

A Citizen's Guide to the Greater Mekong Subregion



Understanding the GMS Program and the role of the Asian Development Bank



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Photo: Mekong River/OxfamAUS

¹ Soutar, L. 2008, *Unravelling the Greater Mekong Subregion Program: An overview and update on key structures, programs and developments*, Oxfam Australia, Occasional Paper No 2 forthcoming.

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GLOSSARY OF TERMS

The following list of terms is drawn from the chapters of this guide. A word appearing in the chapters in bold is generally explained in this glossary of terms.

Accountability	the state of being responsible, liable or answerable for one's obligations as agreed by all parties
Accounting	a way to provide financial information that helps make economic decisions
Action-oriented	geared towards action rather than words
Asian Development Fund	'soft' lending arm of the ADB, gives grants & loans with easier conditions e.g. lower interest and longer repayment periods
Asset	item of economic value owned by an individual or corporation, especially that which could be converted to cash ²
Auditing	evaluation of a person, organisation, system, process, project or product
Bilateral	refers to an agreement or relationship between two countries
Capital	cash or goods used to generate income either by investing in a business or a different income property ³
Capital market borrowing	borrowing from private banks
Catalyst	something that causes events to happen
Co-financing	ways of financing projects by more than one lender
Collateral assets	pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default (bankruptcy), also called security ⁴
Common market system	a system of national economic markets that closely resemble each other in size, format and function — usually with a single currency
Concessional lending	loans or grants that are made only if certain conditions or changes in behaviour are made
Credit enhancement	the process of reducing credit risk by requiring collateral , insurance or other agreements to provide the lender with reassurance that they will be compensated if the borrower cannot make their loan repayments
Equity investment	the buying and holding of shares of stock on a stock market by individuals and funds in anticipation of income from dividends and capital gain as the value of the stock rises
Evidenced based research	research based on patterns of actual experiences that can be verified and checked
Expropriation	the process of transferring privately owned assets to public ownership

² <http://www.investorwords.com>

³ Ibid.

⁴ Ibid.

Feasibility study	a study conducted before a project starts to explore if a project is possible and/or how best to do a project
Geopolitical relations	relations between the countries of different regions, and peoples, that takes into account politics and power
Globalisation	the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration and the spread of technology
Gross domestic product (GDP)	the total market value of all final goods and services produced in a country in a given year. This means the total of consumer, investment and government spending, plus the value of exports, minus the value of imports. ⁵
Guiding framework	a simplified description of a complicated process used to guide decision making and planning
Harmonised	policies or programs that have been standardised or made to look similar, so that they fit together with other similar policies and programs
Inflation	increasing prices and money wages
Joint financing	the pooling of funds by different agencies to meet project requirements
Macroeconomics	national level economics or big-picture economics that includes information and analysis of average GDP growth for a country, balance of imports and exports, the general level of prices and the rate of inflation
Market	a place or network where trade takes place
Microeconomics	looks at smaller, more local economic issues than macroeconomics , like which goods and services should be produced, how to produce goods, how businesses should operate, what kinds of prices should apply to goods and services and what kind of income should be paid as wages
Monetary economy	a part of a society's economic system where goods and services are traded in exchange for money, in contrast to an economy based on bartering (swapping goods & services), or where goods are produced and consumed by the same household (also known as non-monetary economies)
Multilateral	refers to an agreement or relationship between more than two countries
Multilateral Development Bank (MDB)	A bank that finances development. It is different to a commercial bank as it is comprised of different government members (<i>multi</i> meaning <i>many</i> in Latin, and <i>lateral</i> referring to <i>sides</i>), such as the Asian Development Bank or the World Bank
Neo-liberalism	an approach to economics that minimises the role of the State and emphasises the natural order of the free market . This is based on the assumption that people and businesses act out of self-interest, and that letting them conduct business without restrictions will produce the best results
Non-sovereign loans	loans made to private (non-state) entities

Ordinary capital resources	OCR loans are offered at near-commercial rates (as distinct from ADF loans)
Parallel financing	where projects are split into separate components, each to be financed separately
Political risk guarantee	insurance that is given to cover an investment from political risks which might result in loss of investment, which includes: expropriation (when governments nationalise your assets); currency inconvertibility (when you cannot change local currency to another currency) or non-transferability (you cannot transfer assets); political violence or breach of contract
Priority	the status of something in order of importance or urgency
Privatisation	the process of taking state-owned enterprises or things that belong to the public, such as utility companies, and turning them into privately-owned ones
Profit	extra money that remains after taking away expenditure from income
Proponent	a group or person that argues on behalf of a cause or promotes an idea
Rational	logical and sensible
Regionalisation	the process of becoming a region
Rhetoric	clever or effective speaking or writing used to please or persuade
Risk mitigation	taking action to reduce the negative impacts of a project
Safeguard policies	the ADB has three safeguard policies which are supposed to 'safeguard' or protect affected people from negative social and environmental impacts of ADB-funded projects. The three safeguard policies are: the Indigenous Peoples Policy, the Involuntary Resettlement Policy and the Environment Policy
Sovereign loans	loans made to government bodies
Stakeholder	a person or organisation with a justified interest in a given situation, action or enterprise
Standby financing	temporarily funding a project in full until additional funding becomes available
Stocks	documents that represent a certain share of equity ownership in a corporation which are transferable and may be traded on the stock exchanges
Strategy	a detailed and systematic plan of action
Subsistence agriculture	farming where farmers grow only enough food to feed the family and to pay taxes
Trade barrier	a regulation or policy that limits international trade
Untied grants	grants that can be used for any purpose within a broad, general framework

LIST OF ACRONYMS

ADB	Asian Development Bank	RPTCC	Regional Power Trade Coordination Committee
ADF	Asian Development Fund	SEF	Strategic Environmental Framework
ASEAN	Association of Southeast Asian Nations	SOM	Senior Officials' Meeting
AusAID	Australian Agency for International Development	SPF	Special Project Facilitator
BID	GMS Business & Investment Dialogue	STF	Subregional Transport Forum
CBTA	Cross Border Transport Agreement	TA	Technical Assistance
CEP	Core Environment Program	TASF	Technical Assistance Special Fund
CRP	Compliance Review Panel	TSSS	Transport Sector Strategy Study
DFID	UK Department for International Development	TWG	Tourism Working Group
EOC	Environment Operations Centre	USAID	United States Agency for International Development
EPF	Electric Power Forum	WGA	Working Group on Agriculture
ESF	Energy Sector Forum	WGE	Working Group on Environment
EWEC	East West Economic Corridor	WGHRD	Working Group on Human Resource Development
GDP	Gross Domestic Product		
GMS	Greater Mekong Subregion		
JBIC	Japan Bank for International Cooperation		
JICA	Japan International Cooperation Agency		
JSF	Japan Special Fund		
NGO	Non-Governmental Organisation		
NPRS	Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies		
OAGI	Integrity Division (Office of the Auditor General)		
PoA	Plan of Action		
PPP	Phnom Penh Plan for Development Management		
PPPs	Private Public Partnerships		
PRC	Peoples Republic of China		
PRF	Poverty Reduction Fund		
PTOA	(Regional) Power Trade Operation Agreement		
RCSP	Regional Cooperation and Strategy Program		
RETA	Regional Technical Assistance		



Farmer in Laos. Photo: OxfamAUS

HOW TO USE THIS GUIDE

This guide aims to provide an introduction and overview of the Asian Development Bank's (ADB) Greater Mekong Subregion (GMS) Program.

The guide has been specifically written for civil society groups, researchers, students and individuals in Mekong countries who are concerned about the impact that the GMS Program, or particular projects under it, might be having on vulnerable communities and the environment. The guide aims to help people understand what the GMS Program is, how it works and some of the ways that it can be held accountable by concerned citizens. The guide also provides some basic analysis and critique of the GMS Program.

The guide is split into three parts.

Part 1 — What you need to know about the Greater Mekong Subregion Program (and what the ADB won't tell you) — provides an overview of what the GMS Program is, why it is significant and what some of the concerns with it are. The purpose of this part of the guide is to provide a counterweight to the mass of promotional material produced by the Asian Development Bank. It is also to introduce you to some perspectives which suggest that the GMS Program ought to be subject to greater critical analysis than it currently is.

Part 2 — The Citizens' Toolkit — aims to provide tools that you and your organisation can use to demand more accountable practice from problem projects. This part of the guide is designed to empower you so that, despite the complexities of the Asian Development Bank and its GMS Program, you know that there are ways to respond.

Part 3 — The GMS Program in detail — is a collection of information about the GMS Program, without critique or analysis. This part of the guide aims to help you to unravel the complexities of the GMS Program and the associated workings of the Asian Development Bank. Much of this information can be found on the ADB's website. However this part aims to make the information clearer, easier and more convenient to access in the form provided.

The limitations of this guide

The purpose of this publication is to empower civil society with tools to influence the Asian Development Bank, an international institution that has generally evaded the demands of public accountability. Holding the ADB to account for its actions is an important piece of the puzzle in achieving responsible development that benefits the poor and the environment. However it is only one piece of the puzzle.

One clarification needs to be made. Although the idea of the Greater Mekong Subregion was started by the Asian Development Bank (ADB), both the term and the idea now have much wider usage. This guide only provides information about the ADB's Greater Mekong Subregion Program, focussing attention on the role of the ADB.

National governments clearly play the most significant role in shaping development in the Mekong. It is beyond the scope of this publication to lay out detailed information about the relevant political and legal processes for each of the six Mekong countries. This sort of information requires separate dedicated publications, and some of it already exists. Section 5.2 of this guide (in Part 2) provides a list of organisations that could provide guidance on accessing such information.

It is planned that sections of this publication will be translated into selected Mekong languages, and that these translated versions will include some country-specific information.

A glossary is provided at the beginning of this guide. Terms in **bold type** used in this publication are explained in the glossary.

In developing A Citizen's Guide to the Greater Mekong Subregion Program, we hope to raise awareness about the contested nature of development in the Mekong Region. More than that, we hope that this will provide a tool that can contribute to the positive development of the Mekong Region's most valuable resource – its people.

Rice fields in Vietnam. Photo: Jerry Galea/OxfamAUS





The Mekong River. Photo: IStock

WHAT YOU NEED TO KNOW ABOUT THE GREATER MEKONG SUBREGION PROGRAM

(and what the Asian Development
Bank won't tell you)

1. Why is the GMS Program important?
2. What is the GMS Program?
3. Has the GMS Program contributed to poverty reduction?
4. Problem projects of the GMS Program

CHAPTER 1

Why is the GMS Program important?

The Greater Mekong Subregion (GMS) Program has changed the Mekong Region forever. Since it began in 1992, there is little doubt that the GMS Program has contributed to rapid economic growth in most of the six countries of the Mekong, namely Vietnam, Cambodia, Laos, Thailand, Burma and China. It has resulted in the building of roads, bridges, dams, airports, ports, hotels and casinos across the region. It has brought about international agreements on trade, energy, tourism and environment between the various Mekong Governments. Infrastructure development is necessary and international cooperation can be good for countries and regions. However, the key question is whether rapid economic growth brought on by these developments has contributed to improving the quality of life for the poorest and most marginalised people in the GMS countries.

But at the same time there has been increasing inequality, deforestation, decline in the health of rivers and loss of biodiversity in all six Mekong countries. Many people who live in rural areas (and some now in urban areas), especially ethnic minorities, have experienced increased hardship as a result of rapid economic change. Many people feel that the current path of development is unsustainable.

If you live in Vietnam, Cambodia, Laos, Thailand, Burma or southern China (Yunnan and Guangxi Provinces), or if you are concerned about the people of the Mekong, there are four reasons why it is important to understand the GMS Program:

1. the GMS Program influences key development decisions of Mekong governments
2. projects of the GMS Program directly affect millions of people
3. the GMS Program affects poverty and inequality
4. the GMS Program affects the environment

The GMS Program influences key development decisions of Mekong governments

The GMS Program was initiated by the Asian Development Bank (ADB), an institution that extends well beyond the people and governments of the Mekong Region. The purpose of the GMS Program is to influence the development decisions of Mekong Governments around such important things as trade, investment and infrastructure. It aims to encourage a 'regional approach' in these decisions, and therefore requires the involvement of the highest levels of government. (See Chapters 8 & 9)

Many of the decisions made under the cooperation of the GMS Program have a significant impact upon the livelihoods of farmers and fishers across the region; as well as the forests, rivers and land upon which they depend. (See Chapter 4)

Along with high-level involvement in government policy, the GMS Program has facilitated almost \$10 billion worth of investment — coordinating projects among a large number of donors and governments. (See Chapters 2 & 7) This makes it incredibly influential in determining the direction of development in the Mekong region.

Projects of the GMS Program affect millions of people

GMS projects have aimed to open up Mekong countries to large-scale investment in industries such as mining, hydropower and plantation agriculture. To do this it has supported the building of roads, bridges, dams and power lines criss-crossing the region. It has also supported key agreements between governments to make trade and investment easier. (See Chapters 2, 4 & 10)

This form of development can have a huge impact on the 70% of people in the region who rely upon agriculture and natural resources for their living. Many of these people have insecure tenure or control over land, river and forest resources; and are unable to compete against or challenge the claims of large commercial investors (often foreign investors). (See Chapter 3) Furthermore large scale infrastructure projects, such as dams and roads, have a high potential for serious and unintended negative impacts upon local people. Once they have occurred, negative impacts are very difficult to compensate for or mitigate against. (See Chapter 4)

The GMS Program affects poverty and inequality

The overarching goal of the ADB is to reduce poverty. The ADB claims that the GMS Program has contributed to significant poverty reduction in all six Mekong countries, and that this has been achieved through rapid economic growth. This is a difficult claim to assess because measuring poverty is very complicated. However there is significant evidence to indicate that for many who are the poorest in Mekong countries, life has actually become harder. In fact, one of the ADB's own studies showed that in Laos, the level of poverty for these people had either stayed the same or become worse. (See Chapter 3)

While there is some debate about whether poverty is increasing or decreasing, there is no debate that rapid economic growth has led to greater inequality within all the Mekong countries. The gap between rich and poor has grown enormously. Perhaps most disturbingly, this gap has increasingly developed along ethnic lines – it is the region's many ethnic minority groups who are being left behind at the bottom of the social ladder. This trend has serious implications for how society develops in Mekong countries. (See Chapter 3)

The GMS Program affects the environment

Perhaps the greatest change in the Mekong Region under the GMS Program has been the vastly improved access of commercial markets to natural resources. This has been made possible not only through new transport infrastructure (roads, bridges etc) but also the encouragement of foreign investment. These developments have resulted in a massive increase in the commercial exploitation of natural resources through forestry, mining, hydropower and plantation agriculture; as well as widespread over-harvesting of river and forest resources by rural communities.

There is now little doubt that exploitation of the region's forests, rivers and soils is currently occurring at an unsustainable rate. Deforestation, species loss, soil degradation and fish decline are all now pressing issues in the Mekong region. As a response to these challenges, the GMS Program has attempted to support some forms of environmental management. However, so far, these responses appear to be largely ineffective. (See Chapters 4 & 10)

CHAPTER 2

What is the GMS Program?

The 'Greater Mekong Subregion', or the 'GMS', incorporates six countries-- Cambodia, China (specifically Yunnan & Guangxi provinces), Laos, Burma/Myanmar, Thailand and Vietnam. The name for this grouping is taken from the Mekong River that connects all six countries.

The Greater Mekong Subregion (GMS) Program was started by the Asian Development Bank (ADB) in 1992. From the beginning it has been based upon an ambitious vision of transforming the six countries of the Mekong Region into a single borderless economy - what the Bank calls **regional economic integration**. The goal has been to facilitate a free flow of goods, investment and people between Mekong countries, leading to rapid economic growth. The ADB states that this is best way to alleviate poverty; however it is clear that the goal of the GMS Program is first and foremost to create macro-economic growth. (See Chapter 6 for more on the ideas behind the GMS Program).



