for a variety of institutional, legal, financial and educational shortcomings. Two, some guidelines are consistent with practice in some countries, but the others feel that some are not necessarily relevant to their situation; yet others feel that it is difficult for them to own the guidelines because they were not involved in their prescription.

General Discussions

51. **Comments.** Mr. Li Guanghui (PRC) said the summary of views on the WCD Report would be helpful. Mr. Rao noted that the general thrust of the comments is that all countries would like to have a more detailed look at the Report. He gave a summary of each group's comments. Mr. Briscoe (WB) gave a brief comparison of WB guidelines with WCD recommendations based on a presentation made to the World Bank Board of Directors the previous week. More than half of WB's guidelines, appear more or less as detailed as WCD's. There are significant differences on the main concept of the need for free and informed consent of PAPs (veto rights as he interpreted it). A stark difference concerns how decisions are

reached on investments. Also, the open nature of the WCD decision process conflicts with the need for time bound processes expressed by governments and developers.

52. Mr. Rao cited the concern about the acceptable time and cost involved in the study process. Mr. Pandey (Nepal) expressed concern about bureaucratizing the process, citing that guidelines can slow down processes in countries with poor governance. Ms. Chavez (Philippines) cautioned on how guidelines are used as a tool, citing the need to reconcile the difference between compliance rating and reactions of civil society on a project. Ms. Li (PRC) again raised bias in the WCD Report and suggested that PRC deal with ADB on this, since PRC is not a member of WCD. Mr. Iyer (India) noted that governments, whose voices were predominant at the workshop, tended to stress the difficulties and costs of making changes in established processes and procedures, but some advances over the past record were clearly necessary. Mr. Somboune (Lao PDR) noted that a good guideline is one that promotes development. Mr. Abdullah (Malaysia) suggested that governments should be able to consider applying WCD's core values and strategic priorities to their own processes. Dr. Quassem (Bangladesh) proposed that the consensus of this workshop be seriously considered in the review of the Report, to address the issue of ownership. Mr. Bandusena (Sri Lanka) suggested conduct of in-country workshops on the Report, to be followed by another regional workshop.

Session IV- The Next Steps

Effect on ADB Environmental Policy

53. Mr. Rao introduced Mr. Warren Evans, Manager, ENVD, ADB, to give a presentation on the relationship of the WCD Report with the development of ADB's Environmental Policy.

Mr. Evans commenced by noting the various reasons why a clear-cut definition of ADB's environmental policy is needed. One is that there has been reorientation of ADB's environmental objectives and program with its Poverty Reduction Strategy, Long Term Strategic Framework (LTSF), and medium term focus of Asian Development Fund (ADF) replenishment agreements. Moreover, there has been a shift of ADB lending to focus on policy reforms; also, ADB business practices have been redesigned requiring adaptation of environmental review and planning processes. Finally, there has recently been substantial increase in external scrutiny of ADB programs by NGOs. He then outlined the main challenges in environment policy. One is to develop an environmentally sound policy base for national/ sectoral development. Another is to sustainably manage and develop environmental resources on which the poor depend. Third is to integrate environmental objectives in the economic development process. The last is to accelerate the flow of resources for environmental improvement.

54. Mr. Evans then compared ADB operation guidelines and proposed policy, with the WCD recommendations. He provided ADB's response under each of the WCD's strategic priorities (SPs). For SP 1, gaining public acceptance, ADB's response has been to establish public information centers for major hydropower projects. For SP 2, comprehensive options assessment, all hydropower projects are required, under ADB's EIA guidelines, to explore social and environmental alternatives. Also, ADB has supported demand side management of irrigation and energy sectors, which are considered in the design and approval process of projects. For SP 3, addressing existing dams, ADB projects are routinely post evaluated, and emphasis has been given in recent years to monitor projects after construction. Also, environmental management plans contain assessments that are prepared for the project's operational stage.

