

Banking on the Forests: The politics of the ADB's involvement in Asia's forests

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Tadao Chino, the Asian Development Bank's president, cannot pretend that he does not know what NGOs want from his Bank. During the Bank's 2001 Annual General Meeting in Hawai'i, he left the convention centre to accept a petition from NGOs. No doubt he hoped to accept the petition, smile for the cameras and return to his lunch as quickly as possible. But, when he shook hands with Dawan Chantarassadi, a villager from Klondan in Thailand where a notorious ADB-funded wastewater plant was under construction, she kept hold of Chino's arm, and did not let him go until Walden Bello had finished reading out the entire statement.²

The statement, titled "People's Challenge to the ADB", included a series of demands to the Bank, the final one of which stated that "Directions for future policies and practices must emerge from public debates and discussions, and not through closed-door negotiations among elite groups of ADB management, national and government elites and technical 'experts'."

In Hawai'i, President Chino promised that the NGO's views "would be taken into account". Unfortunately, in its preparation of its proposed new forest policy, which started in July 2000, the Bank seems to have forgotten Chino's promise.

The Bank points out that more than 500 people participated in workshops in Bangladesh, Pakistan, Philippines and Sri Lanka. In February 2002, when the Bank produced a draft of its new forest policy, 140 people attended a workshop at Bank headquarters in Manila. However, once the Bank's draft forest policy appeared, any public debate disappeared. According to Jan P.M. van Heeswijk, Director General of the Regional and Sustainable Development Department at the ADB, "formal external consultation process was concluded with the February 2002 Regional Consultation." "The internal review process is still underway," he added.

This internal review process is precisely the type of elite, closed-door negotiations that the NGOs in Hawai'i were keen to avoid.

Perhaps not surprisingly, given the flawed process behind the preparation of the Bank's new forest policy, the latest draft - dated June 2003 - has some serious failings and in many ways is a step backwards from the Bank's existing 1995 Policy on Forestry.

Uschi Eid, state parliamentary secretary at Germany's Ministry of Economic Cooperation and Development (BMZ), described the Bank's latest draft as "unfortunately behind our principles and minimum standards for this sector; it does not reach the quality of the 'Operational Standards' of the World Bank."³

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² Bello, W. and Shalmali Guttal (2001) "Honolulu Face-Off: Civil Society 1, Asian Development Bank 0", Focus on Trade #63 Number 63, May 2001.

"ADB Shanghaied in Honolulu," Honolulu Magazine, July 2001.

³ Letter from Uschi Eid to Chris Lang, 6 August 2003: „Der im Juli vorgelegte Entwurf bleibt leider hinter unseren Grundsätzen und Mindeststandards für diesen Sektor zurück; er erreicht nicht die Qualität der ‚Operational Standards‘ der Weltbank.“

In preparing its new forest policy, the Bank commissioned no independent analysis of the overall impact of its lending on the forests of Asia. Without such an analysis how can anyone, including the ADB, know what is required from a forest policy?

As a bank, the ADB naturally demands that governments repay its loans. Even if loans to the forest sector are low interest, concessional loans, the money has to come from somewhere to pay all those expensive international experts. In order to pay the Bank back, governments must make a profit out of the Bank's forestry projects. While this sounds like straightforward economics, it means that the forests must make a profit. The simplest way of converting forests to profits is to cut down the trees. The social and environmental impacts of doing this are often devastating. Projects which guarantee the rights of communities to access, use, protect and live in or near the forests are likely to be less popular with governments as they are unlikely to contribute large sums of money to government coffers.

ADB's Jan van Heeswijk disagrees: "ADB's forest sector lending aims at optimising development impact and not on profit maximization. Debt burden and repayment capacities of the borrowing country is part of the project appraisal and decision making process." However, the unavoidable fact remains that loans must be repaid. Unless Bank projects makes money, governments will be unable to repay the loans.

Given this reality, the ADB's forest policy should provide safeguards to protect the forests and people of the region, by preventing ADB funding of projects that might damage forests. Instead, the June 2003 draft of the policy states that "where environmental assessment indicates that the proposed investment will contribute significantly to natural forest degradation or conversion to nonforest land use, and change in forest land use becomes inevitable, ADB will require rehabilitating or reforesting an equal area as appropriate in consultation with affected communities."

The Bank does not explain what the word "inevitable" means in this context, neither does it explain who is to decide when damage to forests is inevitable and when it might be avoided. The statement amounts to a green light for all forest-destroying projects.

Neither does the Bank's June 2003 draft provide adequate protection of forests from conversion to monoculture industrial tree plantations. One of the objectives of the Bank's new policy is to "increase the extent and productivity of plantations".