Macro-economic growth refers to numerical measurements such as a country's **gross domestic product** and the percentage of people living on an income below one dollar per day. Whilst these macroeconomic measures can indicate that the average population of a country is better off, they cannot be used to draw conclusions on the relative distribution of increased GDP. In particular, the measures do not show the extent to which the poorest and most marginalised communities in GMS countries have benefited from increased macroeconomic growth. In fact, in some cases, the quality of people's lives can decline, even though their monetary income increases.

This chapter will: give you a simple overview of the GMS Program, including:

- what the GMS Program does
- who is involved in the GMS Program
- how the GMS Program is financed
- how it operates

More detail on all these matters can be found in Part 3.

What does the GMS Program do?

The GMS Program is enormous and complex. It covers ten different sectors working through eleven flagship programs, all claiming to enhance economic integration, poverty alleviation, the environment, sustainability and human resources. (See Chapter 10)

The GMS Program: helps finance infrastructure development; provides technical assistance to Mekong Governments; brokers and facilitates private sector investment; coordinates aid from other donor countries; and convenes high level policy forums between the governments of the Mekong Region. The program provides loans, grants and insurance which come directly from the ADB as well as from a range of other aid donors and private sector partners. (See Chapter 7)

Since 1992 the GMS Program has facilitated approximately \$10 billion of investment. Of this:

- the ADB has provided \$3.4 billion in loans
- other donors have provided \$3.5 billion in loans
- \$166 million has been provided in grants (\$76 million from the ADB and \$90 million from other donors).⁶

Despite all of its complexity and the rhetoric on poverty, the environment and sustainability, a quick look at the numbers shows that the GMS Program is first and foremost about building infrastructure – roads, dams, powerlines, ports and airports. These physical infrastructure projects are what the Bank considers to be the ‘hardware’ of regional economic integration, increasing the ease of travel, business, trade and freight.

The graph below shows the absolute dominance of loans in the transport and energy sector within the GMS Program. Between 1994 and 2005, loans in these two sectors constituted 97% of loans under the program.⁷ These loans financed such well-known projects as the Theun-Hinboun and Nam Theun 2 dams, and roads such as the East-West Corridor, the North-South Corridor and the Southern Economic Corridor.

GMS Program Sectors:

1. Energy
2. Transport
3. Telecommunications
4. Trade
5. Investment
6. Environment
7. Tourism
8. Human Resources
9. Agriculture
10. Multisector



Woman at Kampong Phneur village on the Upper Mekong river, Cambodia.

Photo: David Sproule/OxfamAUS

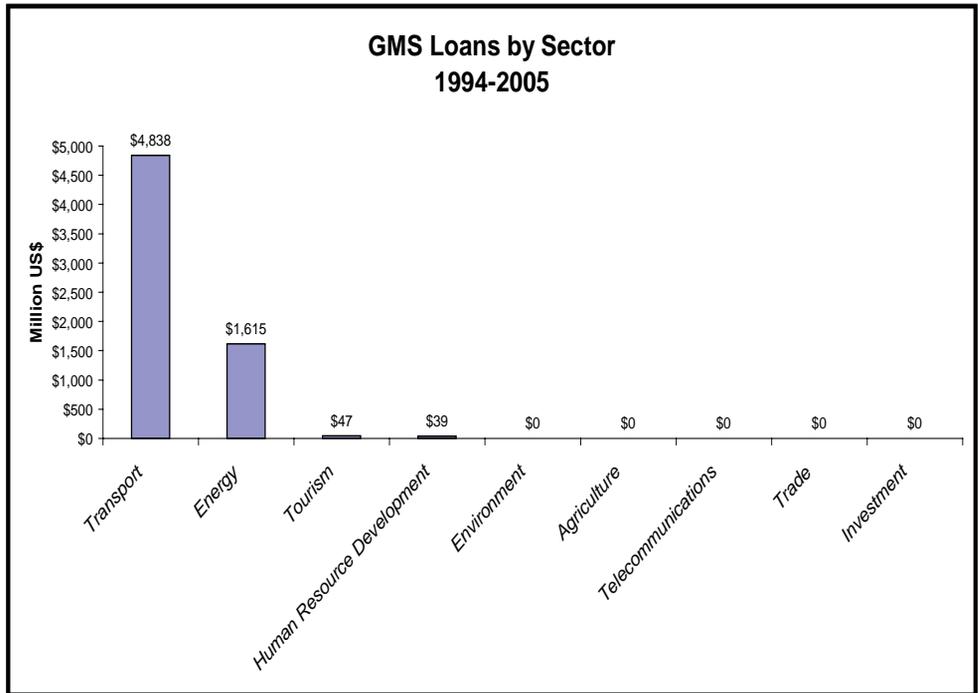
⁶ The ADB's website does not state where the remaining amount out of the \$10 billion investment comes from.

⁷ Soutar, L. 2008, Unravelling the Greater Mekong Subregion Program: An overview and update on key structures, programs and developments, Oxfam Australia, Occasional Paper No 2 forthcoming.

GREATER MEKONG SUBREGION



Source: Soutar, L. 2007. *Unravelling the Greater Mekong Subregion Program: An overview and update on key structures, programs and developments*, Oxfam Australia, Occasional Paper No 2 forthcoming.



What is the ADB's role?

The ADB calls itself the '**catalyst**' of the GMS Program. Its role is to bring together different stakeholders to develop consensus, or full agreement, in areas of shared interest. But the ADB is more than just a facilitator because it works with Mekong governments to actually plan the agenda of the GMS Program and to promote certain program options through its technical studies. Generally, the ADB's role can be described as having three elements:

"Financier"

The ADB gives **loans** and provides **funding** for technical assistance. Sometimes the ADB acts as a co-financier, with other funders, or helps find and support private sector financing for certain projects.

"Coordinator"

The ADB acts as a **coordinator** and **secretariat** for the program — facilitating meetings and discussions; arranging for background research and **feasibility studies** to be conducted; and coordinating the overall process of running the program. It also keeps a wide variety of documentation on its website related to the project.

"Technical Advisor"

The ADB acts as the 'brains' of the GMS Program. It does this by providing technical and advisory support as well as by commissioning **feasibility studies** and other research relevant to the sectors of the program.

What is the ADB?

The ADB, like the World Bank, is a multilateral development bank. This means that it is an international organisation which is owned by the governments of member countries. Established in 1966, the ADB is based in Manila and is made up of 67 member countries, including 44 developing countries from the Asian region. All six Mekong Governments are members.

The ADB is a development agency whose core mission is “to help its developing member countries reduce poverty and improve the quality of life of their people.” As a bank, it pursues this primarily by making loans to the governments of developing countries for projects which are supposed to provide a development benefit. In 2007, the ADB provided over \$10 billion in loans across the Asia-Pacific region. The Bank plays a large role in advising governments through technical assistance, and also provides some support to the private sector through loans and insurance.

The ADB promotes a model of development which sees rapid economic growth as the best means for achieving poverty reduction, based largely on neo-liberal economics. Whether this model of development reduces or increases poverty has been the subject of hot debate for a couple of decades as **neo-liberal** approaches, such as increased privatisation of essential services and increased deregulation of markets, can result in vulnerable communities being worse off.

(See Chapter 3 for a discussion of poverty in the Mekong Region.)

The ADB's Board of Governors

Article 28 of the ADB Charter gives the entire Bank's decision-making power to the Board of Governors.

Governors are appointed from countries which become members of the ADB by investing in the Bank. This money is public money from member governments. How much money you invest in the ADB determines how much voting influence you have.

The Board of Governors delegates most powers to a board of Executive Directors. The Board of Directors approves every project and policy of the ADB.

The US, Japan and China are the three largest shareholders in the ADB and have their own Directors. The other nine Directors represent different groups of countries. Many countries share one Executive Director's office. Due to their size, India and Australia always hold the Executive Director's position for two of these groups. Two other offices are made up of European donors and are always headed by a Western European Executive Director.

The Board of Governors meets once a year during the ADB's Annual Meeting.

Source: NGO Forum on the ADB & Bank Information Centre 2005, *Unpacking the ADB: A guide to understanding the Asian Development Bank*, 2nd Edition, available at: <http://www.forum-adb.org/Publications/Toolkits.html>

Who are the other actors in the GMS Program?

While the GMS Program was started almost entirely by the ADB, as projects have been carried out, the number of key actors involved with the program has grown. Today it is one of most influential economic cooperation programs guiding investment and development in the Mekong. The expansion of the program has increased the influence of other actors, such as Mekong governments, other international financial institutions, academics and competing regional bodies (such as the Association of Southeast Asian Nations - ASEAN) on the program.

The language the ADB uses to describe the GMS Program, explained in more detail in the following chapters (See especially Chapters 6 & 7), has spread and become incorporated into regional environmental networks, academic networks and studies centres. This has occurred through conferences on GMS development and now the terminology is referred to in forums far beyond those dealing with regional trade and economic integration.

The idea of a greater Mekong subregion has been adopted outside of the ADB and now holds some meaning beyond the specific economic agenda of the GMS Program. While regionalisation is being adopted and promoted in a wide range of circles, responsibility for the process of regionalisation under the GMS Program remains in the hands of the ADB and GMS national governments.

Mekong Governments

Generally there is high degree of ownership of the GMS Program by member governments. This has been demonstrated in the three GMS Summit Meetings that have been held since 2002, involving Heads of State of all six Mekong countries (See Chapter 9). However, the level of ownership varies according to program sector and project. For example, it is not clear that the current plans for a regional energy grid are supported by all member governments. However the plans are heavily promoted by the Chinese and Thai governments as they look abroad for cheap energy and opportunities for market expansion.

Other Aid Donors

The GMS Program coordinates a large amount of money from other aid donors, both in the form of loans and grants. Significant among these other donors are:

- China
- Finland
- France
- Japan
- Netherlands
- Sweden
- Norway
- UK
- World Bank

The Role of China

China is both a borrower and a donor in the GMS Program. It has increasing influence in the program, especially on the ADB's Board where it can affect project and policy decisions with its vote.

China's recent contribution of \$20million to the establishment of a **Regional Cooperation Fund**, hosted by the ADB, shows its commitment to greater engagement with Mekong countries. This fund intends to promote regional cooperation through: strategy development; research and analysis; capacity building; networking; and shared learning through workshops and conferences. Whilst its funds are not required to be used exclusively in the GMS region, a large part of the funding is being directed towards GMS projects.

The Role of Burma/Myanmar

Burma/Myanmar is not permitted to receive loans from the ADB. However the country is an active participant in the GMS Program and is prominent in some areas of planning for the GMS Program. Representatives from the country sit on all sector working groups and forums. Burma/Myanmar participates in ministerial meetings, heads of government summits and other decision-making structures as an equal partner. Burma/Myanmar is also included in a number of the economic corridors and some regional technical assistance projects being carried out by the ADB. The Bank also actively encourages private sector investment in Burma/Myanmar.

GMS Program Loans

Overall the GMS Program has facilitated almost \$10 billion investment, of which almost \$7 billion was disbursed in loans.

At the end of 2007 the ADB had made \$3.4 billion worth of loans for 34 investment projects under the GMS Program. Loans made under the GMS Program take three forms:

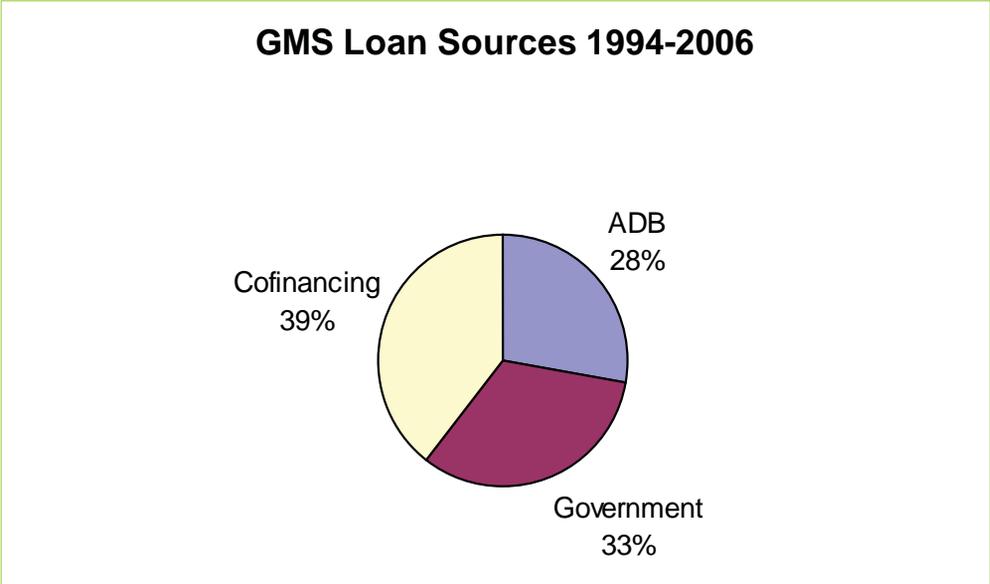
- ⇒ **Project loans** - for specific projects
- ⇒ **Program loans** - have a greater policy or institutional focus
- ⇒ **Sector loans** - for developing a particular GMS sector or sub-sector.

Loans are made to individual governments, even if projects cover more than one country. For example, the GMS Mekong Tourism Development Project made separate loans to the governments of Cambodia, Lao PDR and Vietnam, even though all loans were for the same project.

Most project loans that have been made by the ADB have also involved some co-financing from Mekong governments. Some projects have also involved co-financing from organisations such as: the World Bank, Japan Bank for International Cooperation, the World Health Organisation, China Development Bank; as well as bilateral donors, like Western governments.

For more information on ADB loans see Chapter 7.

Source: Soutar, L. 2008, *Unravelling the Greater Mekong Subregion Program: An overview and update on key structures, programs and developments*, Oxfam Australia, Occasional Paper No 2, Appendix, forthcoming.

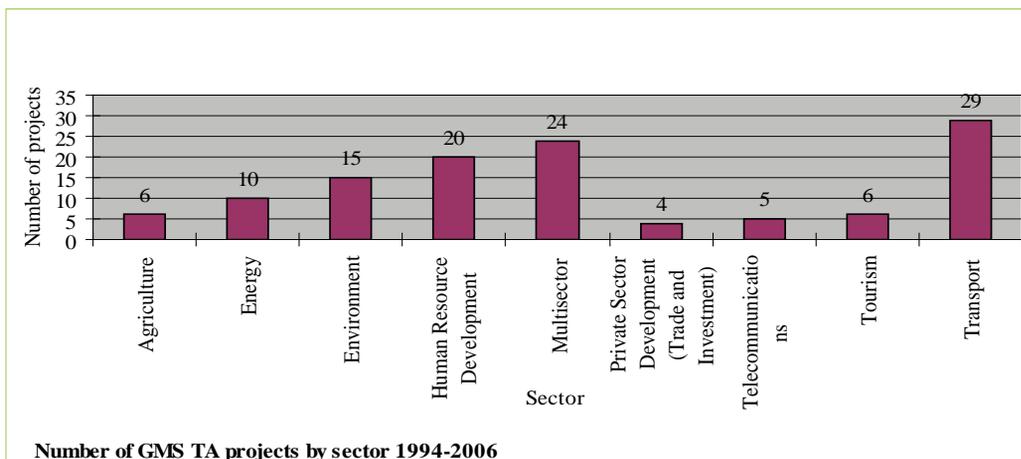


GMS Program Technical Assistance

In addition to loans, a large amount of ADB funding for the GMS Program is used for technical assistance (TA), usually carried out by external consultants.

TA can help identify, design, implement and operate GMS projects. It can also be used to assist Mekong governments in preparing development strategies, policies and strategic plans. TA of this kind creates a better environment in which to implement projects.

