

## **Third WCD Forum Meeting**

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### **ADB response to the WCD Report**

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Good afternoon, Ladies and Gentlemen, I am delighted to be here in Cape Town for the Third Forum Meeting as the Asian Development Bank's representative, and am especially pleased 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, Professor Kader Asmal, Chairman of the World Commission on Dams, stated *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 collaboration with WCD in disseminating the WCD study in Asia by hosting an internal workshop on 29 November 2000 for ADB staff (Jeremy Bird, Team Leader of the WCD Secretariat was the resource person from WCD. This was followed by a two-day workshop in Manila from 19-20 February 2001, just last week. We had about 70 participants from our developing member countries (DMCs), utility managers, dam engineers, academics, and NGOs, who debated the WCD Recommendations based on introductions and interventions by the lead presenters and WCD Commissioners: Judy Henderson and Donald J. Blackmore and Team Leader Jeremy Bird; John Briscoe of the World Bank also participated.

The DMCs' voices at the Workshop were critical of the WCD consultation process: not enough consultations had taken place and comments from the governments had not been incorporated in full. I am, of course, fully aware that the WCD process did not allow for issuance of a draft report, precisely to enable early closure of the process and to keep it -as much as possible - independent. In any case the general view was that the countries needed more time to study the implications of the Recommendations and to compare them with their national policies. You can see the deliberations of the Workshop on our dedicated website for this:

<http://adb.org/Documents/Events/2001/damsdevelopment.asp>.

Where do we go from here to hear the DMC voices? I believe that more dissemination and consultation with the DMCs on a country basis is required. We had tentative talks with John Briscoe in Manila on this process. One idea would be that ADB and the World Bank jointly conduct workshops in ADB member countries in Asia with dam potential. We would, of course, invite WCD Commissioners and staff to join us. Other interested IFIs, NGOs and utility providers could join these workshops. This approach would also ensure economies-of-scale in shared workshop costs and consistency in adopting the WCD Recommendations in line with our guidelines among the IFIs. This is a proposal' could take to the ADB Management for approval.

ADB is in the process of reviewing its responses to the WCD Recommendations in the light of its existing policies and I have brought with me a draft of our interim responses, which I am distributing to you. Apart from reviewing our guidelines, we are also, with the assistance of an independent consultant, conducting studies of environmental flows and restoration of fishery options at an existing dam site in the Lao PDR: Theun Hinboun Hydropower Project. Our DMCs and 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 Forum is to develop a way forward that is appropriate for the countries in our region. We can then integrate our respective proposals to agree upon a workable process and a structure for its implementation. In this process we will consult our member countries to solicit practical advice. We will also need cooperation from civil society, including NGOs, to enable the process to move forward. We will not forget that our developing member countries must OWN the response process.

On 22 December 2000, the ADS President sent a letter to WCD's Chairman stating our appreciation and contribution to the WCD Report, which is an important milestone in the debate on dams. Our President also stated that "ADB will re-examine its own procedures, including our environmental and social development policies, and determine the extent to which the report's recommendations may necessitate changes in these procedures. We will also encourage our member countries to do the same", namely review their procedures. This quotation does not constitute a full endorsement of the Report but promises that we (and our DMCs at their own initiative) would review the Recommendations in the light of our existing guidelines and in full consultation with each other. The

ADB guidelines referred to are approved by our Board and any changes require full consultation with our stakeholders: DMCs, donors, and NGOs, as per normal ADS practice. It is also in this context important to point out that the WCD Recommendations does not only affect our hydropower, irrigation, and flood mitigation projects but in a broader context, all our infrastructure projects, also including roads, railways, ports, water supply, sanitation, and urban development.

On a more positive note I would like to mention that ADB, before considering new dams, generally intends to proceed -with DMC concurrence in the sequential order of country-wide and subregional river basin management studies, hydropower master planning, and energy options studies prior to detailed feasibility studies. The word "compensation" could also be replaced by integrated rural development in the dam project area to ensure enhanced livelihood.

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

### **Dams, yes, but**

**First**, let us agree that the Report is *not* "anti-dam", Professor Asmal and the Commissioners have 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 and mitigation for other affected people 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 toward 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 -

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 would consider these my rights, and would expect them to be restored as part of the project design. I would also expect all promises to be honored and all obligations fulfilled.

### **Evaluating Options**

Second, before starting a major project like a dam, it is 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 combined cycle thermal power plants, or alternate dam locations or configurations.

An equally important option might be better demand-side 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 of 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 "restructuring" the power sector through 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 ("Large Dams and Recommended Practices", ADB, 2001) 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 ("Se Kong, Se San, Nam Theun Hydropower Study", ADB, 2000). 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.

### **Some Concerns**

One area of concern for us at ADB is the WCD recommendation for remedying outstanding social impacts of existing projects --projects that were completed long ago (and that ~ 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. We could call this the "moving goal-posts scenario." Some questions in this area, which I hope will be addressed during the Forum, 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 is 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 you will discuss.

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 ~ 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", i.e., 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 Forum 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", ready for sponsors to finance, at low risk. This is similar in concept to what IASA, in Vienna, does to "vet" nuclear plant design but under a ratified convention.

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? Reactions from the participants would be welcome.

### **Conclusions**

Let me conclude by summarizing some of the questions on which we hope the Forum 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?

- How do the Forum 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 for safety reasons, 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 we could call the "without us or with us" question? Would our influence result in "better" environmentally and socially sustainable projects. 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 is a constant concern.

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 Russian 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. This is surely a long-term partnership between us, as we bring our different skills and perspectives to bear on an important common goal.

Thank you

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