

ADB Dissemination Workshop on World Commission on Dams Report: Dams and Development

**Keynote Speech by
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19 February 2001

Good morning, Ladies and Gentlemen, I'm delighted to welcome you to Manila, and to ADB, and am especially delighted to see such a diverse set of partners here, from a wide range of professions and perspectives: we have different roles and responsibilities, but a collective interest in ensuring good development outcomes.

Launching the WCD report, Prof. Kader Asmal, Chairman of the World Commission on Dams, stated that " the Commission's formal work is done; and now it is up to us". ADB, as a part of "us," has taken its first step in disseminating the WCD study in Asia by hosting this Workshop, which I hope will provoke open discussion and constructive ideas on the next steps to be taken. Other organizations - UNEP, bilateral agencies, and of course our World Bank colleagues -- are also evaluating the WCD findings and formulating responses. A prime objective of this Workshop is to develop a way forward that is appropriate for the countries in our region. We can then integrate our respective proposals to agree a workable process and a structure for its implementation.

Over the next two days, you will be grappling, in the working groups with the challenges presented by the WCD recommendations.

I will take the opportunity of this opening session to try and provoke your thinking on a few key points in the report to kickstart that "next steps" process.

Dams, yes, but....

First, let us agree that the report is not "anti-dam." Prof. Asmal has unequivocally confirmed that in response to growing development needs, dams remain one important option. However, the report also concludes that dams have too often fallen short of what is desirable or acceptable-in the areas of economic efficiency, social equity, and environmental sustainability. So, going forward, we are challenged to ask:

- How can we improve economic efficiency of these projects?
- How can we make resettlement part of the development agenda rather than an additional project cost? How can we see it as an opportunity for "development"-which is, after all, our mandate, and not as a "problem" to be solved?
- How can environmental sustainability be better addressed in project planning?
- How can we overcome the difficulties of achieving these desirable objectives in the short-term? How can we make them less daunting?

Since most of us agree that development projects, including dams, should meet these criteria, we have a common and agreed destination towards which to travel. The WCD Report provides a "roadmap" to move from the present, often-unsatisfactory process for planning, design, construction, and operation of dams, to a more equitable and sustainable one.

The WCD "roadmap" is based on their principle of "rights and risks." But I prefer their alternative title - "rights at risk." That is, anyone whose right to well being, livelihood or quality of life is at risk from a project, should have a say in how those rights are restored.

Sometimes, a "real life" perspective is illustrative: For example, when I put myself in the role of a project affected person (PAP) - not a subsistence-farmer in a remote mountain valley, but as we are now, in our present circumstances -- as an affected person, I would expect a say in my own future; and probably you would too. I would expect to continue my employment; and my children's education; would assume my spouse would continue both pursuits and friendships. I'd consider these my rights, and would expect them to be restored as part of project design. I would also expect all promises to be honored and all obligations fulfilled.

My own "epiphany" on this came not so long ago, under circumstances that pale by comparison to dam construction, in terms of personal impact: My local cellular phone company in the U.S. informed me that they were constructing a transmitter pole half a mile from my house and more or less visible from it. I turned into an "activist citizen" immediately, concerned (maybe even obsessed?) about the loss of my view, and I duly protested that my "quality of life" would suffer as a result of this aesthetic impairment. Imagine then, the resentment of being involuntarily relocated to make way for a dam project without adequate recompense. So I became a convert.

We have these rights, and whether it's the subsistence farmer or us, we want a say in how these threatened rights are preserved or restored. This is the essence of the recommendation for a "negotiated settlement" and a transparent process based on participatory deliberations.

Evaluating Options

Second, before starting a major project like a dam, it's common sense to make sure that the dam is needed, and that alternative ways to provide the service (power) have been evaluated, and the "best" option selected. When thinking about alternatives, one usually focuses on alternative investment options: coal or gas-fired thermal power plants, or alternate dam locations.