Technical assistance is financed through both loans and grants. There are three different types of TA — Regional TAs, Project Preparation TAs and Advisory TAs — all described in more detail below. As of December 2006, the ADB had completed or partially completed 133 technical assistance projects worth \$155 million. However, the ADB itself provided funding of around \$73 million.



Source: Soutar, L. 2008, *Unravelling the Greater Mekong Subregion Program: An overview and update on key structures, programs and developments*, Oxfam Australia, Occasional Paper No 2, Appendix, forthcoming.

Different Kinds of TAs

- i. **Project Preparation TAs** help a Mekong country prepare for an ADB- funded project to make the project ready for investment financing.
- ii. **Advisory TAs** help implement an ADB-financed project, but are not always directly linked to an ADB-funded project. Advisory TAs can be used to establish or strengthen an institution or organisation. They also can be used to develop policies and strategies in GMS sectors, or to help Mekong governments develop national development plans. The ADB gives advice and often uses consultants with particular technical knowledge and expertise to implement these and other TAs.
- iii. **Regional TAs** help prepare regional studies and to hold conferences, seminars, workshops and training courses.



Route 9 construction. Photo: Jonathan Cornford/OxfamAUS

CHAPTER 3

Has the GMS Program contributed to poverty reduction?

It is clear that the GMS Program has contributed to economic growth in the Mekong Region. But has it contributed to poverty reduction? This question is critically important for assessing the **model of development** represented by the GMS Program. (See Chapter 6)

This chapter will:

- help you to understand what the ADB claims about poverty reduction in the Mekong Region
- provide a critical analysis of these claims
- provide some alternative information about poverty trends in the Mekong

Measuring Poverty in the Mekong

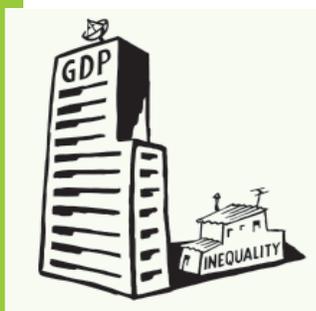
Most GMS projects focus on promoting economic growth or regional integration, with little explicit focus on targeted poverty interventions. Under the model pursued by the Bank, poverty reduction 'naturally' occurs as a result of economic integration and cooperation. However the ADB's model and analysis do not provide much evidence as to whether, and to what the extent, growth and regional integration result in poverty reduction for the poorest and most vulnerable communities of the Mekong countries. (See Chapter 6 for discussion of the Bank's approach to poverty reduction)

Using monetary measures, the ADB claims that since the GMS Program started, poverty has significantly declined in the region. According to Bank estimates, the proportion of people living on less than \$1 a day between 1990 and 2003 fell from 46% to 33.8% in Cambodia, 33% to 13.4% in the People's Republic of China, 52.7% to 28.8% in the Lao People's Democratic Republic, 10.1% to less than 1% in Thailand and 50.7% to 9.7% in Viet Nam.⁸

In March 2008, the heads of Mekong governments and the President of the ADB jointly proclaimed:

The significant reduction in the incidence of poverty in our subregion since 1992 is a remarkable outcome. While many factors contributed to this development, the GMS program has certainly been a key element in reducing poverty, a goal which remains at the core of our development efforts.⁹

The Bank's claim relies on linking the number of people "living on less than \$1 a day" and the number of people living in poverty. This claim is based on a false assumption as income levels do not always relate to people's actual quality of life. Studies have shown that people can experience rising incomes and declining standards of living at the same time.



⁸ Cornford, Jonathan & Matthews, Nathaniel 2007, Hidden Costs: the underside of economic transformation in the Greater Mekong Subregion, Oxfam Australia, available at: www.oxfam.org.au/campaigns/development_banks/docs/hidden-costs-greater-mekong.pdf

⁹ Third GMS Summit 2008, Joint Summit Declaration, Vientiane, 30-31 March, p.2.

DID YOU KNOW?

In the Sekong province of southern Laos, the average yearly income in 2003 was US \$120 – well below \$1 a day. However a study by the World Conservation Union showed that the market value of goods sourced from Sekong forest was equivalent to around US \$525 per household per year.¹⁰

Whilst forest resources make a more significant contribution to food security and health than monetary income, this value is not incorporated into income level assessments. As people increasingly lose access to forest resources in Sekong province, they experience a decline in their standard of living despite experiencing an increase in their monetary income.

ADB income data only reveals that the **monetary economy** is becoming more widespread in the Mekong. Given that the GMS Program's main objective has been to create new markets and expand trade and investment in the region, this is not surprising.

The main problem in using monetary or income measures for poverty in Laos, Cambodia, Burma and some regions of Vietnam and China, is that a large portion of the goods and services which make a positive contribution to people's quality of life are found outside of the formal **monetary economy**.

The ADB data referred to above does tell us that economic change is happening in the Mekong region. However it does not tell us much about people's actual experience of poverty.

People's Experiences of Poverty in the Mekong

The ADB's claim of having reduced poverty in the Mekong is seriously questioned when the actual experiences of poor people are considered. Lots of studies have now documented how economic change has been experienced by marginal communities in the Mekong. (See box below) Taken together, these studies indicate that many rural communities are facing increasing hardship as a result of economic change, and that the region's ethnic minorities are suffering the most. Of these, ethnic minority women experience the greatest difficulties as a result of economic change. While members of ethnic majority populations – the Lao-Tai in Laos, the Khmer in Cambodia and the Kinh in Vietnam – may also be affected by these changes, ethnic minority groups are nearly always affected.¹¹

Evidence-based research reveals that the groups most dependent on natural resources (primarily ethnic minorities) suffer greatly from rapid external incursion (in the form of logging, land concessions, mining and hydropower) on those resources. These groups are also the least able to adapt to a new market-based, **monetary economy**.

Studies show that forests and rivers are in a state of rapid decline caused by over-exploitation. Some of this is due to population growth, but a large part has resulted from the establishment of private (commercial) rights over common property resources. This has been done to facilitate commercial logging, plantations, commercial fishing

10 IUCN 2003, Sekong Province Laos PDR: economic returns from conserving natural forests, Case Studies in Wetland Valuation #8, available at: cmsdata.iucn.org/downloads/casestudy08sekong.pdf

11 Cornford, Jonathan & Matthews, Nathaniel 2007, Hidden Costs: the underside of economic transformation in the Greater Mekong Subregion, Oxfam Australia, note 15, p. 5, available at: www.oxfam.org.au/campaigns/development_banks/docs/hidden-costs-greater-mekong.pdf

Some important studies

- ADB 2001, *2000 Participatory Poverty Assessment: Lao PDR*, Vientiane.
- ADB 2006, *2006 Participatory Poverty Assessment: Lao PDR*, Vientiane.
- Lindskog, E., Dow, K., Nilsson Axberg, G., Miller, F. & Hancock, A. 2005, *When Rapid Changes in Environmental, Social and Economic Conditions Converge: Challenges to Sustainable Livelihoods in Dak Lak, Vietnam*, Stockholm Environment Institute.
- Lytleton, C., Cohen, P., Rattanavong, H., Thongkhamhane, B., & Sisaengrat, S. 2004, *Watermelons, bars and trucks: dangerous intersections in Northwest Lao PDR: An ethnographic study of social change and health vulnerability along the road through Muang Sing and Muang Long*, Institute for Cultural Research of Laos and Macquarie University, 2004, pp. 1-110.
- McAndrew, J.P. 2001, *Indigenous Adaptation to a Rapidly Changing Economy: The experience of Two Tampuan Villages in Northeast Cambodia*, CIDSE, Cambodia, pp. 1-49.
- Raintree, J. & Soybara, V. 2001, *Human Ecology and Rural Livelihoods in Lao PDR*, Vientiane.
- Sophal, C. & Acharya, S. 2002, *Facing the Challenge of Rural Livelihoods: A Perspective from Nine Villages in Cambodia*, Cambodia Development Resource Institute, Working Paper 25, pp. 1-134.

lots and hydropower dams. Such establishment of private rights can deny poor people access to resources that they depend on for their livelihoods.

Communities also face obstacles when trying to make the transition to the new economy. They lack access to suitable agricultural land, lack knowledge of new farming techniques; and are unfamiliar with managing credit and negotiating commercial networks. Minority groups are especially disadvantaged in this process as they tend to enter the market late and are dependent on external credit, technical know-how and marketing.

This is particularly the case for ethnic minority women who are often excluded from training programs in commerce or new agricultural opportunities. Such exclusion has often served to undermine women's traditional role in decision making within the family.

Finally, traditional culture—from religious rituals and food taboos to traditional medicine and gender relations—is based on locally-specific livelihood systems. When these no longer exist many other dimensions of a community's cultural identity are also impacted. Cultural upheaval can result in social dislocation, psychological trauma and increased health risk for communities; creating a sense of hopelessness and despair.

Does the ADB acknowledge that its approach to poverty reduction is not working?

Findings about problems with the ADB's approach to poverty reduction through economic development come from studies that the ADB itself has commissioned. The 2006 Participatory Poverty Assessment for Lao PDR came to a very clear conclusion:

Compared to the PPA of the year 2000, the original villages that were revisited in 2006 were found generally to be either about the same or worse off... the survey shows that poor villagers increasingly experience difficulty in providing food for their families. Natural resources were said to be seriously depleted in almost all locations and many people are casting aside traditional religious values and aesthetic appreciation of natural systems in a competition for the remaining forest products and wildlife. Cultural checks and balances are being replaced by monetarily grounded attitudes of 'first-come-first-serve,' and 'live-for-today.' Ecologically sound livelihoods are being replaced by ecologically destructive ones that involve a high degree of risk. Subsistence economies are being replaced by economies of survival. (emphasis added)

These findings are not included in public documents on the GMS Program. The ADB's language does refer to problems created by the exclusive focus on economic growth. However in practice, there is little evidence that these lessons are being effectively integrated into the Bank's planning, design and implementation of the GMS Program.

Route 17B, north-western Laos

At the Third GMS Summit in March 2008, the prime ministers of China, Thailand and Laos officially opened the last remaining section of the Northern Economic Corridor (Route 3) which connects China more directly to Thailand. Economic corridors have been promoted by the ADB's GMS Program as crucial to: transforming Laos from a landlocked to a "land-linked" country; stimulating new business among Mekong neighbours; and bringing more jobs and greater prosperity to the region.

There are few opportunities for minority groups to gain equal benefits from the increased trade and investment brought by transport corridors. This is in contrast to the GMS Program's claim that benefits will flow to many people.

The upgrading of Route 17B in Laos in the late 1990s brought huge changes to the Akha, Kui, Hmong and Tai Dam communities in Luang Namtha Province. After being moved to supposedly more 'economically viable' lowland areas, many families experienced a decline in their standard of living and ability to provide food.

The loss of agricultural land available to resettled communities, combined with the influx of traders, investors and agricultural labourers mainly from China, has complicated the situation. These traders and investors have utilised the road to develop cash crops like sugar, watermelon, capsicum and rubber for sale back in China (and Thailand). At the same time villagers have been forced to become labourers or rent their land as a result of serious rice shortages; insufficient land, capital or expertise; and market demands for new cash crops. The villagers are labouring for, or renting their land to, wealthier villagers and neighbouring ethnic groups; including Chinese businessmen.

Relocation from the highlands also causes social and health impacts. Akha villages reported large numbers of deaths during the first two years of resettlement. Studies identified a series of factors that contributed to the high mortality, including low immunity to mosquito-borne diseases and lack of access to safe drinking water, sanitation and culturally appropriate health services. Traumas associated with social and cultural dislocation also contributed to the marginalisation and disempowerment of highland communities.

Source: Jonathan Cornford, *A Greater Mekong Sub-region? Reflecting on 16 Years of the ADB's GMS Initiative in Watershed*, People's Forum on Ecology, 13 (1).



Give people fish and you will feed them for one day.



Teach people how to fish and you will feed them for their entire life.



What do you do when people know how to fish, but there are no more fish?

CHAPTER 4

Problem projects of the GMS Program

The GMS Program has spent billions of dollars on development projects, most of which are infrastructure projects. (See Chapter 2) In Chapter 1 it was stated that the style of large scale infrastructure development supported under the GMS Program has a high potential for negative impacts. There are now a number of cases where GMS projects have resulted in significant negative impacts upon local people and the environment.

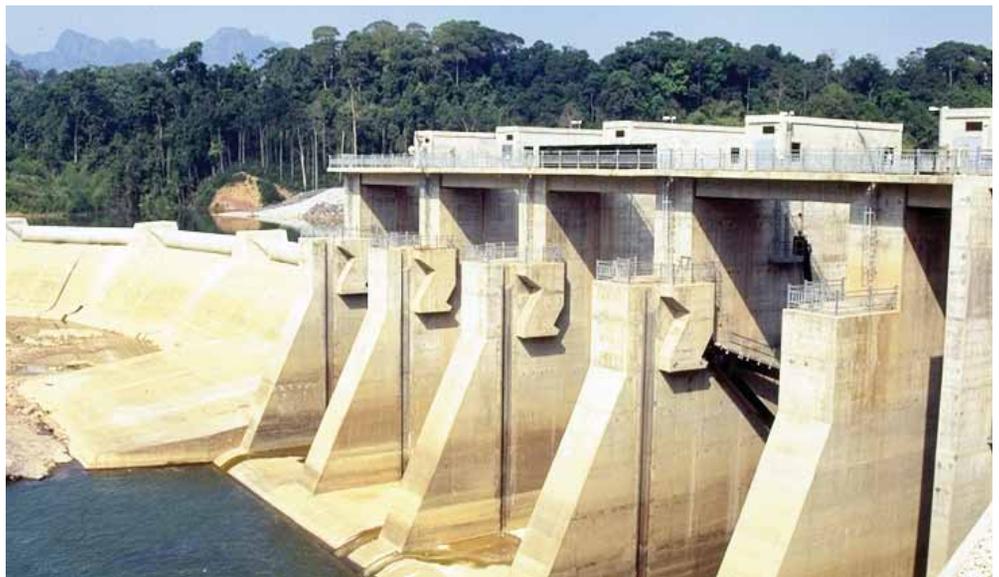
This chapter will:

- provide some specific examples of projects which have had problems
- give an overview of how these problems came about
- give an insight into civil society action around these projects

Theun-Hinboun Hydropower Project

Basic Data

What:	A privately owned 210 megawatt hydropower dam (Theun-Hinboun Power Company). Electricity is exported to Thailand. A proposed 'expansion project' involving building a new dam and expanding the existing power station, scheduled for 2008-2011.
Where:	The Theun-Kading and Hinboun river basins, central Laos
When:	First dam completed in 1998.
Cost:	\$240 million (including \$60 million loan from ADB and \$70 million loans from Sweden & Norway)



Theun-Hinboun Hydropower Dam.
Photo: International Rivers

For more information see:

FIVAS 2007, Ruined Rivers, Damaged Lives: The Impacts of the Theun-Hinboun Hydropower Project on Downstream Communities in Lao PDR, November, available at: <http://www.internationalrivers.org/files/Ruined%20Rivers%20Damaged%20Lives.pdf>

The Theun-Hinboun Hydropower Project was the ADB's first major flagship project under the GMS Program aimed at encouraging private sector investment in developing hydropower and a region-wide energy trade. The Bank has promoted Theun-Hinboun as "A Success Story for the GMS" and "an environmentally and socially responsible project".¹² In reality, the project has had severe impacts on local communities and the Bank has been consistently reluctant to take action to mitigate against, or compensate for, these impacts on communities.

Project impacts

- almost 30,000 people living downstream of the dam are affected by the project
- 30-90% decline in fish catch
- other aquatic foods have disappeared altogether
- loss of dry season vegetable gardens through river bank erosion
- increased and unpredictable flooding has led to:
 - damage to wet season rice crops – up to 820 ha of paddy abandoned
 - loss of drinking water
 - loss of livestock, boats and nets
 - hazard to people – several reported fatalities

What has been done?

