NGO Forum on ADB Statement
2023 ADB Annual Governors Meeting

Open Statement: Critical Questions to ADB’s Management
during the 56th Annual Meeting

Introduction
At this 56th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB), as CSOs here in Incheon, we are glad to have this session in person.

Mr. President, you are aware that the region has been hit severely economically by the Ukrainian war, as it was on the rebuilding path back from the pandemic. Pakistan, Sri Lanka, Maldives, Philippines, Nepal and Bangladesh face severe budget shortfalls, rising inflation, fuel and electricity soaring prices, and food price hikes. The reserve banks are desperately looking for IMF bailouts to see through the near-term deficits. The ADB must refrain from adding further to this burden by supporting a development pathway that leads to import dependence and mega infrastructure-related social and environmental damage. The ADB cannot be an enabler for non-performing loans and white elephant infrastructure projects, which will further deepen the financial crisis and widen inequality. The ADB, therefore, must ensure responsible project selection, community-inclusive design and implementation to ensure the Asia Pacific region to not fall into deeper debt and financial crisis.

The ADB has been party to aiding and abetting an energy import-dependency and energy poverty pathway for the Asia Pacific, and it has to take real responsibility in ensuring that the region achieves a Paris 1.5 aligned energy security and sovereignty future.

The ADB infrastructure projects are yet to ensure binding safeguards, and communities such as the Magar and Dalit surrounding the Tanahu Hydropower project in Nepal are still suffering, living with an uncertain future for themselves and that of their children, six years into the OSPF dispute resolution process.
For this 56th ADB AGM, we, therefore, wish to bring your attention to the following issues –

**Safeguards**
- **W Paper**: The ADB is approaching the Safeguards review Phase 3 process, and we expect the W paper to be released in June as per the ADB SDCC announcement. The W paper must ensure that our inputs across the Phase 2 process have been considered and integrated, and a clear matrix of what was included and excluded must be shared in the public domain. We urge the W paper to be open for at least 120 days of public commenting and be shared in critical regional and national languages where ADB is heavily invested (Russian, Bangla, Hindi, Bahasa, Nepali, Sinhala, Tamil, Khmer etc.).

- **Information Disclosure and Meaningful Consultation**: Mr President, the ADB has repeatedly failed to meaningfully consult with local communities and explain the projects' risks, which has continually led to direct adverse impacts on people and the environment. We urge the ADB to retain para. 54 on (meaningful) consultation and participation of the SPS 2009 on meaningful consultation and information disclosure and reinforce the "Clear, timely, and appropriate disclosure" as provided in para. 15 of the Access to Information Policy to be upheld and elaborated through the new SPS.

- **Risk avoidance and mitigation**: The new Safeguards must ensure binding requirements on rigorous risk assessments for all performance standards prior to project approval. The assessments must be done through extensive consultations with locally affected and grassroots communities to examine all alternatives, including no project option, in light of internationally agreed standards and obligations. There is no room for mitigation hierarchy approaches like the ESMP as post-approval mechanisms to ensure environmental and social safeguards; this is a dilution and will endanger communities, biodiversity, and the environment across the region from direct and indirect project-related harms.

- **FIs**: We are increasingly alarmed by the opaqueness of the private sector operations department, and the different financing modalities such as financial intermediaries, multi-tranche facilities, joint ventures and bonds that the Bank is aggressively promoting. How will ADB ensure adequate safeguards are in place for these emerging modalities? FI subprojects must ensure that ADB safeguards are explicitly upheld and delivered across all layers of financing. This has been observed as a ruling by the CAO on the recent complaint against IFC and RCBC and must be upheld as a standard practice across all FI lending across all MDBs.
Accountability Mechanism: At this point, is ADB already considering how the Accountability Mechanism will be reviewed, taking into account the new approach of the SPS in Phase 3? Will the AM review process be transparent, rigorously inclusive nationally and regionally, and ensure meaningful participation and consultation by civil society and affected communities? How will ADB ensure that it makes recourse for project-affected communities easier, more accessible, expedient and cognizant of the community's demands? To this end, we urge the ADB to ensure an independent AM and finally shift the OSPF from management control and bring it under direct ADB Board supervision, as is the CRP. We have been struggling with the OSPF process in Tanahu for over six years, and this can no longer be the way to ensure independent dispute resolution.

Cost of Safeguards: Who will pay for the Safeguards, Mr. President? The SPS 2009 has failed to answer this question, and honestly, we are tired of running between Bank and Borrower for the fundamental rights of people to live with dignity; the ADB Safeguards once and for all should demarcate the cost of Safeguards be written in ink into the new policy.

