

ADB Workshop to Discuss the World Commission on Dams' Report: Dams and Development

**Opening Address by
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Distinguished participants, ladies and gentlemen, good morning. On behalf of the Asian Development Bank, I have the pleasure in welcoming you to this Workshop. I am pleased to see representatives from 16 developing member countries, the World Bank, NGOs, private sector, and of course two distinguished Commissioners of the World Commission on Dams. I would like to thank the ADB and WCD organizers of this event, which gives us all a wonderful opportunity to share views on this important topic.

When the Commission was set up in 1997, it might have been thought that the dams debate would only attract the attention of action groups at one extreme and concrete structure experts at the other. We have been proved wrong. In reviewing past dams and looking to the future, the Commission has had to examine the very meaning of development - a word that is in the title of my own institution, and that is at the heart of ADB's activities. The fact is the Commission's work has proved intellectually demanding in many ways. Its recommendations apply to all ADB operations in infrastructure, and as ADB lends about \$4 billion a year for infrastructure projects, these recommendations are very important for us. But they are important for all of you too.

Development, say the Commissioners, must start with a clear understanding of shared values, objectives and goals. They identify five core areas: efficiency, sustainability, equity, accountability, and participatory decision-making. These fit well with ADB's approach, although the terminology is not quite the same.

Economic efficiency has always been a keystone for ADB's involvement in development projects, and if applied correctly would reflect a project's sustainability. More recently, poverty alleviation has become the overarching goal of ADB, and I will return to this later.

Equity, determined by ADB through its benefit distribution analysis, seeks to identify who benefit from projects and who pays. It is rare that beneficiaries bear all the costs, and it would be wrong to make this an objective. Nevertheless, considerable effort is now made to design ADB projects to ensure that those paying the costs derive at least some of the direct benefits.

Accountability is part of good governance, an area in which ADB is now increasingly active. Without good governance, decisions are made in self-interest, or in the interests of pressure groups, rather than for the good of the people who should be served.

The last of the Commission's criteria for sound development is participation in the decision-making process. ADB's social development policy firmly embraces this. So it should be clear from this brief comparison that ADB's policies are now broadly in line with the main thrust of the Commission's value system. However, good policies and good practices are not the same thing, though we may all hope that one leads to the other.

Many of you are from NGOs, and it may be helpful to explain ADB's role in project finance and implementation, and to underscore the very real limitations that confront it in bringing pressure to bear to redress deficiencies. First, note that in only 5 percent of its projects does ADB have a shareholding. It never has a majority shareholding, so ADB is never the project owner. Nearly all of ADB's lending is to governments. These in turn often onlend to various ministries or other state agencies. ADB insists on governments owning their own projects. We never finance more than 80 percent of the total cost and often closer to 50 percent.

ADB funding usually covers foreign expenditure to the extent possible and local costs up to the balance of the loan amount. Foreign exchange is usually required to cover imported materials and equipment and thus is dispersed well in advance of project completion, usually before problems manifest themselves. When problems arise typically ADB no longer has control of the resources to take remedial action. We have recognized for some time that this is a weakness in our operations and have taken action to improve this situation by adopting a performance-based approach when setting lending targets for each country. However, this is a slow and indirect method of addressing

specific problems. We are therefore considering other alternatives for closer cooperation with project owners to ensure that obligations are met and unforeseen impacts are mitigated.

You have gathered here today to discuss and give your views on how dam projects should be planned, designed and constructed. This in itself is a major achievement of the WCD exercise. If you cast your minds back to the mid-90s, you will recall the crystallized positions of the pro- and anti-dam lobbies. These had severely reduced the number of new projects that could be started - whether good or not-so-good. Now we have the benefit of the WCD's recommendations, formulated under its unique constitution and funding process. These ensured the impartiality of its deliberations and its timely "decommissioning."

Of course, not all of you accept every aspect of the WCD's recommendations. Neither does ADB. For example, to fully adopt the WCD recommendation for legally binding, negotiated contracts with all project-affected people prior to start of construction will have a considerable impact on our project cycle and business processes. We are in the process of reviewing the WCD recommendations and will study if any changes are required to our policies.

As mentioned earlier, reducing poverty is ADB's overarching objective. In this context, we continue to believe that economic growth is essential for job creation and for sustained poverty reduction in the face of burgeoning populations. Water resources will come under increasing pressure for domestic use, industry, power generation and irrigation. Demand side management and conservation will play an important role in reducing demand. We believe that, for the foreseeable future, dams in certain locations will remain the only way to meet societies' needs for food and employment. Nevertheless, the WCD's message is clear: "business is no longer as usual".

Ladies and gentlemen, ADB will continue to assist its DMCs, and I am encouraged that so many governments have sent representatives to this Workshop. I hope this means acceptance of the considerable scope for improvement in the way dams are planned, built and operated. We very much need to hear your views on how ADB and other interested parties can help you implement these changes.

Ladies and gentlemen, you have excellent session facilitators, you have creative minds, and you have the interests of the people of our region in your hearts. I wish you all success in the tasks before you, and a pleasant and rewarding stay in Manila.