1. Before the project began in 1998, NGOs monitoring the project warned of negative impacts to fisheries and villagers' livelihoods. These were dismissed by the ADB.
2. The original EIA was of such low quality that the study's financier, NORAD, facing public pressure, rejected it soon after completion. Another EIA was carried out by NORPLAN, but this was completed 1½ years after construction began – too late for some mitigation measures to be included in the project.
3. Negative impacts of the project were first recorded by an independent researcher soon after the project's completion in 1998.¹³ These findings were initially rejected by the ADB.
4. After sustained NGO pressure, the ADB acknowledged the project's negative impacts in 1999, but refused to take responsibility for resolving them. In response to ADB pressure, the Theun-Hinboun Power Company commissioned a study on the impact on fisheries. The study documented severe negative effects on fisheries and the riverine habitat. However these results were suppressed by the company and the Bank, and the company also refused to recommend that any action be taken. The contents of this study were only revealed to the public when the consultant leaked the document at a conference in 2000.
5. After sustained NGO pressure, the ADB persuaded the Theun-Hinboun Power Company to develop a Mitigation and Compensation Plan for the project in late 2000. After this Plan was developed, the ADB essentially washed their hands of the project.
6. An independent field visit by an NGO in 2002 revealed significant difficulties in mitigating project impacts and failure to pay compensation.¹⁴ An ADB project performance audit published in 2002 expressed concerns over the sustainability of the mitigation and compensation program. Nevertheless, the Bank refused to conduct an independent review of the compensation program.

¹² ADB 2004, Regional Cooperation and Strategy Program 2004-2008: The GMS Beyond Borders, A7, Appendix 7.

¹³ These included: the loss of fisheries; flooded vegetable gardens; loss of drinking water supply; lowered water tables; impaired boat and pedestrian access to surrounding areas; inundated agricultural lands; bank erosion; and the loss of fishing equipment.

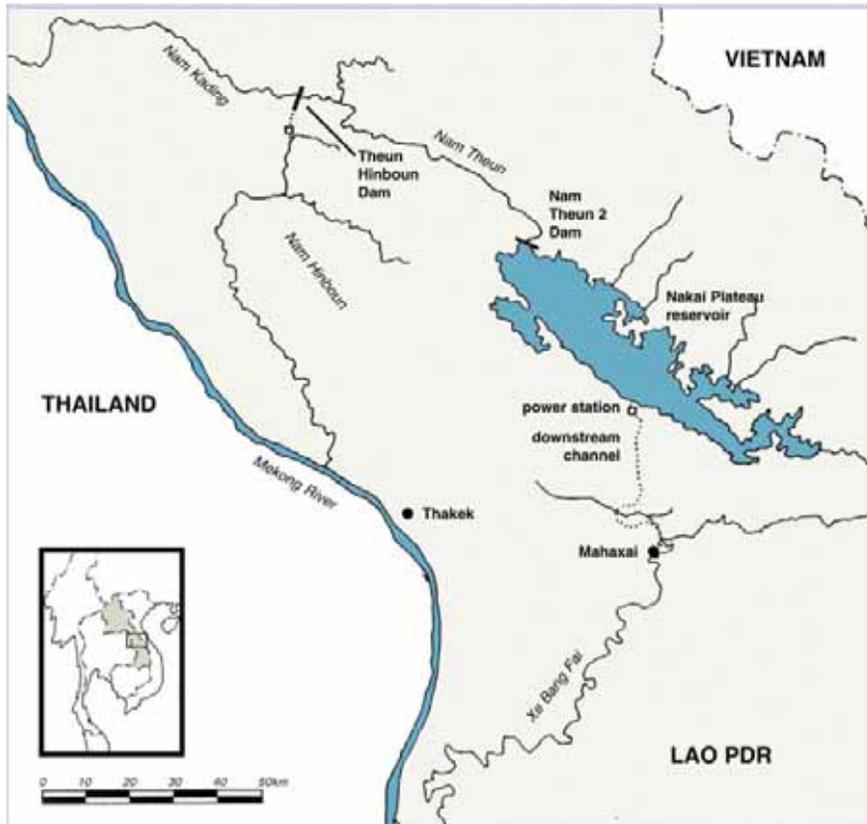
¹⁴ These included problems with water supply, fish ponds and the viability of livelihood replacement schemes such as fruit cultivation. At that time, compensation had not been provided for fisheries losses.

7. In 2004, the Theun-Hinboun Power Company undertook a third party review of its mitigation and compensation program. The review found serious inadequacies and failures in attempts to adequately compensate affected people. In 2008 many of the problems raised by the review were still unresolved.

Nam Theun 2 Hydropower Project

Basic Data	
What:	A privately owned 39 metre high, 1070 megawatt hydropower dam and trans-basin diversion project (Nam Theun 2 Power Company - NTPC); and a 450 square kilometre reservoir. 95% of electricity is exported to Thailand.
Where:	The Theun and Xe Bang Fai river basins, central Laos
When:	To be completed in 2009.
Cost:	\$1.45 billion (ADB is providing a \$20 million loan to the Government of Lao PDR and a \$50 million political risk guarantee to NTPC; as well as a \$50 million private sector loan directly to NTPC)

The Nam Theun 2 Hydropower Project has been promoted by both the ADB and the World Bank as a 'world's best practice' dam. The ADB states that without its loans and risk guarantees, the private sector consortium that owns the project would not have been able to raise the necessary commercial loans to build it.



Nam Theun 2 dam and reservoir. Source: International Rivers. Used with permission.

The project has been highly controversial. Civil society action delayed the approval of the project for over a decade as social and environmental issues were continually put forward for consideration and re-consideration. Proponents of the dam have claimed that it is a 'poverty alleviation' project. However serious concerns about its impact on both upstream and downstream communities remain.

Project impacts

- 6,200 indigenous peoples forcibly resettled from reservoir area on Nakai Plateau; elephant and other wildlife and wetlands habitats flooded
- 120,000 downstream villagers affected by increased water flows in Xe Bang Fai, and dramatically decreased flows in Nam Theun. Major fishery and aquatic resource losses, erosion, flooding, sedimentation along the Xe Bang Fai
- 2,000 households affected by NT2 construction activities: losing land, assets and access to resources. Water quality impacts, erosion, sedimentation, logging in construction areas

World's best practice compensation and mitigation?

- Between 1995 and 2005 international civil society and academic critics consistently claimed:
 - That the resettlement plan was unrealistic and would fail to benefit the highly vulnerable ethnic groups who would be forced to move
 - That the downstream impacts on communities living along the Xe Bang Fai would be severe, and that these would be very difficult to compensate
- In 2005 the Panel of Experts commissioned to assess Nam Theun 2 claimed that the resettlement plan was the most 'state of the art' plan that they had ever seen, and that the dam should be built.
- In early 2008 the same Panel of Experts noted that resettled villagers were beginning to experience a decline in their standard of living: 'an overall living standard decline now appears to be occurring in most villages and standards can be expected to stagnate or decline further during most of 2008.'¹⁵
- The downstream impacts of the dam on the Xe Bang Fai River were only acknowledged by the dam proponents very late in the project's planning. The subsequent compensation and mitigation plan, drawn up in late 2008, was underfunded and unlikely to be implemented in time.

For more information see:

International Rivers 2007, Nam Theun 2 Hydropower Project: Risky Business for Laos, November, available at: <http://www.internationalrivers.org/en/southeast-asia/laos/nam-theun-2/nam-theun-2-hydropower-project-risky-business-for-laos>

Highway 1, Cambodia

Basic Data

What:	Upgrade of 105 kilometres of highway linking Phnom Penh and Ho Chi Minh City.
Where:	South-eastern Cambodia
When:	Completed 2004
Cost:	\$40 million (loan from ADB to Government of Cambodia)



A meeting of villagers, affected by Highway 1, who are fighting for compensation.

Photo: Jessica Rosien/OxfamAUS



Resettlement site of Highway 1 flooded in rainy season.

Photo: Jessica Rosien/OxfamAUS

The upgrade of the Cambodian section of Highway 1 is part of a larger project to establish an all-weather road between Bangkok and Ho Chi Minh City. It is intended to increase trade between Cambodia and Vietnam and so contribute to economic growth. However the failure to fairly compensate people who lost land and homes lead to the project becoming a test case for two of the ADB's key safeguards: its Involuntary Resettlement Policy and its Accountability Mechanism. In 2008, after six years of struggle, affected people were still waiting for their cases to be resolved.

The struggle for compensation

- In 2002, two Cambodian NGOs submitted a report to the Cambodian Government and the ADB claiming that 99 families had not received 'fair and just' compensation for loss of land and structures. Such compensation is outlined in the ADB's Involuntary Resettlement Policy. A mission by the ADB that same year confirmed these claims and proposed a Resettlement Audit.
- In November 2004, two and half years later, the Resettlement Audit finally commenced. The Audit (submitted in March 2005) called for immediate action to properly compensate affected people.
- In March 2006, a year later, an investigation by the NGO Forum on Cambodia found 303 people who still had unresolved resettlement issues. Meanwhile, due to financial hardship caused by resettlement and loss of land, a number of these people had been forced to rely on local moneylenders and were spiralling into debt.
- In July 2007, after continued inaction on their case, villagers submitted a formal complaint to the ADB's Office of the Special Project Facilitator — the first stage of the Bank's Accountability Mechanism. (See Chapter 5) In September 2007, the complaint was deemed eligible and admitted.
- In late 2007, the ADB Resident Mission in Cambodia began a new initiative (separate to the Office of the Special Project Facilitator) to resolve Highway 1 compensation problems. Villagers agreed to try the new process and suspended their official complaint. Meanwhile, NGOs were forced to seek emergency financial support for villagers who were waiting for compensation.
- By mid 2008 there had still been no substantial action to compensate villagers, who remained frustrated and confused.

Core Environment Program

Basic Data

What:	Environment coordination project of the GMS Program
Where:	Based in Bangkok
When:	Established 2005
Budget:	\$32 million (co-financed by ADB and bilateral donors)

The Core Environment Program (CEP) was established in 2005 and has its own office in Bangkok, called the Environment Operations Center. Envisaged as a “knowledge management center”, the purpose of the office is to provide expert support to GMS countries in their commitment to sustainable use of shared natural resources and environment. The centre places special emphasis on the large infrastructure projects being developed in the transportation and energy sectors.

The impact of the CEP is hard to detect:

- There is little evidence of substantive integration of the knowledge generated by the CEP into GMS Program planning or the design of GMS projects. In particular, the CEP seems to have had very little influence on infrastructure projects.
- For example, intensive hydropower development in the Mekong Basin is likely to have significant negative impacts upon the ecology of Cambodia’s Great Lake, the Tonle Sap. This will affect millions of people who depend upon the Tonle Sap for fish and agriculture. However GMS Program plans for hydropower development (see below) take no substantive account of the impact of such developments upon the Tonle Sap. Where there has been some reference to this issue (such as in the Nam Theun 2 Hydropower Project), flawed methodologies have led to weak findings.¹⁶
- Meanwhile, the ADB has used the Tonle Sap Initiative (part of the ADB’s Cambodia Program), to highlight its credentials in promoting sustainable development and natural resource management.

Women crossing the Tonle Sap.



For more information see:

Oxfam Australia 2006, *Can the Asian Development Bank save the Tonle Sap from poverty?*, April, available at: <http://www.oxfam.org.au/campaigns/development-banks/asian-development-bank/projects.php>

¹⁶ Lamberts, D. 2008, *Little Impact, much damage: the consequences of Mekong River flow alterations for the Tonle Sap ecosystem*, Water & Development Publications, Helsinki University of Technology, available at: water.tkk.fi/global/

Regional Energy Policy

Basic Data	
What:	Technical assistance studies: GMS Energy Sector Strategy Study (2008) GMS Regional Power Trade Coordination and Development (2004) Regional Indicative Master Plan on Power Interconnection (2002) Intergovernmental forums: Regional Power Trade Coordinating Committee Energy Sector Forum
Where:	Regional
When:	Ongoing
Cost:	\$3 million plus

As well as funding particular energy projects (such as Theun-Hinboun and Nam Theun 2 hydropower projects above), the ADB has played a significant role in influencing the energy policies of Mekong Governments. It has done this through funding strategic technical assistance studies which map out policy options and recommendations. It has also convened high level inter-governmental meetings which have aimed to promote cross-border approaches to energy supply. Taken together, these have promoted an approach to energy policy that encourages large-scale energy production projects (such as hydropower). As outlined above, these have high social and environmental costs.

What is being proposed?

- The development of hydropower dams in Burma, Laos and Cambodia, largely to sell electricity to Thailand and Vietnam.
- A network of regional high-voltage transmission lines that would connect these schemes to large urban centres.
- In 2002, an ADB study proposed that twelve dams in Burma, China and Laos be built to generate power for consumers in Thailand and Vietnam. The estimated cost of this plan was \$43 billion. Since then, many more dams have been proposed applying the regional power trade concept.

A short-sighted approach to Mekong energy needs

- Energy policy options have mainly focussed on energy supply issues with very little substantive attention paid to energy demand issues (such as promoting energy efficiency).
- Energy supply options have overwhelmingly prioritised costly large-scale, cross-border power producing projects (mostly hydropower projects). These have high social and environmental costs. Little priority has been given to examining options for small-scale, decentralised power production.
- Likewise, energy supply options have not adequately considered options for environmentally friendly renewable technologies, such as solar, biogas or mini-hydro.
- There has been no assessment of the cumulative impact of so many large-scale hydropower dams on the Mekong River, its ecosystems and its people.

GMS Program Transmission Projects

Basic Data

What:	Loans for constructing electricity transmission lines: GMS Transmission Project China to Vietnam Power Interconnection Project GMS Northern Transmission Project Laos to Vietnam Power Interconnection Project Na Bong-Udon Thani Power Transmission
Where:	Regional
When:	Projects under construction or proposed
Cost:	\$813 million financed by the ADB

As private investors have increasingly become the primary developers and funders of Mekong hydropower projects, the ADB has found it harder to provide loans for hydropower projects. However along with its involvement in regional energy policy (see above), the Bank has continued to support development of hydropower in the Mekong through funding transmission lines to export electricity. These lines have mostly been from Laos to Thailand and Vietnam.

Concerns

- Funding of transmission lines effectively provides a subsidy to hydropower developers, which increases the feasibility of a project.
- There is no requirement for dams that connect to an ADB-supported transmission line to comply with any of the Bank's safeguard policies on the environment, indigenous peoples and involuntary relocation.

For more information see:

International Rivers 2006, *Trading Away The Future: The Mekong Power Grid*, available at: <http://www.internationalrivers.org/en/node/1775>



Construction site of Nam Theun 2 hydropower project
Photo: Vinya Susamouth

THE CITIZENS' TOOLKIT

Keeping the GMS Program accountable

- 5.1 Encountering a problem project
- 5.2 From local to global: working within civil society networks
- 5.3 Information is the key
- 5.4 Understanding national laws and processes
- 5.5 Lobbying the ADB
- 5.6 The ADB's Safeguard Policies
- 5.7 The ADB's Accountability Mechanism
- 5.8 Reporting ADB projects involved in corruption

CHAPTER 5

Keeping the GMS Program accountable

One of the great shortcomings of the GMS Program is that it lacks formal **accountability** to the people whom it affects. As a **multilateral development bank**, the ADB is not accountable to the citizens of any one nation. It is not obliged to adhere to international human rights laws, nor to particular international standards that protect people and the environment. While its projects must respect the local laws of host governments, as an international multilateral institution, the ADB and its staff are legally immune from being prosecuted for any grievances arising from their actions.

However the ADB is not completely immune to pressure. There are a number of different strategies that citizens, affected people and civil society organisations can use to try to demand better processes and outcomes for affected communities. Some of these involve using the ADB's own policies and mechanisms, and some involve going straight to the people who 'own' the Bank – its donor governments.