In its June 2003, draft, the Bank defines a forest as "an ecosystem with a minimum of 10% crown cover of trees and/or other wooded land/bamboos generally associated with wild flora, fauna, and natural soil conditions and not subject to agriculture." Yet, when it comes to protecting forests from conversion to plantations, the draft states, "ADB will not provide assistance for plantations in natural forest areas with more than 40% crown density." No explanation is given for the sudden increase in the minimum crown cover from 10% to 40%, although clearly this is a significant weakening of the protection afforded by the policy.

The Bank's definition of "forest" indicates the gulf in thinking between the way the Bank's "experts" see forests and the way that people who live in the forests, for example swidden farmers, see forests. The exclusion of agriculture from the Bank's definition of forests illustrates this problem well. When a swidden field is fallowed it becomes a forest. After a few years the land may again be cleared to plant crops. It returns to forest after being fallowed.

Because of the particular importance of forest to Indigenous Peoples it is of crucial importance that ADB's forest policy addresses and secures Indigenous Peoples' Rights.

The Bank's draft forest policy states that Indigenous Peoples' "poverty is linked to lack of access to resources, and limited development opportunities." However, rather than ensuring that Indigenous Peoples' Rights are explicitly recognised in the forest policy, the draft policy states that assistance to the forestry sector "will comply with ADB safeguard policies on environment, indigenous people, and involuntary resettlement, as well as other applicable ADB policies."

For example, the Bank's 1995 forest policy explicitly stated that an environmental impact assessment must be carried out for any Bank project that might affect forests. When asked whether an EIA will be mandatory for all ADB projects that affect forests, the Bank's Jan van Heeswijk replied, "Yes, it is required under our Environmental policy." If this is so, the Bank needs to explain why the explicit requirement for an EIA been removed from the forest policy. The danger is that this approach weakens rather than strengthens the rights of forest-dwelling peoples in the forest policy.

While the draft forest policy mentions "stakeholders", "participation" and "consultation", it fails to discuss how such consultation might take place in countries where the government does not tolerate dissent, where there is no free media, or where the rights of forest dwelling communities and Indigenous Peoples are not recognised. This is unfortunately the case in several of the countries to which the ADB lends money.

ADB's Jan van Heeswijk explains, "ADB cannot unilaterally recognise 'rights' that may not be accepted by DMC governments or that are subject to dispute." This is almost, but not quite, an admission that the decisions that the ADB and its consultants make about forests, how they are used and by whom, are *political* decisions.

The ADB's charter prohibits the Bank from getting involved in any political activity. Article 36 of the charter states: "The Bank, its President, Vice-President(s), officers and staff shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned."

But every time the Bank is involved in decisions about how forests are to be used, and by whom, it is involved in political decisions.

When Frank Black left his post as Executive Director at the ADB, he clearly acknowledged the political role of the Bank.⁴ "The ADB's almost instinctive, institutional response would be to point to its Charter and assert that it has no political role. This is, of course, not the case. The Bank's advice and lending have political ramifications," he wrote.

In designing its forestry projects, the ADB makes decisions about who will benefit from either using or conserving forests. Although the Bank talks about participation and consultation with local communities and Indigenous Peoples, the Bank lends money to, and reinforces the power of, the state.

The decision, for example, to replace villagers' commons, swiddens or community forests with monoculture eucalyptus plantations to produce wood chips for export is not only an economic, technocratic decision. In supporting industrial tree plantations, the Bank makes a political decision to support the pulp and paper industry – often at the expense of local communities, who as a result lose access to their land and forests.

⁴ F. Black (2003) "The Asian Development Bank (ADB): A Unique Contribution? The Effectiveness Of The Financing And Political Role Of The ADB In Reducing Poverty In The Asia/Pacific Region", June 2003.

Black was Executive Director for Austria, Germany, Turkey and the United Kingdom. The paper is Black's own position and not the position of any of the governments he represented at the ADB.

The Bank's plantations projects in Laos provide a good example of the political nature of Bank lending to the forest sector. Starting in July 1994, the ADB's US\$11.2 million "Industrial Tree Plantation Project" aimed to plant 9,600 hectares with commercial fast-growing tree plantations. 7,000 hectares of this area was to be established by private companies.

Throughout Laos, government officials are carrying out a land and forest allocation programme. However, in several villages in the central provinces of Bolikhamxai and Khammouane provinces, a private company which benefits from the ADB's loans is allocating land and forest. The company, BGA Lao Plantation Forestry, has used aerial photographs, satellite images, maps and geographic positioning systems to locate the best land for plantations. Company documents describe between 39,000 and 48,000 hectares of the land leased to BGA as "shifting cultivation / grazing land / degraded forest". In other words, this is land that villagers are already using.

In November 2000, a representative of BGA explained that "BGA does the land allocation. So far 10 villages have been mapped." When asked whether any villagers were reluctant to allow plantations on their land, he laughed and said, "No. We did the presentation, so no one said no."