An equally important option might be better demand management. As many of you know, energy subsidies in South Asia are the highest in the world, leading to rapid growth in demand, and highly inefficient energy use. Such subsidies are invariably regressive, usually benefiting the richest people most. In one country in the Region, where less than half the power produced is paid for, rapidly growing power demand has been taken to imply that substantial new generation capacity is needed; but in fact, it is demand that is more a problem, not supply.

Unfortunately, governments often face protests when they try to raise prices or enforce collection. Nonetheless, a reality check via empirical evidence may well show that "rationalizing" the power sector via competition, private sector entrants, realistic pricing of power and water and better cost recovery, is an important first option to consider. Those affected by such price increases may adjust more easily than the PAPs affected by resettlement.

And yet the WCD's study of 125 dams showed that this basic part of project planning is rarely satisfactory. A recent ADB study draws a similar conclusion: "project deficiencies can often be traced back to inadequate "options assessment." A similar situation applies in the case of water.

Getting the Facts Right - from the Start

Third, because all infrastructure projects have an impact on the environment (they flood land, drain, remove or change vegetation, emit or discharge waste products, etc.), a comprehensive environmental database is key to comparing dams and other options. (Price and demand management is environmentally neutral, of course.)

But, an ADB-funded study of three major Mekong tributaries found that important baseline data was often missing. For example, the impact of changed flow regimes on fish species important for people's subsistence had never been assessed. So, people whose livelihood depended on fishing were at risk, to be deprived of either food, or their income.

When data is absent, past experience suggests that the risk of unforeseen impacts is less when dams are sited on the upper reaches of tributaries than when they are lower in the basin. Nonetheless, cumulative impacts of multiple upstream dams can be important when evaluating various options.

ADB Supports "Rights at Risk"

So, ADB supports the "rights at risk" approach proposed by the WCD, as confirmed in President Chino's letter to Prof. Asmal. Many WCD proposals are in line with recent ADB policy changes. Nonetheless, ADB is reviewing its Water Policy, and its policies on Resettlement and Environment, to see what, if any, further changes should be made. Presentations will be made during the Workshop on these issues.

Some Concerns

One area of concern for us is the WCD recommendation for remedying outstanding social impacts of existing projects -- projects that were completed long ago (and that we may have financed long ago) and are now operated by government power entities or the sponsors.

Societies' attitudes to resettlement and environmental issues have changed a lot in the past 30 years. If the WCD recommendations mean retroactively applying today's standards to past projects, then this raises important conceptual and practical questions. I call this the "moving goal-posts scenario." Some questions in this area, which I hope your work groups will address, include:

- Who is responsible for the retrofit required to meet new standards?
- Who should benefit? The original PAPs or some increased population who were originally not affected?
- Most importantly, who pays?
- Who oversees compliance?
- And for dams that are still works-in-progress, is there a cut-off time, after which no additional changes to meet current standards are required? Perhaps, it's when legally binding contracts with PAPs are in place? Or when all construction contracts have been awarded?

And, perhaps the most sensitive question of all: "Would retrofit again be needed-say in 20 years time - to meet the social and environmental standards of 2021?" And, who should pay, then?

These are important questions that I hope you will discuss: Parallels are not hard to find, but do they give the right guidance? For example, when bank capital adequacy standards change, as they recently have, all banks must comply with them, after a grace period. California's "Clean Air Act" required new standards to be met in most cases. Chile's urban environment law meant that the entire fleet of individually-owned city busses had to be retrofitted with converters within 3 years, or scrapped at a great cost, and perhaps also relevant, under a military dictatorship, which, arguably, could ignore public opinion. The Czech Republic and Ukraine are retrofitting their nuclear plants to meet new standards, with EBRD assistance.