This chapter will:

- help you to develop a strategy for trying to achieve better outcomes from a GMS project or process through influencing the ADB
- provide information on the policies and procedures of the ADB that you can use to demand **accountability**
- suggest ways to influence the ADB through donor governments
- put you in touch with other groups and organisations who can assist your efforts

5.1 Encountering a problem project

What do you do if you become aware of an ADB GMS project that is having, or will have, negative impacts upon local communities and the environment?

Experience shows that keeping a **multilateral development bank** accountable for its actions is extremely difficult. However, cases such as the Theun-Hinboun and Nam Theun 2 Dams in Laos and Highway 1 in Cambodia (See Chapter 4) demonstrate that intelligent and committed efforts by civil society organisations and NGOs can help to improve the circumstances and rights of communities negatively impacted by GMS projects.

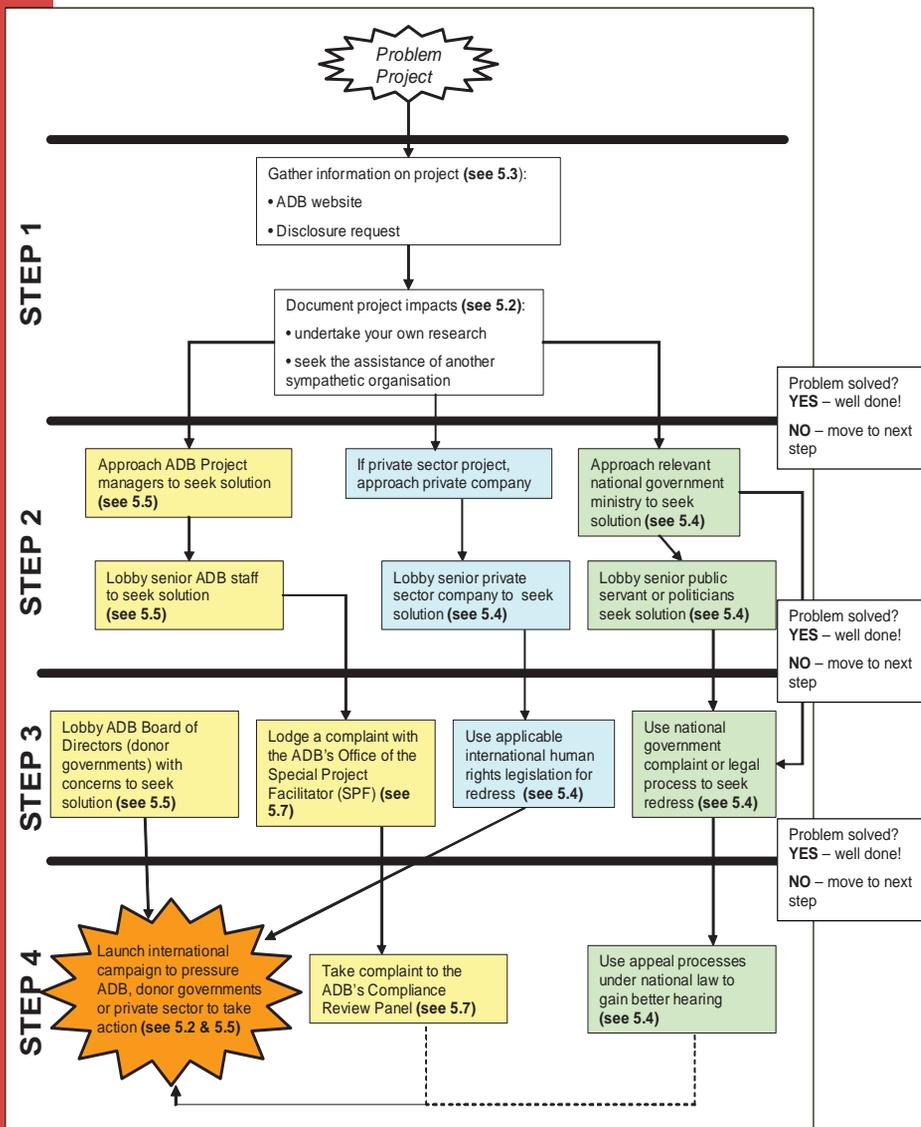
ADB GMS projects are often very complex, involving numerous governments and organisations; and operating in different political contexts. There is no single strategy or method for working to achieve accountability. In fact, sometimes more than one strategy needs to be used.

When developing a strategy to seek **accountability** from a project, there are a number of questions that should be considered:

1. What stage is the project at?
2. Which organisations and governments are involved?
3. What are the laws and processes of the national governments involved?
4. Who else can assist you in seeking **accountability**?

Below is a chart which describes some of the possible steps and strategies for keeping problem projects accountable. Depending on the situation, you may choose to use one or all of the strategies described. If you are very effective (and lucky) you might achieve an adequate resolution to the problem by the end of Step 2. However very often, better outcomes for affected people are only won after many years of sustained effort.

Keeping problem projects accountable



For more information on Free, Prior and Informed Consent see:

Oxfam Australia, unpub., forthcoming early 2009, Community Guide to Free, Prior and Informed Consent [working title]

When is a problem resolved? Who decides?

One of the most difficult aspects of seeking **accountability** from problem projects is deciding what the solution is, and when the problems have been adequately resolved. Different people will have different opinions on this, and resolutions will also look different for different projects. There are three main ways in which problem projects might be 'resolved':

1. Adequate and effective compensation and mitigation for negatively affected people
2. Re-design of a project to reduce the negative impacts
3. Stopping a project going ahead

The most important principle in determining the best resolution to a problem is to listen to perspectives of the people who are being, or will be, negatively affected. They are the only ones who can determine what a solution looks like. This is what is called the principle of

Free, Prior and Informed Consent:

Free means that the community is not forced, manipulated, tricked, coerced, intimidated or pressured into saying 'Yes' to a project.

Prior means that the people involved in the project get the community's consent: before it is approved; before work starts; and (if the project does go ahead with the community's consent) before any significant changes to the project are made. The community must be given enough time to consider all the information and make a decision.

Informed means that the community is given all the relevant information to make its decision about whether to approve or reject a proposed project. This includes information like:

- the nature, size and scope of the proposed project
- the identities of the people involved in the project and information about their financial status, history, policies, labour practices and safety records
- how long the project will take
- which land will be affected
- the reasons for the project
- the expected effects of the project (commercial, economic, social, environmental and cultural)
- what benefits there may be for local communities
- the potential risks of the project (e.g. pollution or entry into a sacred area)
- where the money generated by from the project will go

This information must be:

- 1) complete
- 2) in a language that the community can easily understand
- 3) in a form that the community can easily understand

Communities must have access to independent information — not just information from the people involved in the project. They must also have access to experts on law and technical issues, to help them to make their decision.

Consent requires that the people involved in the project allow the community to say 'Yes' or 'No' to the project in its own way, through its freely chosen representatives and customary or other institutions.

5.2 From local to global: working within civil society networks

Working to bring **accountability** to ADB GMS projects can be tremendously complex, and will almost always require the assistance of other groups. Working for change is most effective when affected people are well supported by locally connected groups, who are in turn supported by groups working at the national level, who are in turn supported by groups working internationally (see diagram below). All of these groups bring different, but necessary, strengths, skills and expertise.

Local groups

Groups with strong local connections are best placed to hear from, and share information with, affected people. They are also in the best position to understand the impacts of a project.

National groups

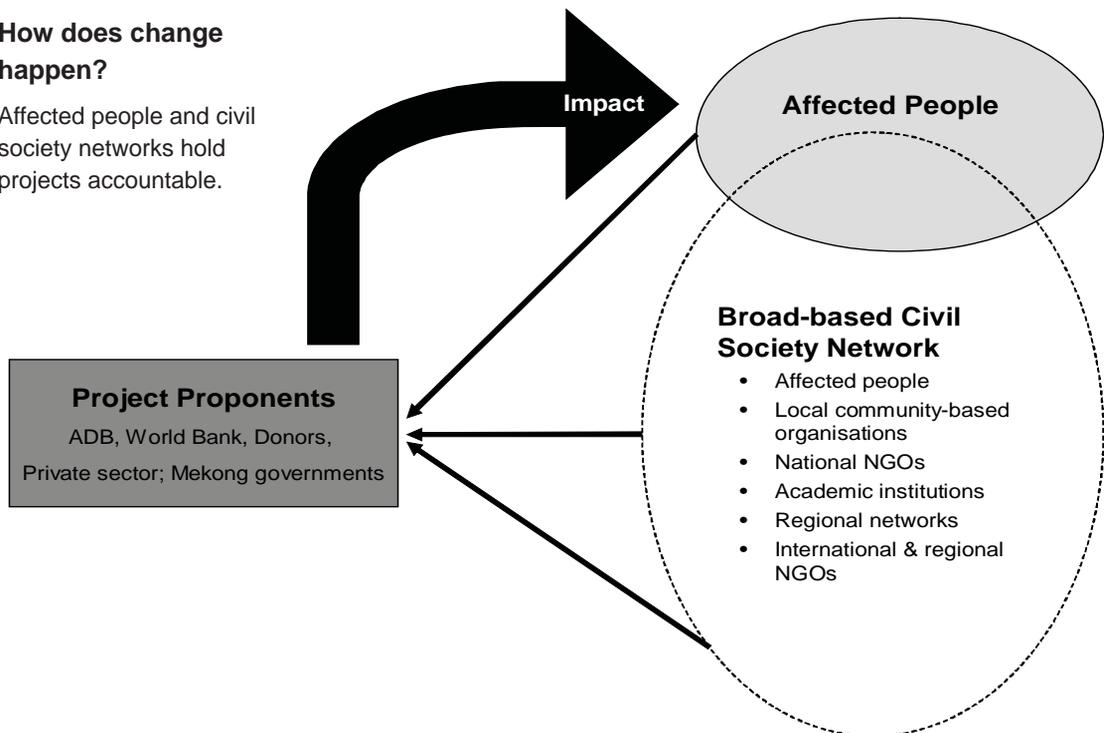
Groups who work at the national level will have the best understanding of how a project fits into government policy and plans. They will have a good understanding of the political context and will sometimes be able to facilitate dialogue with the government. These groups often have a strong research capacity which can assist local groups to document a project's impacts. National groups play a critical role in providing a link between local and international members of a network.

Regional and international groups

Groups working internationally are often well placed to influence the ADB, other donors and other international actors (such as foreign corporations). These groups can be experienced in using different strategies to achieve **accountability** and they often have strong research and publishing capacities.

How does change happen?

Affected people and civil society networks hold projects accountable.



Document, Document, Document!

One of the most important tasks for a civil society network seeking to hold a problem project accountable is to effectively document the impacts of the project. Having well presented and convincing evidence is often the key to forcing the ADB to acknowledge that there might be a problem.

Where possible, there is tremendous value in collecting good baseline evidence about the livelihoods and quality of life of people before a project starts. Baseline evidence refers to information that gives an overview of the social, environmental and economic situation of people before a project has started.

It is particularly important to pay attention to the different issues concerning women and men. If you have this information, it can help you provide good evidence on the negative impacts of a project, which may affect women more than men. This also means that it is important to get information on ADB projects before they begin. The best way of doing this is to look at the Country Partnership Strategy for your country on the ADB's website (see: <http://www.adb.org/Documents/CSPs/default.asp>). This includes proposed projects for your country.

However knowing what the impacts are, and even collecting data, is not enough. Effective documentation also needs to be well presented and strategically disseminated.

Creating good documentation requires a number of different skills and strengths. Therefore collaboration between different groups may be needed. Ideally a good documentation process has the following components:

- Facilitators with local knowledge and local language skills
- Strong research design and data analysis
- Clear and effective presentation of evidence to an unsympathetic audience
- Publishing and strategic dissemination



International civil society at work: Mekong Watch (Japanese NGO) photograph CDCam (Cambodian NGO) explaining an Oxfam Australia report to villagers affected by Highway 1. Photo: Mekong Watch

Groups who can act as resources within Mekong civil society networks

Name	Contact	Description
Bank Information Center (BIC)	US-based with office in Bangkok www.bicusa.org info@bicusa.org	<ul style="list-style-type: none"> • Policy analysis of ADB • Lobbying donor govts • Outreach and capacity building for civil society groups
Mekong Watch	Tokyo-based with contact persons in Bangkok and Vientiane. www.mekongwatch.org/english Email: info@mekongwatch.org	<ul style="list-style-type: none"> • Monitoring environmental and social impacts in collaboration with local communities and NGOs • Policy and procedure analysis of ADB, JBIC and JICA • Lobbying ADB, JBIC, JICA and other decision-making bodies • Documentation of livelihoods and natural resource management
International Rivers	US-based with office in Bangkok www.internationalrivers.org Email: Carl@internationalrivers.org info@internationalrivers.org	<ul style="list-style-type: none"> • Research and analysis on water and energy issues • Training and support for civil society groups • Advocacy and working with the media
NGO Forum on ADB	Based in Manila www.forum-adb.org/ Email: secretariat@forum-adb.org	<ul style="list-style-type: none"> • Policy analysis • Lobbying ADB • Outreach and capacity building for civil society • Documentation and publishing
Oxfam Australia (People, Infrastructure & Environment Program)	Australia-based with offices in Laos and Cambodia www.oxfam.org.au enquire@oxfam.org.au	<ul style="list-style-type: none"> • Documentation and publishing • Lobbying of ADB and donor governments • Policy analysis • Some funding support
TERRA	Based in Bangkok http://www.terraper.org/ fer@terraper.org	<ul style="list-style-type: none"> • Regional linkages • Local data collection • Lobbying and campaigning in Thailand
NGO Forum on Cambodia	Based in Phnom Penh www.ngoforum.org.kh Email: ngoforum@ngoforum.org.kh	<ul style="list-style-type: none"> • NGO coordination in Cambodia • National advocacy • Research facilitation
EarthRights International	Based in Chiang Mai www.earthrights.org infoasia@earthrights.org This e-mail address is being protected from spam bots, you need JavaScript enabled to view it	<ul style="list-style-type: none"> • Training and capacity building for Mekong civil society groups • Supporting the networking of emerging regional civil society

5.3 Information is the key

Citizens have a right to information about ADB projects and policies that will affect their lives. They are entitled to know how ADB operations are affecting their country's environment, economy, society, government structures and policies. They are also entitled to timely information so that they are able to be informed participants in the development decision-making process and not just passive bystanders.

However, citizens affected by ADB projects are very often the last to know about them. They frequently bear the negative impacts of ADB-funded initiatives rather than becoming the beneficiaries. The 2005 ADB disclosure policy (Public Communications Policy) says that the ADB "shall share information with affected people early enough for them to provide meaningful inputs into the project design and implementation." In practice, this rarely happens to an adequate extent, so it is often left to civil society groups to try to discover and disseminate important information about ADB projects.

Much of the information you may need about projects should be posted on the ADB's website (www.adb.org). Some of the main types of documents that could be useful for you to look at are described in the table below.



Useful ADB documents

Project Information Document (PID)	PIDs provide a factual summary of a project
Project Preparatory Technical Assistance (PPTA) Reports	PPTA reports are a good source of early project information because project preparation is often first conducted through technical assistance grants. Borrowing governments use these grants to fund feasibility studies and impact assessments; as well as to improve the capacity of governmental agencies and institutions relevant to the proposed project
Environmental Impact Assessment (EIA)	EIAs are done for projects that may, or will have, severe and/or irreparable environmental impacts (categorised as "A").
Initial Environmental Examination (IEE)	IEEs are done for projects that may, or will have, significant environmental impacts (categorised as "B"). They are also conducted for category A projects.
Initial Poverty and Social Assessment	These assessments are conducted for all investment projects and programs. They indicate the people who may be positively or adversely affected by a project.
Resettlement Plans	Resettlement Plans are required for all ADB projects involving involuntary resettlement.
Indigenous Peoples Plans	Indigenous Peoples Plans are required for projects that will significantly affect indigenous peoples.
Safeguard Policy Compliance Memorandum (SPCM)	SPCMs report on the extent to which proposed projects comply with the ADB's three safeguard policies (environment, involuntary resettlement and indigenous peoples). They also cover the steps needed to bring projects into compliance.
Social and Environmental Monitoring Reports	These reports provide information on a project's social and environmental impact and steps taken by the borrower and the ADB to mitigate harmful impacts.
Project Completion Report (PCR)	PCRs are assessments of a project conducted by the Bank's Operations and Evaluations Department (OED) after completion of a project.
Project Performance Audit Reports (PPAR)	PPARs are assessments of the impact, effectiveness and sustainability of a project. These are done after a project has been in operation for some time and are also conducted by the OED.