Shrinking Civic Space and Reprisals
Recognizing the realities of being a human rights defender and voicing dissent in these difficult times, will the Bank specifically adopt a zero tolerance of intimidation and reprisals built into the proposed policy with explicit and clear protocols on responding when cases do arise? There is no excuse for delay, as the fact is that environmental and human rights defenders who have spoken out at previous ADB meetings, including from Vietnam and Mongolia, have experienced intense surveillance, threats and other harassment, including in some cases incarceration, for the work they do.

Energy Transition Mechanism (ETM)
The network is also raising a range of concerns regarding the Energy Transition Mechanism (ETM) scheme that the ADB is preparing to pilot in practice.

In Indonesia, the process for pilot project selection has been done behind closed doors and veiled by non-disclosure agreements. In the case of selecting the 660MW Cirebon Unit 1, the adjacent 1000MW Cirebon 2 will be coming online at full capacity, built by the same parent company. Meanwhile, the ADB’s refinancing for the existing power plant appears set to bypass the stringent application of its Safeguards and Accountability Mechanism. As there are already significant community grievances, these would first and foremost be addressed and remedied. While hypocritically championing its safeguards on the ETM website, is this the kind of misleading public information we can expect from ADB after 50 years of operation in the region?
For Pakistan, we have seen that the analysis being undertaken unambitiously proposes to focus on piloting the ETM at a site which is producing under 200MW of power while, by design, deprioritizing vast areas of the country where coal projects are clustered by focusing on places where non-fossil fuel energy projects are already proposed/under construction.

Meanwhile, in the Philippines, the ADB appears to be conveniently sidestepping the reality that it has financed several coal power projects and has a responsibility to support prompt closure, environmental rehabilitation, and community restitution.

In all instances, we urge the ADB to explicitly commit to excluding support for resource-intensive "fuel-switching" options, including those which depend upon biomass, ammonia, or burning waste, as well as to excluding large hydropower when considering what will be financed under the ETM as 'clean energy'.

**Question On Gas**

As of 2019, gas is the leading contributor to global fossil emissions – whilst coal emissions are declining. In the latest IPCC report (AR6), it is clear that there is no more room for new gas, oil and coal projects to still have a chance to achieve the 1.5-degree global target, notwithstanding the current LNG supply problems and volatility of international and Asian LNG prices which has caused spiralling high costs of electricity and inflation in essential gas dependent Asian countries. With ADB still pursuing investment into gas projects and development, it is promoting a new stranded asset, just like coal that the Bank has promoted for the last decades. ADB continues to be the second-largest gas financier among peer MDBs. Meanwhile, some of ADB's borrowing member countries have already declared their support for an international non-proliferation treaty on fossil fuel development. When will ADB commit to a time-bound phase-out from gas finance and to including gas as part of its exclusion list in line with the ambition needed to avert deepening the climate crisis and the catastrophic consequences experienced by the people of this region? We have noted that just recently, the ADB approved a new coal-to-gas switching project – meaning the institution, as of 2nd Q 2023, is still contributing to locking member countries into dependence on fossil fuels.

**Question On WTE, Hydro, Geothermal**

We urge the President to suspend support for the 121 million USD Waste-to-Energy (WtE) incinerator project in Thilafushi, Maldives, which ADB has supported since 2017. The Maldives parliament has recently passed a Waste Management Act omitting civil society inputs to prohibit waste importation into the country. However, it passed with provisions to allow the import of waste, which risks turning Maldives into a perpetual dumping ground for other countries. The justification stems from this 500 tons per day WTE plant which would be dependent on fossil-
based plastic waste. On top of the country's weak environmental regulations, this is also against international conventions on waste transport and sustainable development. Will ADB show climate leadership by stopping support for existing and new WTE incinerators?

Can ADB commit to prioritizing viable, appropriately scaled Solar and Wind solutions as clean energy solutions and removing large-scale hydropower dams as well as geothermal projects from being classified as renewable energy solutions and qualified for as part of the Bank's climate finance portfolio?