The WCD report recommends "re-licensing dams after 30 years, but is silent on whether re-licensing is for safety (which one would expect), or also relates to PAPs, as defined under new later-prevailing resettlement and environment standards. Such ex-post recompense would amount to giving the earlier-affected people an unexpected "windfall". Does the answer have to do with whether the project causes "systemic" risk and could cause "contagion", ie, have widespread impacts on others? Or does it have to do with social justice, and meeting the prevailing standards of the day? The latter would fit into Rawls' Theory of Justice", which sees justice as fairness, and asserts that "the well being of society depends on cooperation."

Of course, we would agree that redress is always needed when the standards prevailing, or commitments made, at project implementation have not been met.

Another controversial WCD proposal is that project sponsors should conclude legally binding agreements with the affected people -- before construction starts. This follows logically from the "rights at risk" approach. This process is perceived by some to be lengthy and expensive and above all, risky, since an alternate project may eventually be selected, and sponsors' sunk costs would be totally lost.

To make this proposal for upfront agreements with affected people workable, the sponsor would want to have a full "options assessment" and the relevant feasibility studies, which included these binding agreements. Only then is the total cost of the alternatives known. This is expensive work. While the chance of construction delays would be reduced by this approach, the sponsor would still be at risk: what if the "agreements" are flawed"?

A Role for the MDBs?

So here is another question for your working group deliberations: "Is there a need for some "body" to fund such "options assessments" and the feasibility studies deriving from them?" A study incorporating all social and environmental costs, with obligations and responsibilities to PAPs clearly defined and identified, would be very attractive to private developers. It would also provide a level playing field on which to seek competitive bids. The greater certainty such studies offer, might even lower project costs-sufficiently to cover the studies.

ADB and other MDBs could be called on to play such a role, preparing projects, with a "good housekeeping seal of approval" (or, more accurately, a "WCD seal of approval"), ready for sponsors to finance, at low risk. This is similar in concept to what IASA, in Vienna, does to "vet" nuclear plant design.

With the WCD's emphasis on "rights at risk" and having agreements prior to construction, the question of "approval" or "certification" must, I believe, be addressed. Alternatively, perhaps it is better to build the capacity of existing national institutions for this certification work? I welcome reactions, please.

Conclusions

Let me conclude by summarizing some of the questions on which we hope the working groups will develop a view:

- How do we see the trade-off between 'sector restructuring, price increases and operational efficiency', on the one hand, and incremental capacity - properly designed - including from dams on the other?
- What significant changes are needed in MDBs' policies?
- How do the working groups see "retroactive application of standards?" Is this legitimate? Or is it akin to applying "first world" standards and "gold-plating"?" And, who should pay, when the country is poor, and perhaps already indebted? Should there be a cut-off point?
- What about recurring retroactive refits? Is the right analogy Ukraine's nuclear plants that have been twice upgraded, or is it something different?
- Do we need a "certification agency" or process, or an agency to prepare "ready-made" projects, ready for sponsors' take up? And, who should it be?

And what about, perhaps, the most difficult question of all -- what I call the "without us or with us" question? The WCD's excellent work notwithstanding, MDBs, including ourselves, are almost "gun-shy" of dams now. The risks are great, the visibility is high, and the vulnerability a constant concern, especially in this post-Seattle environment.

But while we, the MDBs, are doing fewer dams than before, some countries are now doing projects without our involvement, which they might have done with our involvement, earlier. An example from another region and subsector: Czech nuclear plant retrofits are now being done with Russia's technology and know-how, since no "Western" bilateral or MDB wants involvement. Is this the right outcome? Are we satisfied with these standards and with these incentives?

So, let me conclude by thanking you for listening, and for the opportunity to provoke your thinking. My colleagues and I look forward, as I'm sure do the Commissioners, to hearing your thoughts later in the week, and beyond. This is surely a long-term partnership between us, as we bring our different skills and perspectives to bear on an important common goal.

I wish you a very robust and fruitful exchange of views -- and a good stay in Manila. See you at the reception at 5:00! Thank you.