You will not always be able to find information or documents that you need on the ADB's website. In this case, you can make a formal application for 'public disclosure' to the ADB's InfoUnit. The Bank's Public Communication Policy states that the Bank should make a decision in favor of giving out information if there is no good reason for confidentiality. You can use such statements to help access information about project developments.

*Submitting a Request for Public Disclosure
(see Appendix 1 for Sample Letter)*

If you cannot find the document you are looking for on the ADB's website, or if you are unsure of the name of the document containing the information you are looking for or what types of documents exist, you can make a formal request for public disclosure.

The ADB's InfoUnit is responsible for answering requests for all information covered under ADB's public communications policy. They must reply to your request.

It is best to put your request in writing. Be specific about the kind of information you require and why it is in the public interest to release the information.

You can simply email: disclosure@adb.org

or write to:

Public Information and Disclosure Unit (InfoUnit)

Department of External Relations
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila, Philippines
Fax: + 632 636 2648

It's a good idea to cc (carbon copy) the Director of the External Relations Department, as they are responsible for making sure that ADB staff comply with the Bank's policies and procedures. Check the ADB website for the right email address at: <http://www.adb.org/DER/default.asp>

Once you submit your request for disclosure, the ADB has to acknowledge your request within 5 days and reply to your request within 30 days.

If your request is denied, you can ask in writing for the decision to be reviewed by the Public Disclosure Advisory Committee. You can send your request by email: pdac@adb.org, fax +632 636 2640 or post.

For more information on how to obtain information from the ADB, see:

NGO Forum & Bank Information Center 2005, *Unpacking the ADB: A Guide to Understanding the Asian Development Bank*, 2nd edition, pp.36-47, available at: <http://www.forum-adb.org/Publications/Toolkits.html>

or via hardcopy from:

The NGO Forum

85-A Masikap Extension, Barangay Central,
Diliman, Quezon City, Philippines

How do you get information about the GMS Program to the people of the Mekong?

The GMS Program is made up of many bodies and mechanisms both inside and outside the ADB. Although the ADB is proud that the GMS Program works in a flexible manner, it is often difficult to understand how decisions are made, and who making decisions about projects and programs.

When you look at the ADB's website and publications, you will actually find a lot of information on the GMS Program. However, much of this information is only in electronic form and in English. Given this, the question is how much information reaches the people on the ground — the citizens in the individual Mekong countries who are supposed to benefit from the GMS Program?

The ADB does sometimes distribute information about GMS projects and there may be coverage of a project in the national media. However, for example, if you ask local communities situated along the Highway 1 project in Cambodia if they know what the GMS Program or even the ADB is, they are unlikely to know.

The ADB has a Public Communications Policy which states that they have to provide information to affected people in a way that is easily understood. While some documents have been translated into national languages, there is still very little accessible information available to communities; and even less for communities who may have limited reading skills.

It is important that the ADB starts talking to the people who are impacted by its projects. Even opportunities for NGOs to influence ADB's decision-making on the GMS Program are limited.

- Have you or your NGO ever attended any events or consultations related to the GMS Program?
- If not, would you like to be consulted?
- Can you think of recommendations you would like to make on how the ADB can better reach the people of the GMS, so that the Bank is not just talking to top-level government officials?
- Is there any information you are interested in getting from the ADB? If so, you could write to the ADB and request information about the project or program that you are interested in.

These may be some ways of getting the ADB to be more responsive. The Bank is a big institution, and it takes a long time for change to happen. But small first steps can be an important start!

5.4 Understanding national laws and processes

GMS projects always involve Mekong governments and are always implemented under national law. It is important for groups working on solutions to problem projects to understand the political and legal context of the country (or countries) involved. Sometimes you might decide that it would be more effective to use the government's processes than those of the ADB.

It is beyond the scope of this publication to provide detailed information on national systems and ways of accessing or influencing national government processes¹⁷. However, it would be helpful if you look at your country's regulations and legal framework. The groups listed under Section 5.2. might be able to refer you to organisations that have information on specific country laws and regulations.

¹⁷ It is envisioned that sections of this publication will be translated into selected Mekong languages, and that these translated versions will include country specific information.

The regulations and laws that might be relevant to the problem project/situation you are trying to influence include:

- Laws on Environmental Impact Assessment (EIA)
- Land law
- Resettlement law
- Labour law
- Forestry law

5.5 Lobbying the ADB

When you want to approach the ADB to raise your concerns about a project, you can do this on three main levels:

- i) you can approach the ADB's resident mission in your country
- ii) you can approach ADB project staff and management at ADB headquarters
- iii) you can approach ADB donor country governments

Often the best way of pressuring the ADB to react to your concerns is to make use of all three levels.

When you send an e-mail or letter to the ADB, it is important to include the following information:

- identify yourself and your connection to the project e.g. you are a national organisation working on land issues and you are concerned with a plantation project because community members are at risk of losing their land to the plantation
- identify your link to the directly affected people e.g. you have been contacted by communities for help –or– in your monitoring activities you have come across the project and possible concerns
- summarise your concerns e.g. lack of information in the local language on the project –or– a risk of displacement of local community members
- summarise your requests e.g. you would like more information –or– you would like to talk in more detail to ADB staff –or– you would like ADB to take certain action
- identify any partner organisation you are working with — it often helps if you can show that there is more than one organisation involved and that you are working together with, and supported by, a coalition

ADB's resident mission in your country

The ADB has a resident mission in almost every borrowing country. According to the ADB, the role of resident missions, also referred to as 'field offices', is to "give vital support to the operations and outreach work of ADB's Manila Headquarters. They carry out much of ADB's operational roles of country programming, processing of loan and grant assistance, project administration, and economic and sector analysis." In reality, much of program and project design still takes place at ADB headquarters, but this appears to be changing with more responsibility now being given to resident missions.

Unfortunately, in recent times, national and local civil society organisations have not always had good experiences with resident missions, and have sometimes been disregarded or ignored. However, resident missions are often wary of attracting bad publicity, and therefore may still be responsive to your concerns. Some key advantages with going through resident missions are that: the office is in your country so face-to-face contact may be

possible; and some staff will be nationals, so that you should be able to have exchanges in your own language. Copying staff at ADB headquarters in your correspondence with the resident mission can add to your bargaining power. If you do not receive a satisfactory response from the resident mission, you can move to the next level and raise your concerns at ADB headquarters.

Contacting your Resident Mission

1. Go to: www.adb.org/Countries/ for contact information.
2. Send a written e-mail or letter first to the staff you wish to speak with, introducing the issue you want to discuss.
3. Seek a face-to-face meeting to discuss your concerns in more detail.

Make sure that you have an accurate record of your meeting. It is helpful to write down minutes of the meeting and then share these with the ADB contact person you met with. Ask them to confirm or correct any information in your minutes. These can then be shared with NGO colleagues to pass on information to their respective organisations and affected people.

Project staff and management at ADB Headquarters

You can identify the staff person in charge of the project that you are interested in by going to the project information document (PID). Go to: <http://www.adb.org/Projects/> and follow the links for project information document. The responsible ADB officer, department and division will be listed towards the end of the document, as well as the executing agency. Alternatively, you can search for senior staff within the ADB's Southeast Asia Department (which includes Mekong countries) through the contact directory. Go to: <http://www.adb.org/About/mgmt-VPO2.asp>.

In order to ensure that you receive a response, you can address your e-mail/letter to the responsible project officer, but at the same time copy the director of the department. If you are not satisfied with the project officer's response, you can move on to the director or the department and explain why you are not satisfied.

If you would like to meet the project officer in person as a follow up to your letter, you can ask them when they are next coming to a mission in your country and request a meeting during that visit.

Donor governments

If you are still not satisfied with the ADB's response, you can take your concerns to the next level, that is, the donor governments of the ADB who 'hold the money'. The ADB is made up of donor and borrowing member countries. Both donor and borrowing member countries are represented on ADB's Board of Directors. The Board approves every project¹⁸ and policy.

Because donor countries are giving money to the ADB to fund its operations, donors have a particular interest in influencing the ADB in its selection, planning and development of projects and policies. Civil society organisations can often use donor interests to advance campaigns on projects and policies.

Working in networks becomes particularly relevant for trying to influence the donor governments on ADB's Board.



Thai activist, Maliwan Nakwirot, presents the President of the ADB with a report on the impact of an ADB-funded, coal-fired power plant in Thailand.
Photo: NGO Forum on ADB

¹⁸ The only exception is grants under USD 1 million. The ADB President has the authority to approve these directly.

If you can link up with international organisations supporting your cause, you can request that their offices and/or partners in donor countries raise your concerns with their respective governments and/or Board representatives. Understanding the different political positions of donor governments and their aid agencies is highly complex (see box below), and working with organisations who have experience in this is advisable (such as Bank Information Center, NGO Forum on the ADB and Oxfam Australia). This will further strengthen your position by showing that you are not just a single organisation, but have the support of a coalition.

'Playing the game': working in the complicated world of international politics

Donor countries do not necessarily share the same concerns as civil society organisations. However if you can find out what a particular donor country's priorities are, you can sometimes use that to your advantage. For instance, Scandinavian countries tend to have a strong belief in the state's role in providing free services to its people, such as education and healthcare. The American government, due to its national legislation, often has a strong interest in information disclosure and transparency. The German government tends to support environmental protection and safeguard policies.

These descriptions are generalisations and, depending on changing governments in these countries and their specific Board representatives, these positions will vary. Therefore it is important to find out the positions of donors at any given time. You can do this by looking at the donor governments' aid agency websites or even the web pages of donors' embassies in your country. For example, the United Kingdom's aid agency is DFID (Department for International Development); the US government's is USAID (US Agency for International Development); and the Australian government's is AusAID (Australian Agency for International Development). Another way of finding out about what donors believe is important is to look on the ADB's website at Governors' statements from annual meetings (see: <http://www.adb.org/AnnualMeeting/2008/statements.asp>). These statements contain the priorities that the donors want the ADB to follow.

If you are campaigning on a policy or project that relates to issues of interest to donors, it is likely that these governments will be interested to hear your views or concerns. It is important that in approaching donors, you don't only focus on one country that may be supportive, but that you attempt to convince as many donors as possible. Projects and policies are decided by the vote of the Board of Directors (comprised of donor and borrower governments). However in most cases, by the time the project or policy goes to the Board for voting, the decisions taken are mostly a formality. The critical debates and the decision-making process by Board members will have already happened before that. Therefore the more donors you can convince well before Board meetings, the stronger support you may be able to gather. Even if donor country representatives do not vote against a policy or project, if they are interested in your concerns they may take other action. This may include asking for an update from ADB Management on your issue or sending a memo to Management raising your concerns.

Another important consideration in approaching ADB Board members is to find out which constituency represents your country. Apart from China, all borrowing country governments share Board constituencies — meaning that one Board chair represents several countries. Cambodia, for instance, is a member of the Board constituency chaired by Australia; Vietnam belongs to the Board constituency chaired by Korea. You can find out the constituency memberships on ADB's website.

For constituency memberships, go to: <http://www.adb.org/BOD/default.asp>

Accessing ADB staff, management and the Board

If you cannot get access to ADB staff in your country, you may want to consider visiting ADB's headquarters in Manila. If you prepare well for a visit to ADB headquarters, the expense and time could be worthwhile. If you cannot visit the headquarters, you could ask the Manila-based secretariat of the NGO Forum on ADB (an Asian-led independent network of civil society organisations monitoring the ADB — see table under 7.2) to liaise with the ADB on your behalf. NGO Forum staff may be able to meet with project staff, management or the Board of the ADB to find out information for you or pass on your messages.

Another opportunity to access ADB staff and management is during the ADB's Annual Meeting in May of every year.

5.6 The ADB's Safeguard Policies

In addition to its policy on information disclosure (See Section 5.3), the ADB has a set of policies that are supposed to guide its operations. The most important policies relating to advocacy campaigns on the negative impacts of ADB-funded projects are the so-called safeguard policies. The ADB has three policies that it refers to as safeguard policies: the Involuntary Resettlement Policy, the Indigenous Peoples Policy and the Environment Policy. You can find these policies on the ADB's website: <http://www.adb.org/Safeguards/default.asp>.

The **Involuntary Resettlement Policy** says that:

- forcible resettlement should be avoided where possible;
- resettlement plans must be developed in consultation with affected communities;
- affected communities should be fully informed about resettlement and should be provided with appropriate land, housing, infrastructure and other compensation; and
- affected communities must be at least as well off economically and socially after the project as they were before.

The **Indigenous Peoples Policy** says that:

- the ADB should engage directly with indigenous people; and
- projects should be planned and implemented with the informed consent of affected communities.

The **Environmental Policy** says that:

- the environmental impacts of projects should be evaluated and minimised;
- the public should be involved in the evaluation of environmental impacts; and
- environmental impact assessments should be conducted and disclosed to the general public.

If you believe that the ADB is not following these safeguards policies you can approach the Bank and make a complaint (See Section 5.7). One important aspect to consider in working with communities affected by ADB projects is that in many cases, communities may know very little or nothing at all about the ADB and its projects. It is even less likely that affected communities will know about the ADB's policies. Therefore an important task in helping communities to understand their rights and the opportunities available for solving problems with ADB projects, is to inform them about the ADB's policies and its **Accountability Mechanism** (See also Section 5.7).

At the time of writing of this publication, the ADB is revising its safeguard policies and producing a new version of them. Many civil society organisations are watching this process carefully. They are concerned that the ADB

will attempt to make its policies weaker so it becomes easier for borrowers to process ADB projects. Civil society organisations, including organisations in the Mekong region, are strongly lobbying the ADB to maintain and improve its existing safeguard policies.

For more information on this policy revision process, go to the following websites: <http://www.oxfam.org.au/campaigns/development-banks/asian-development-bank/policies.php> and <http://www.bicusa.org/en/Issue.46.aspx>

5.7 The ADB's Accountability Mechanism

If your efforts to engage the ADB are going nowhere, there is the option of launching a formal complaint and request for redress using the ADB's Accountability Mechanism.

The Accountability Mechanism is supposedly a tool available for communities adversely affected by ADB projects. Under international law the ADB, like other Multilateral Development Banks (MDBs), has immunity from any legal jurisdiction. This means that no legal action can be taken against the Bank in any of its member countries over harm caused by any activity it carries out. Therefore the Accountability Mechanism is the only means by which affected communities can raise their concerns with the ADB and have them evaluated by a supposedly semi-independent body.

In practice, the experience of communities who have tried to use the Accountability Mechanism has been far from satisfactory. Using the mechanism has been a long and complex process, which has not always been transparent or independent from project staff. Concerns raised through the Accountability Mechanism have yet to



A coalition of NGOs hosting a panel discussion on the ADB Safeguard Policies at the 2008 ADB AGM. Photo: NGO Forum on ADB

deliver any really satisfactory outcomes for affected people. Nevertheless, the mechanism is a formal procedure which the Bank must treat seriously, and therefore using it raises the profile of a particular case. The use of the Accountability Mechanism by communities affected by the Highway 1 project in Cambodia probably motivated the ADB to renew its attempts to find a solution to the communities' complaints (see case study below).