55. For SP 4, sustaining rivers and livelihoods, basin-wide studies were done for recent projects supported by ADB. Also, capacity building for river basin management is being supported by ADB in PRC, Lao PDR, Sri Lanka and Viet Nam. However, ADB has yet to provide assistance to DMCs for development of national policy for maintaining selected rivers with high ecosystem functions and values. ADB is now giving serious consideration to impacts on threatened species, through special studies needed prior to a project decision. For SP 5, recognizing entitlements and sharing benefits, ADB's EIA procedures require that all affected by the project (directly or indirectly) be accounted for during the environmental/ resettlement assessment. In the case of dams, ADB includes provision for consideration of adversely affected people, such as new social services (clinics, schools), vocational training, and preferential hiring for the project. For SP 6, ensuring compliance, third party monitoring during design and construction has become a regular feature of ADB supported projects. More attention is now placed on incorporating specific social/ environmental requirements in contract documents. Further, corrupt practices will be addressed through ADB's Governance Policy.

56. On institutional responses of bilaterals and MDBs, Mr. Evans added that ADB generally supports the WCD guidelines, and that the WCD recommendations will be considered along with the consultation process for the new environmental policy in all future ADB projects. He then presented flow charts outlining the guidelines for good practices. He showed a chart each for strategic priorities 2, 3, 4, and 5. Finally, he summarized the guidelines that ADB is not using or has not proposed in the future. He mentioned that ADB does not consider decommissioning aspects (life cycle assessment) nor does it always ensure operating rules reflect social/ environmental concerns. Improving reservoir operation is also normally considered after loan completion.

57. **Comments.** Mr. Li (PRC) asked about categorization of dams for environmental assessment purposes. Mr. Evans replied that for ADB, most projects require EIA but the level of detail depends on potential environmental effects. Mr Haq (Pakistan) asked about the initiative in developing countries to improve the performance of existing dams. Mr. Blackmore provided examples from Australia, to evaluate performance of existing dams and effect needed changes.

Global Initiatives Following Launch of the WCD Report

58. Dr. Henderson informed the group that after the Report's release In November 2000, there have been various seminars conducted to disseminate the Report's findings in about 15 cities worldwide. Donor countries have indicated interest in funding in-country consultations on the Report. Some governments have set up such consultations (South Africa, France). The Export-Credit Agencies are looking at the Report in relation to their ongoing initiative to harmonize environmental guidelines. For developing countries, there will be a meeting in Central America to discuss follow-up to the Report. NGOs and international professional organizations such as ICOLD have now responded to the Report via their web site. The International Standards Organization (ISO) is now looking at the possibility of certification standards for dams. The most important follow up event is the next meeting of the WCD Forum in Cape Town on 25-27 February 2001. The Forum was mostly responsible for the set up of the WCD, and will consider the appropriate follow up activities for the Report.

4th Breakout Work Session: The Next Steps

59. Mr. Rao noted that since Day 1's sessions, there were already discussions on the next steps. He thus suggested open discussion rather than a breakout session on the next steps.

Open Discussions

60. Mr. Preben Nielsen, Deputy Director, IWD, quoted from President Chino's letter to WCD Chair, Prof. Kader Asmal, that clarifies that ADB will re-examine its own procedures to determine the extent changes may be needed as a result of WCD's recommendations. He pointed out the review process being undertaken within ADB, whose positions in relation to the WCD Report, will be presented to its Board for confirmation. He cited ADB's efforts for impact mitigation on the Theun Hinboun project, as this will serve as a model for its future actions for dam development.

61. Mr. Blackmore said that the WCD Report was not intended to supplant the sovereign task of nations to decide on dam development. He recalled a passage from the Report that clarified that the Report was not a blueprint and that the recommendations needed adaptation to local circumstances. They were not regulations, but rather meant to guide governments on different perspectives that account for unintended consequences of dam projects. Ms. Hamada (Philippines) noted that WCD guidelines call for more discussions between NGOs and governments for particular projects. She felt that participation of NGOs in workshops would enrich the discussions. Mr. Nielsen acknowledged the importance of dialogue with NGOs. Mr. Padilla informed that WWF generally accepts the WCD Report; he enumerated WWF's positions on the next steps. Mr. Nielsen outlined ADB's own program for the various next steps such as support for studies/ options assessment, workshops, decommissioning issue, etc.