To date, the ADB's Climate Change Action Plan, updated versions of the Gas, Waste to Energy, Hydropower Guidance Notes and Paris Alignment Guidance Note (associated with the 2021 Energy Policy) have not been disclosed publicly, nor has there been an opportunity for robust public consultation on these documents, inclusive of communities affected by ADB's energy and climate financing. Meanwhile, the Safeguards Review is ongoing. Given this lack of transparent, clear and publicly accountable policy guidance, we have deep concerns with the decision to launch the Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP) at this year's Annual Meeting. We also note that the IF-CAP will "create up to $15 billion in new loans for much-needed climate projects across Asia and the Pacific". Financing for climate adaptation and mitigation is needed across the region but not new loan-based options, as these will inevitably exacerbate existing public indebtedness. In addition, committed climate finance must follow clear rights-based social and environmental frameworks that align with international human rights obligations, strictly adhere to providing support for only those projects and programs that align with a 1.5C pathway, prioritize the most climate vulnerable countries in the region, exclude support for false solutions (including carbon credit and markets schemes, infrastructure associated with carbon capture and storage, waste incineration or large hydropower, and "fuel switching options" such as coal to gas switching, co-firing with ammonia, hydrogen or biomass or refuse-derived fuel) and compliment international financing for loss and damage as agreed to under the United Nations Framework Convention on Climate Change (UNFCCC).
Mr. President, in light of the above issues described, we urge you to uphold the public interest and the public need above all interests, especially when using Multilateral Development Bank (public) finance. We remain vigilant and engaged with you and ADB management on whether ADBs next lending phase is pro-people and pro-environment. We hope that under your leadership, you will allow the Bank to remain open to hearing critical views from the ground when it deviates from that agenda.

Sincerely,

Rayyan Hassan
Executive Director
NGO Forum on ADB

Signatories:

11.11.11, Belgium
350 Pilipinas, Philippines
350.org, Asia
Accountability Counsel, Global
Aksi! for gender, social and ecological justice, Indonesia
Alternative Development Program, University of the Philippines Center for Integrative and Development Studies (UPCIDS AltDev), Philippines
Asian Peoples’ Movement on Debt and Development (APMDD), Asia/Regional
Bangladesh NGOs Network for Radio and Communication, Bangladesh
Bangladesh Working Group on External Debt (BWGED), Bangladesh
Bank Information Center, USA
BRICS Feminist Watch, Regional
Building and Wood Workers International, Philippines
Center for Energy, Ecology and Development (CEED), Philippines
Centre for Environmental Justice, Sri Lanka
Centre for Human Rights and Development, Mongolia
CLEAN (Coastal Livelihood and Environmental Action Network), Bangladesh
Dam Sense, United States
Derecho Ambiente y Recursos Naturales, Peru
EarthRights International, Mekong Region
Ecological public society, Armenia
Environics Trust, India
Equitable Cambodia, Cambodia
Freedom from Debt Coalition, Philippines
Friends of the Earth Japan, Japan
Friends with Environment in Development, Uganda
Gender Action, Global
Global Alliance for Incinerator Alternatives (GAIA) — Asia Pacific, Regional (Asia Pacific)
Green Advocates International, Liberia
Growthwatch, India
Indian Social Action Forum, India
Indigenous Women Legal Awareness Group (INWOLAG), Nepal
Indus Consortium, Pakistan
Initiatives for Right View, Bangladesh
International Accountability Project, India
International Rivers, Global
Jamaa Resource Initiatives, Kenya
Jubilee Australia Research Centre, Australia
Just Ground, USA
Legal Rights and Natural Resources Center - Friends of the Earth Philippines, Philippines
Lumière Synergie pour le Développement, Senegal
Manushya Foundation, Laos & Thailand
MiningWatch Canada, Canada
Nash Vek Public Foundation, Kyrgyzstan
Observatoire d'études et d'appui a la responsabilité sociale et environnementale, R.D..Congo
Oil Workers' Rights Protection Organization Public Union, Azerbaijan,
Oil Workers' Rights Protection Organization Public Union, Azerbaijan,
Open Azerbaijan Initiative, Azerbaijan
Oyu Tolgoi Watch, Mongolia
Pakaid, Pakistan
Pakistan Fisherfolk Forum, Pakistan
Peace Point Development Foundation-PPDF, Nigeria
Phenix Center, Jordan
Programme on Women’s Economic, Social and Cultural Rights (PWESCR), India
Public Interest Law Center (PILC), Chad
Public Services International, India
Recourse, The Netherlands
Rivers without Boundaries Coalition, Mongolia
Rural Reconstruction Nepal, Nepal
SPELL-Solidarity for People’s Education and Lifelong Learning, Philippines
The Bretton Woods Project, United Kingdom
Trend Asia, Indonesia
VOICE, Bangladesh
WomanHealth Philippines, Philippines
Youth Group on Protection of Environment, Tajikistan