The ADB's Accountability Mechanism consists of two functions: a consultation phase and a compliance review phase. The consultation phase is intended to assist project-affected people with specific problems caused by ADB projects through a range of informal methods; with the consent and participation of all parties involved. This phase is run by a **Special Project Facilitator** (SPF) who reports to the ADB President. The Accountability Mechanism policy requires that all complaints must first be filed with this office.

However if the complainants feel that this process is unsatisfactory, they can choose to have their case addressed at the compliance review phase. This phase is carried out by the **Compliance Review Panel** (CRP), once certain procedures have been completed. The purpose of the compliance review phase is to determine whether the ADB has complied with its own policies, and if it has not, whether this has resulted in material damage to affected communities. If the **Compliance Review Panel** finds that the ADB has violated its policies, it makes recommendations to Bank Management as to how to address these violations. These could include recommendations that mistakes are corrected and people are compensated for damage. Unfortunately, however, the cases that have so far gone through this mechanism have not resulted in many positive changes for communities; as Management are not forced to follow the Panel's recommendations.

Before submitting their complaint, communities can seek advice and support from NGOs and civil society groups involved in monitoring ADB operations. It is very important that communities understand the ADB's **accountability** process and can make informed decisions when proceeding with certain complaints.

Complaints are accepted by mail, fax, email or hand delivery to the **SPF** at ADB headquarters. Complaints are also accepted at any ADB office such as a **Resident Mission or representative office**, who will forward them unopened to SPF in Manila.

⇒ To lodge a complaint write a letter to:

Special Project Facilitator
Asian Development Bank
6 ADB Avenue
Mandaluyong City
0401 Metro Manila, Philippines
Tel: +632 632 4825
Fax: +632 636 2490
Email: spf@adb.org

⇒ For specific queries relating to the compliance review phase/Compliance Review Panel, contact:

Secretary, Compliance Review Panel

Asian Development Bank

6 ADB Avenue

Mandaluyong City 1550

Philippines

Tel: +632 632 4149

Fax: +632 636 2088

Email crp@adb.org

⇒ For general queries relating to the ADB Accountability Mechanism, contact the Compliance Review Panel (see contact details above).

How to File a Claim with the Office of the Special Project Facilitator

In order to file a claim, complainants must first direct their request to the Office of the Special Project Facilitator (address on previous page).

Who is eligible?

Complaints to the Accountability Mechanism can be filed by:

1. any group of two or more people (such as an organisation, association or group of individuals) who are being directly affected, or are likely to be affected by, an ADB-assisted public or private sector project located in their borrowing member country, or a member country adjacent to their country
2. a local representative, such as a non-governmental organisation (NGO), who files on behalf of a directly affected community. There must be proof that the representative has been authorised by that community to file the complaint
3. in exceptional cases where local representation is not available, such as in countries where local NGOs are not allowed to operate, or where there is fear of government retaliation, a non-local representative can file on behalf of a directly affected community. There must be proof that the representative has been authorised by that community to file the complaint. The SPF must agree to this representative.

Complainants can request that their identities be kept confidential. In such cases, their identities will be kept secret, even from other Bank staff. The SPF cannot accept anonymous complaints.

Complaints must be submitted in writing and be specifically addressed to the Special Project Facilitator. They can be sent by mail, facsimile, electronic mail or hand delivery to the SPF at ADB headquarters. They can also be sent to any ADB resident mission or representative office, which will forward the complaint to the SPF (see BIC's ADB webpage for Bank contact information). Complaints can be submitted in any of the official or national languages of the ADB's Developing Member Countries (DMCs).

What must be stated in a complaint to the SPF?

A complaint must include:

1. A statement that the complainant is, or is likely to be, directly harmed by an ADB project
2. A statement that the harm is, or will be, caused by the ADB's actions or omissions

3. A description of the harmful effects
4. The identity and contact information of the complainant, and if applicable, of any representative
5. In cases where the complaint is filed by a representative on behalf of a community, proof of the representative's authority. The affected community can either sign the claim itself or provide written authorisation designating their representative to act on their behalf.
6. A brief description of the project, including the name and location if available
7. The ways in which the complainant would like the ADB to help
8. A description of prior steps taken by the affected community to raise their concerns with Bank management

If any of the above information cannot be provided, the complainant should explain why.

Tracking the SPF Process

See the following webpage on the ADB website for an outline of the consultation process for an SPF complaint:
www.adb.org/SPF/consultation_process.asp

How to File a Claim with the Compliance Review Panel

Who is eligible?

Anyone who meets the eligibility requirements for filing a claim with the SPF, and has done so, is eligible to file a claim with the CRP.

If the SPF has already found the case to be eligible, it is automatically eligible under the CRP as well. If the SPF has found the case to be ineligible, the CRP determines independently whether the request for compliance review meets the CRP's eligibility criteria.

For more information on using the ADB's Accountability Mechanism, see:

NGO Forum & Bank Information Center 2005, Unpacking the ADB: A Guide to Understanding the Asian Development Bank, 2nd edition, pp. 26-35, available at: <http://www.forum-adb.org/Publications/Toolkits.html>

Why should I file a claim with the CRP if I have already filed a complaint with the SPF?

Complainants may wish to file a claim with the CRP if one of the following things occurs during the SPF process:

- The SPF finds the complaint to be ineligible
- The complainant is not satisfied with the SPF's assessment of the case and the proposed problem-solving method
- If, during the time in which the problem-solving method is being carried out, the complainant is not satisfied with its results and wishes to walk away from the consultation phase
- If, during the time in which the problem-solving method is being carried out, the complainant is satisfied with the results but believes there are serious ADB policy violations that should be addressed, the complainant can file a claim with the CRP whilst continuing to participate in the problem-solving method



What must be stated in a complaint to the CRP?

A complaint to the CRP should include the same information that would be submitted in a claim to the SPF. Although complainants are not required to cite specific policies that they believe the ADB has not complied with, they may choose to do so.

See the following on the ADB website:

- Compliance Review Panel Operating Procedures, Asian Development Bank, June 5, 2004, available at: www.compliance.adb.org Also available in other languages.
- ADB Accountability Mechanism informational brochure, available at: www.compliance.adb.org

Source: Bank Information Center: <http://www.bicusa.org/en/Issue.Concerns.15.aspx>

5.8 Reporting ADB projects involved in corruption

The ADB defines corruption in short “the abuse of public or private office for personal gain”.¹⁹ This means any behaviour in the public or private sectors where people enrich themselves or those close to them, or influence others to do so, by misusing their official position.

The purpose of ADB's Anticorruption Policy, approved in July 1998, was to reduce the burden corruption has on governments and economies of the region. The policy has three objectives: to support competitive markets and effective public administration; to support anticorruption efforts; and to make sure ADB-financed projects and ADB staff adhere to the highest ethical standards.

To better handle cases of corruption, the Bank's Anticorruption Policy (1998) was updated in November 2004. The Anticorruption Unit (for investigating cases) was renamed the ‘Integrity Division (OAGI)’ and elevated under the

Office of the Auditor General. A new staff position of Director for the Division was created. This webpage contains the updated information and instructions on how to file a complaint:

<http://www.adb.org/Integrity/default.asp>

Corruption & fraud - what to report

Anyone who believes, or has evidence that, fraud or corruption may have occurred, or is occurring, in relation to any ADB-financed activity should report that information to the Integrity Division (OAGI).

Allegations may be reported with attribution or anonymously. However anonymous reports are much harder to investigate as it may be more difficult to ascertain what the truth is. Anyone making an allegation is encouraged to provide some means by which the OAGI is able to communicate with them.

OAGI strictly honors confidentiality, and will not reveal the identity of any person making an allegation or any source of information without express authorisation.

To report allegations, provide as much information and detail as possible, including who, what, when, where, why and how. For example:

- Who do you think committed the corruption or fraud? Who else was implicated? Who else might have been involved?
- What happened? Describe the events fully and using as much relevant detail as possible.
- When did it happen? Provide dates, times, and the number of times something occurred.
- Where did it happen? Include not only the city and country, but, if possible, an actual address, the name of the building and/or the office number.
- How does your allegation relate to ADB business? Were ADB staff involved?

If you have documents, photographs or other physical evidence of the alleged fraud or corruption, send that information to the OAGI; either with your report or separately.

See how to report allegations of fraud and corruption on the ADB website at: <http://www.adb.org/Integrity/howto.asp>.

Source: ADB <http://www.adb.org/Integrity/whatto.asp>



Local market in Xan Beno, Laos. The GMS program promotes cross-border trade. Photo: Jonathan Cornford/OxfamAus

THE GMS PROGRAM IN DETAIL

- 6. What are the ideas behind the
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- 10. What are the GMS Program's
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- 14. Further reading**

CHAPTER 6

What are the ideas behind the GMS Program?

The GMS Program was started by the ADB but over time has gained wide support from Mekong governments and bilateral donors. There have been many changes in activities and structures, but the basic ideas behind the program have stayed the same.

The GMS Program relies on the ADB's general belief that poverty can be reduced through macro-economic growth, and that if you focus on pursuing economic growth, social benefits will flow to the poorest and most marginalised men and women in GMS countries.

Looking at the GMS Program at a regional level, the ADB believes that closer cooperation in the four areas of:

- trade and investment expansion;
- financial market development;
- **regional macroeconomic** and financial stability; and
- improved environmental, health and social conditions

is the best way to promote economic growth and therefore reduce poverty.

These four outcomes, known as the program's "four strategic pillars", are the central focuses of the GMS Program. The "pillars" form the basis of the Regional Cooperation Strategic Plan, the GMS Program's most important planning document.

What are the key concepts of the GMS Program?

The ADB has a **neoliberal** approach to economic development in the Mekong and uses a number of key concepts in the GMS Program's documentation and planning.

About Neoliberalism

Neoliberalism is an approach to economics based on the idea that free markets (markets without government interference) result in the most efficient and **rational** allocation of resources. In this theory, the private sector is considered best placed to promote economic growth and to provide public services. Neo-liberal economists often promote the **privatisation** of public services such as water, gas and electricity. Neo-liberalism has led to the GMS Program's emphasis on private sector investment in the region.

The ADB says that there are a lot of benefits to this approach. By encouraging private sector investment in their preferred projects, the ADB can make its own money stretch further. In many cases, the ADB will not actually fund private sector companies, but will provide them with risk guarantees (which are, in very simplified terms,

a promise to cover losses if the project goes wrong). This way of working enables the ADB to tap into the huge amounts of capital that private sector companies can provide.

Pursuing regional integration through private sector involvement under the GMS Program means that non-ADB agencies and national governments must play a significant role in encouraging the level of private sector engagement needed. Greater private sector involvement also creates challenges for transparency and **accountability** of projects.

3Cs: 'competitiveness', 'connectivity', 'community'

Under the model of the GMS Program, physical **connectivity** means developing infrastructure such as roads, rail, water and air transport networks between the Mekong countries. It also means developing better communications systems and shared power resources.

The GMS Program argues that this connectivity results in greater competition between companies and organisations who try to win contracts to provide services. The program also thinks that more connectivity will create bigger markets — specifically, a region-wide market — and will make companies deliver services in a more efficient way. Another result could be, according to the program, more trade and investment in, and between, countries of the Mekong; as goods, services and people are able to move more freely around the region.

Increased competition, under the GMS Program, is thought to then lead to a greater sense of **community**, as Mekong governments come together to address issues of common concern such as the environment or social problems.

The Bank recognises that this model of economic development has negative side effects. But it believes that these side effects can be overcome by designing and funding special social and environmental conservation programs. This, it believes, can make sure that the worst effects and major risks of GMS projects are dealt with. However there is a lot of debate and discussion as to whether this approach to resolving the negative side effects of GMS programming really works.

'Regional Integration' and 'Regional Cooperation'

Regional integration means a "process by which economies in a region become more interconnected" in a common market system. A **common market system** means a region-wide market system based on national systems that have **harmonised** (made to look similar) all their important policies on trade and investment.

The ADB is very involved in helping establish a **common market system** in the Mekong — where goods and services can be traded between countries just as easily as they can be traded inside a given country.

Regional cooperation refers to collective policies and initiatives undertaken by Mekong governments.

'Poverty Reduction'

According to the ADB, poverty is "a lack of access to essential goods, services, assets, and opportunities to which every human being is entitled. Everyone should be free from hunger, should be able to live in peace, and should have access to basic education and primary health care services. Poor households need to sustain themselves by their labour and be reasonably rewarded and should have a degree of protection from external shocks (like

Question:

Based on your own experience and observations, what are the causes of poverty in the Mekong region? What barriers exist to reducing poverty?

high inflation of prices). In addition, individuals and societies are also poor—and tend to remain so—if they are not empowered to participate in making the decisions that shape their lives”.²⁰

The ADB states in its enhanced poverty reduction strategy that all bank operations should contribute either directly or indirectly to reducing poverty. The ADB strategy also says that it's important to achieve the Millennium Development Goals (MDGs).

Under its 1999 poverty reduction strategy, the ADB committed to ensuring 40% of all public spending went towards 'poverty interventions'. Under this strategy it was understood that a significant proportion of the Bank's projects should have a direct and positive impact on the poor. However the 40% requirement was dropped after a poverty reduction strategy review in 2004. The Bank claimed that this target was discontinued as the review found that project staff were attempting to 'add on' unrealistic and unachievable poverty-focussed projects as afterthoughts.

The Millennium Development Goals

Goal 1: reduce extreme poverty and hunger by half

Goal 2: achieve universal primary education

Goal 3: promote gender equality and empower women

Goal 4: reduce child deaths by two-thirds for children under five

Goal 5: reduce maternal deaths by three-quarters

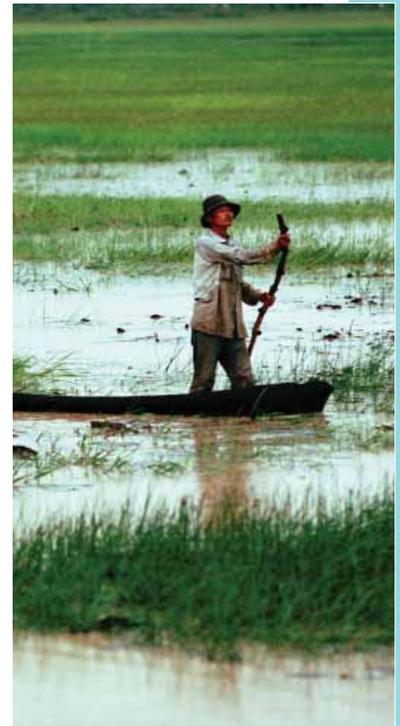
Goal 6: stop and reverse the spread of HIV and AIDS, malaria and other major diseases

Goal 7: ensure environmental sustainability

Goal 8: develop a global partnership for development

These goals were adopted in 2000 and should be achieved by 2015.

Rice farmer in Cambodia.
Photo: David Sproule/OxfamAUS



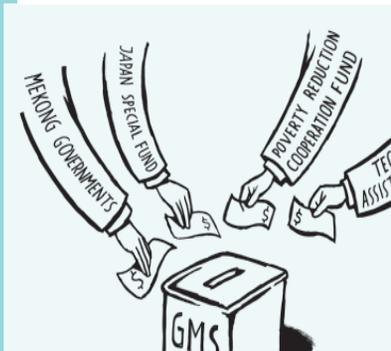
CHAPTER 7

Where does the GMS Program get its money from?

The ADB finances the GMS Program from a number of sources within the Bank, as well as facilitating private sector investment and involvement. It provides various financial incentives to make investment in GMS projects more attractive. This chapter outlines the sources of funds within the ADB used to finance GMS projects. It also details how the ADB facilitates private sector investment.

Asian Development Fund

The Asian Development Fund (ADF) makes low interest loans to the least developed borrowing member governments of the ADB. Funds are contributed by donor governments who decide how much to add to the fund every four years. In 2004, donor governments agreed that 5% of ADF money could be used for subregional programs and projects, rather than country-specific activities.