62. Mr. Li (PRC) noted PRC Government's position- that dams served China well in terms of providing water supply, flood control, and power generation. It is therefore seriously concerned about the negative tone of the Report. It is also critical of the Report's methodology, noting that applying a single set of rules for varying conditions will raise transaction costs and make dam projects unattractive. He made a strong plea for more time to be given to responses from developing country representatives around the table. He stressed that the primary consideration is meeting basic needs but this does not mean the plight of the affected people is neglected. It was not appropriate to consider that the right of the majority to development should be negotiated. Although in general agreement with the basic principles, it was not possible to apply a single set of guidelines and that they were too idealistic. He said that the implication of the Report went beyond dams to all infrastructure projects.

63. Mr. Rao asked the participants for their country positions on the Report, with a caution here that some have been unable to review the Report as thoroughly as desired. Mr. Bandusena (Sri Lanka) felt that PRC, with 45% of all dams worldwide, should have been represented in WCD. Mr. Zaman said each country should have the chance to go through the Report extensively, and ADB should provide governments with copies of the Report officially. Mr. Aryal (Nepal) noted that there have been limited consultations in preparing the Report, which is not implementable in a number of country situations. Mr. Abdullah (Malaysia) enjoined everyone to study the Report well and observe restraint before accepting or rejecting it.

64. Mr. Iyer (India) said that having regard to the negative reactions to the WCD Report, not only of the Government of India but of most other governments as well, it appeared that the entire process had reached a dead end. He was not clear how this impasse could be broken. Ms. Soemanto (Indonesia) said there is need to reach a win-win situation on the dam debate

through national consultations. Mr. Somboune (Lao PDR) expressed that the WCD guidelines are not practical and failed to account for country circumstances. There is need to revise the Report, which is important for Lao PDR. Mr. Isidro (Philippines) said his country has no position on the Report yet, but is looking at it with an open mind. Mr. Jinsheng (PRC) noted China has about half of the world's large dams, and will continue developing dams for their benefits, and expressed concern that the Report's guidelines may only further delay the process of development. Mr. Chamamahattana (Thailand) questioned the sampling of dams included in the WCD study; he said the Government's comments on the Pak Mun Study had not been adequately taken into account. Dr. Narith (Cambodia), while recognizing that the WCD Report presented some challenges to make better dams and mitigate problems, expressed Cambodia's policy to develop dams for energy and irrigation. He suggested a national workshop to fully discuss the Report in Cambodia. Mr. Zaman (Bangladesh) mentioned the potentials of his country in terms of dam development, and found that the Report could help in thoroughly studying the feasibility of the options. Mr. Bandusena (Sri Lanka) suggested that ADB and WB not implement the WCD findings until after hearing from the DMCs. Ms. Hanh (Viet Nam) said her country has encountered difficulty in complying with ADB/ WB requirements for dam projects, and that the WCD guidelines would make it even more difficult.

65. Dr. Henderson clarified that there was initially a Commissioner from PRC, but she had to step down for health reasons, and although WCD invited a replacement from PRC, this did not happen. On the concerns raised about guidelines on negotiated agreements, she said the WCD Report did not include a veto right and recognized the State as the final arbiter in the event that good faith negotiations fail. She hoped governments take the Report and adapt it for their own needs. Mr. Briscoe (WB) reported on the results of consultations in Africa and Asia. He noted that pessimism from countries mainly stem from concerns that the Report will spawn a new layer of requirements from MDBs. If this concern is set aside, then the Report could open up an avenue for eliciting creative responses. He viewed the Report as the start of a productive engagement, by opening up opportunities to learn from each other in the spirit of partnership, not imposition. Mr. Bird announced that the WCD could still provide more copies of the Report and asked for names of institutions/ people for the recipient list.

Summary and Closing Remarks

66. Mr. Rao noted the very useful discussions and the success of the workshop in terms of listening to the views of the countries, in an atmosphere of free and frank discussions. He sensed general support for the core values of the WCD Report and at the same time, sensed that more time is required to fully assess the Report's implications. He looked forward to the forthcoming WCD Forum to learn of the next steps that will be decided in the Forum. On behalf of ADB, he hoped the participants would have the time to see the city's sights. He thanked the WCD Commissioners and staff for their contributions and all the delegates for their feedback on the Report and suggestions on how to proceed. Mr. Preben Nielsen said ADB faces additional work in terms of organizing dissemination workshops on the Report. He wished everyone a pleasant return journey. On behalf of the participants, Dr. Quassem (Bangladesh) thanked the Chairman and ADB staff for effectively facilitating the discussions on the Report.