In 2001, independent researchers reported that at Ban Nao Neua, in Xaibouli district, 100 hectares of dry dipterocarp forest was destroyed to make way for ADB-funded eucalyptus plantations. Instead of addressing villagers' concerns about the plantations, however, the ADB's consultants attempted to convince villagers that the plantations would not cause any problems and that a further 100 hectares should be planted.⁵

To foresters and the ADB's "experts", dry dipterocarp forest has less value than eucalyptus plantations, but to villagers dry dipterocarp forest is very valuable, for example for mushroom collection or as grazing land for village livestock. In some communities in Central Laos, wild mushroom collecting in these forests constitutes the main source of cash income for local people. Villagers in Ban Nao Neua have not allowed any more eucalyptus to be planted on their common land.

Documents produced under the Industrial Tree Plantations project include suggestions for changes to Lao forestry law and could therefore affect people's livelihoods throughout rural Laos. For example, in 1999, ADB commissioned Australian forestry consulting firm Fortech to produce a report titled "Current Constraints Affecting State and Private Investments in Industrial Tree Plantations in the Lao PDR." In the Executive Summary of the report Fortech claims that plantation development in Laos "provides opportunities to generate economic growth and development" and recommends that the Lao government should approve "at least one large scale plantation project" by the end of January 1999. Without such a project, "international investors will decide not to proceed in Lao PDR", according to Fortech.

The report recommends the Lao government should provide a series of measures to make it easier for international investors to invest in plantations in Laos. These include: rewriting the Plantation Regulations under the Forestry Law; appointing a "plantation investment coordinator"; preparing guidelines for plantation assessment proposals and a step-by-step guide for investors; collecting and publishing market information on domestic and international forest product markets; and building new roads in "key plantation development regions".

Fortech's recommendations have major implications for people in Laos. Changes to the Forestry Law should be a matter for public discussion. Local communities in what Fortech calls "key plantation development regions" have a right to know what ADB-funded consultants are recommending for their land, forests and livelihoods. Similarly they have a right to know that new roads are to be built through or near their villages to serve the interests of international investors.

⁵ Shoemaker, B., I. Baird and M. Baird (2001) "The People and Their River: A Survey of River-Based Livelihoods in the Xe Bang Fai River Basin in Central Lao PDR", Vientiane: Lao PDR/Canada Fund for Local Initiatives, pages 53-54.

Yet Fortech's report is not available to the public.

In June 2001, in response to a request for the report, Snimer Sahni, the ADB's project officer for the Industrial Tree Plantations Project, replied:

"The document you have requested is an official document. Nevertheless, we had sent you a copy of the executive summary. Since you still wanted the full document, we had sought the concurrence of the Lao PDR Government to release this to you. We have not so far received a response from them."

Six months later, Sahni wrote to inform me that "this study was done on behalf of the Lao PDR Government, and we had sought their concurrence to release the report. We have not so far had a response from them, and will again send a reminder." Since then, I have heard nothing more on the subject from either the ADB or the Lao government.

Another document produced by consultants for the ADB is entitled "National Strategy for Sustainable Plantation Forestry". The Bank has so far declined to answer my repeated requests for this document.

For Bank staff who are preparing or managing a project there are few incentives for them to review carefully the Bank's policies on forests, information disclosure, indigenous peoples or the environment to ensure that their project complies. Ambitious career Bankers are unlikely to publicise problems that a proposed, or ongoing, project may cause for indigenous peoples or local communities. Rather, they are likely to play down any problems that a project might pose and aim to get large loans out of the Bank as quickly and with as little controversy as possible.

Frank Black, an ex-Executive Director at the ADB, confirms that this problem is well known within the Bank. There is a "widespread view that the Bank's appointments, promotion, appraisal and incentive systems are in need of a thorough overhaul," he wrote in June 2003.

When asked about the incentives that the Bank will put in place to encourage staff to implement the new forest policy, Jan van Heeswijk replied "When approved by the Board the new policy will become subject to ADB's business and safeguard compliance review, and will be integrated into ADB's business processes and procedures." Business as usual, in other words.

At a consultation in 1994 on the World Bank's Forest Policy Implementation Review, Larry Lohmann, of the UK-based NGO the Cornerhouse, commented that

"No private company in the world would expect its policy statements to be taken seriously unless it were prepared to demonstrate that it had initiated staff and consultant incentives up to the Vice-Presidential and Presidential level which were capable of motivating its staff to follow that policy."

Similarly, why should anyone take seriously the ADB's proposed forest policy? All the incentives are for ADB staff to keep the money flowing out of the Bank. In doing so, they fail to address the problems of current or past projects and the impacts these projects have had on the people and forests of Asia.