In the Mekong region, Laos, Vietnam and Cambodia are able to access these funds. Because an eligible country can access funds through both subregional and country allocations, GMS projects can be financed through ADF funds.

Ordinary Capital Resources

Most of the ADB's lending happens through ordinary capital resources which are made up of capital market borrowings. This lending is paid in capital (money) and provided by the Bank's members and reserves. Loans are usually made to developing member countries with higher economic development and sometimes to the private sector.

These kinds of loans have terms similar to those in the commercial market — where the ADB attaches conditions and interest rates similar to those used by private banks in their public lending. The Bank generally uses market terms for private sector loans. Some small aspects of lending are concessional. This means that the length of a loan tends to be longer; repayments tend to be smaller; and/or the payments tend to be spread over a longer period of time.

Special Funds

- a. **Technical Assistance Special Fund** : TASF provides grants for Technical Assistance. Developed and developing member countries add resources to this fund. Sometimes the ADF also allocates money to this fund.
- b. **Poverty Reduction Fund**: The ADB has three poverty funds. These funds provide support for social development activities and ADB's sponsored poverty reduction projects.
 - The Japan Fund for Poverty Reduction provides untied grants to developing member countries.
 - The Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction

Strategies (NPRS) was set up with funds from the Netherlands Government

- The Poverty Reduction Cooperation Fund (PRF) was set up with the support of the UK Department for International Development (DFID).

- c. PRC Regional Cooperation & Poverty Reduction Fund:** China contributed \$20 million to this fund in 2005 to promote 'regional cooperation and poverty reduction'.

Co-Financing

Development partners play an important role in financing the GMS Program's activities through **co-financing**. This means that the ADB provides some of its own money for projects, but also arranges for other institutions to provide funding. The ADB does this to ensure that very large regional infrastructure projects have enough funding. Private sector companies wanting to invest in GMS projects like the idea that the ADB is a partner in the project.

Co-financing occurs in four ways:

1. **Parallel financing** is when projects are split into separate components, each to be financed separately by ADB or other lenders
2. **Joint financing** is where funds are pooled with other agencies and organisations to provide for project requirements
3. **Standby financing** occurs when the ADB funds a project in entirety until additional funding becomes available. When these funds are obtained, the part of the ADB loan covered by the funds is cancelled
4. **Channel financing** is when co-financers provide untied funds to the ADB for to disburse as loans or technical assistance.

ADB actively promotes the GMS Program to other international financial institutions as well as the private sector (discussed in greater detail below). It also encourages participation by bilateral donor agencies and United Nations agencies in financing projects.

The ADB tries to get support from these donors at **Development Partners Meetings**. These meetings have been held annually since 2003 as part of ministerial meetings or sometimes as single events. They are organised by the ADB.

Private Sector Investment

To help promote greater private sector investment in GMS projects, the ADB developed a number of mechanisms in order to build the confidence of investors who might find some infrastructure projects economically and/or politically risky.

Specifically, the Bank issues:

- **Political Risk Guarantees:** These guarantees give protection to private investors by the ADB agreeing to pay all, or part of, project debt repayments in situations of political unrest.
- **Partial Credit Guarantees:** These guarantees insure private investors against commercial and political risks for only a part of a borrower's debt repayments.
- **Complementary Financing Scheme:** This scheme sells participation in a loan to private enterprises, but the loan is made in the ADB's name and receives the benefit of ADB's privileges and immunities (for example, the immunity from prosecution under international or national laws).²¹

These special guarantees and schemes are provided for projects in which ADB directly participates and which meet ADB's development objectives.

In addition, the ADB provides **equity investments** and **non-sovereign loans**. Equity investments are the buying and holding of shares of stock on a stock market by individuals and funds in anticipation of income and increases in the value of stock. Non-sovereign loans are loans that are made from ordinary ADB sources to private companies or organisations, not governments.

ADB states that its involvement in privately financed projects helps add value for private investors through: improved corporate governance; reduced environmental and social risk; better loan terms and financial structures; and mutually beneficial concession contracts.²²

How does the Bank try to get more private sector involvement?

Mekong Development Forums

The ADB hosted five Mekong Development Forums between 2004 and 2006 in India, Japan, Singapore, France and Sweden. The forums involved potential investors in the region, as well as representatives from government and chambers of commerce. Some civil society actors also participated at the invitation of the Bank. Business communities were briefed on opportunities for trade and investment in the GMS, as well as specific projects or sectors where collaboration between governments and private sector could occur. These included the areas of infrastructure (transport, energy) and tourism, as well as the trade and investment sectors.

GMS Business Forum

The GMS Business Forum, established in 2000 and based in Vientiane, is a joint initiative of the National Chambers of Commerce of the six Mekong countries. The Business Forum coordinates activities under the GMS' private sector participation initiative. The Forum acts as a major channel of communication between the private sector and the GMS governments. The Forum's website provides information for potential investors in the region on government policies, laws, regulations and contacts.

The Forum has hosted a number of conferences to highlight opportunities in the region. These have included two conferences on opportunities in the East-West Economic Corridors, and one each on Small-Medium Enterprises, mining, international accounting standards and agro-business development in the GMS.

Private Public Partnerships

Under private-public arrangements both private and public sectors provide finance and share risks for GMS projects. The involvement of governments means greater stability for the private sector. This approach is a way of filling 'resource gaps' in the GMS Program and reducing risks for private investors. ADB facilitates PPPs by: developing an 'enabling environment' for private investment; preparing projects for financing; and direct financing of projects. The ADB may provide support for such projects through loans to governments, the private sector or both.

Two private-public partnership projects have been financed under the GMS Program to date—the Theun Hinboun Dam and the Nam Theun 2 Dam. The ADB is supporting a number of PPPs for other country-based projects. These projects range from power generation and transmission, to water supply and urban transport. While the ADB promotes this way of financing infrastructure development in the GMS region, some Mekong governments remain cautious about them. These governments may not have a good understanding of how the financing works or might have philosophical objections.

22

Verbiest, J-P., 2006, Infrastructure PPP Projects: Financing & Risk Mitigation Instruments of the Asian Development Bank, Thailand Resident Mission, Asian Development Bank, November, available at: <http://www.businessenvironment.org/dyn/be/docs/132/Day2PlenaryVerbiest.pdf>

CHAPTER 8

What are the key structures of the GMS Program?

The GMS Program has a large number of groups, forums and structures. The following information outlines the most important of these, both within and outside the Bank.

Inside the ADB

The GMS Secretariat

The GMS Program is coordinated by a central GMS Secretariat based in the Southeast Asia Department at the ADB's headquarters in Manila. The central GMS Secretariat works in close coordination with the GMS National Coordinators/Secretariats as well as with the different sector working groups and forums. This interaction occurs through the designated focal persons/coordinators in the six GMS countries of the specific sector working groups. However the tourism and environment sectors have their own secretariats based in Thailand.

The role of the GMS Secretariat is to provide a stable, organised 'home' for all activities under the GMS Program. The Secretariat is responsible for making sure that the overall program comes together.

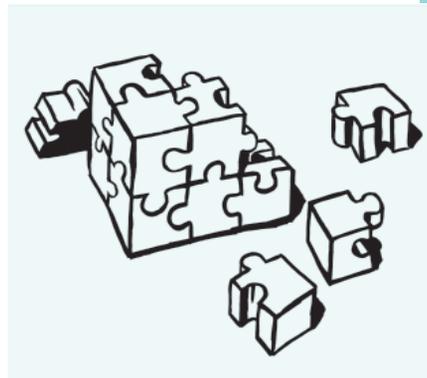
The head of the GMS Secretariat is the director of the Regional Cooperation and Country Coordination Division of the ADB's Southeast Asia Department. The Secretariat also has a: senior regional cooperation economist, programs economist, associate programs analyst and a number of consultants. The Regional Cooperation and Country Coordination Division makes sure that the country and regional strategies all fit together.

ADB Southeast Asia Department

In addition to the Regional Cooperation and Country Coordination Division, four other divisions within the Southeast Asia Department supervise activities in different sectors. These are the Infrastructure Division; the Agriculture, Environment and Natural Resources Division; the Social Sectors Division; and the Governance, Finance and Trade Division. Each division is responsible for managing one or more sectors and has responsibility for co-chairing the working group or forum for that sector. Division staff are responsible for overseeing both strategic planning and project implementation activities.

ADB Resident Missions

Resident Missions, located in each of the GMS countries (except Burma/Myanmar), play a role in supporting and carrying out the GMS Program. The Thai Resident Mission, established in 2005, plays an additional role in networking, communications and supporting subregional initiatives under the GMS Program. It is unclear whether the Thai Resident Mission, as a regional office, plays a more significant role in overall program coordination than the other resident missions in GMS countries.



Outside of the ADB

GMS Summits

The first GMS Summit was held in Phnom Penh, Cambodia, in 2002. The Summit has now become a regular feature of the GMS landscape, with the second Summit being hosted in Kunming, China, in 2005 and a third hosted in Vientiane, Laos, in 2008. The governments themselves proposed holding such a summit, and the ADB was later asked to participate.

The host country for each GMS Summit also chairs the Summit and determines the agenda in consultation with the other GMS governments. The GMS Summits provide an opportunity for endorsement of frameworks, programs and agendas by the highest levels of government within the GMS.

GMS Ministerial Conference

The GMS Ministerial Conference is the policy level body of the GMS Program and is attended by ministers from a range of GMS countries' national departments.

The meeting discusses and reviews proposals and program progress as well as next steps in the GMS Program. Prior to 2002, GMS Ministerial Conferences occurred on an annual basis. However recently, since the establishment of the GMS Summit, and with five Mekong Development Forums held in 2004-2006, the Conferences have been held on a less regular basis.

Senior Officials' Meetings

Senior Officials' Meetings (SOM) review progress in the GMS Program's sectoral activities; determine issues that may require ministerial attention; and report to the GMS Ministerial Conferences.

Representatives at the Senior Officials Meeting include the GMS National Coordinator of each GMS government plus representatives from relevant line ministries.

These meetings are held two or three times a year, usually alongside a ministerial meeting or GMS Summit, or as needed. Whilst some Senior Officials Meetings have covered activities under all sectors, others have been sector specific. For example, a SOM was held to discuss the core environment program and activities under that sector during an environment ministers' meeting in May 2005.

Since 2004, Senior Officials' Meetings have been assessing proposals and developments in the sectors, in part aided by the Plan of Action (PoA) and its status reports. The GMS PoA provides a timeline for the GMS Program's activities and has an accompanying status report that indicates progress according to the timeline.

National Coordinators & Committees

GMS National Coordinators are responsible for overseeing all GMS Program-related activities in their country. They work in coordination with the GMS Secretariat at the ADB and with members of each working group within their own country. National Coordinators sometimes also work with a National Committee, comprised of high level public servants involved in GMS sector programs.

Sector Forums & Working Groups

Sector forums and working groups coordinate the development of programs and activities under their respective sectors. These groups are comprised of senior officials from each GMS country of the relevant sectoral line

agencies. While these groups are the most active level of governance in the program in terms of day-to-day decision-making, each country representative will report and respond to other levels of government as well. These groups have the capacity to screen and/or propose various projects, but ultimate decisions are made higher up the hierarchy.

Working groups and forums meet on a flexible 'needs' basis, depending on the priorities and activities going on in their sector at any one time. The ADB generally co-chairs working group and forum meetings, alongside the host government. Different ADB divisions provide support to the different working groups and forums under the GMS Program. Generally, the co-hosting of such meetings by GMS governments is rotated between countries in alphabetical order.

Environment Operations Centre

The Environment Operations Center (EOC) was established in 2006 as a central location for information and knowledge on environmental management in the GMS Program. Located in Bangkok, the EOC manages the GMS Core Environment Program and acts as a secretariat to the Working Group on Environment. It is also responsible for the GMS Program's: environmental information and knowledge management; conservation; sustainable development design; environmental assessment and oversight; and coordination and connection with different stakeholders (EOC website). The EOC has their own website,²³ and publishes their own newsletter. EOC staff are hired independently of the ADB. One of the core components of the EOC is the Core Environment Project (CEP).²⁴ The CEP is meant to ensure that large-scale infrastructure projects under the GMS Program are environmentally sustainable.

Mekong Tourism Office

The Mekong Tourism Office is located in Bangkok and was set up in 2006 with the support of the GMS Tourism Working Group. This working group supports the development of tourism projects in the region and promotes the subregion as a 'single tourist destination'. The Mekong Tourism Office has its own website,²⁵ which acts as an information source for industry and government, as well as providing secretariat support to the Tourism Working Group.



Woman farming in Vientiane Province in Laos.
Photo: Jerry Galea/OxfamAUS

23 Information available at: <http://www.gms-eoc.org>

24 Information available at: <http://www.adb.org/Projects/core-environment-program/cep.asp>

25 Information available at: <http://www.mekongtourism.org>

CHAPTER 9

How are decisions made?

It is not always clear how decisions are made for the GMS Program.

Most decisions concerning GMS Program planning and policy happen at different GMS government meetings. Some decisions are made at working groups and sector forums, while others are made at Senior Officials' Meetings or at the ministerial level. Since 2002 some important decisions, like those about the direction and priorities of the program, have been made by heads of government at the GMS Summits.

The general process for decision making is that working groups/forums first develop detailed sector strategies, action plans and projects. These detailed plans are then passed on to Senior Officials' Meetings for review, before being endorsed at GMS ministerial meetings or Summits. Projects or activities can be proposed or prevented by GMS country representatives at any stage of the process. (See Chapter 8 for key program structures)

General Principles - 'Flexibility' & 'Ownership'

Flexibility is the key principle guiding decision making under the GMS Program.

In terms of planning and financing, the flexibility principle means that there is no strict model for determining how different projects or program activities are funded. The ADB sources money from a range of sources. Some programs are almost fully financed by donor country as 'development partners', while others are part ADB, part government and/or part donor funded. Still others are either partly or entirely funded by the private sector. Arrangements tend to be on a project-by-project basis depending on the different interests of donors. Other considerations, such as whether private sector involvement is practical and the degree of government interest, are also taken into account.

Another important principle guiding decision making, is the 'ownership' principle. This means that the GMS Program only pursues projects that have a high degree of ownership from two or more Mekong governments.

Practical Realities

Whilst flexibility has allowed the ADB to capitalise on opportunities for financing GMS projects as they arise, it also has its drawbacks. A lack of consistent rules has meant the program has developed in a haphazard manner. It has made it difficult for stakeholders outside of the ADB to understand, or even find, information about certain projects and processes within the program. Also, without a clear direction and framework, the GMS Program has sometimes resulted in projects that work against the stated goals of ADB country strategies.

(See Chapter 4: Core Environment Program).

Affected Community & NGO Involvement

Whilst ADB and GMS governments are the main actors in the GMS Program, the role of other stakeholders, particularly in decision making structures, is unclear. Civil society groups have long criticised the Bank and the

GMS Program for being closed to ordinary citizens and civil society groups in the region. The Bank, and the GMS Program, is particularly inaccessible to the people who are most impacted by GMS projects.

While consultations are held in relation to some activities under the GMS Program, and planning meetings include actors beyond the Bank and government representatives, consultation is often superficial. Meetings are also limited to selected international organisations and civil society groups.

Subsistence communities of farmers, fisher folk and forest dwellers who are, or will be, impacted by various GMS projects, often know little about the GMS Program or its projects.

With a lack of knowledge and understanding of the GMS Program, it is questionable as to what extent the program can meaningfully respond to the needs and wishes of these ordinary people.

Attending an ADB Consultation

It is useful to ask yourself, “Will attending an ADB consultation help attain our campaign objectives?”

You may want to communicate with the ADB in order to influence a project they are supporting or to try to change an ADB policy. However joining a consultation organised by the ADB may not always be the best way to achieve your goal. The ADB sets the rules for such meetings and these might prevent you from expressing your opinion properly.

In some cases, NGOs have organised their own meetings and invited ADB representatives to join in. This can help create a more equal relationship between bank staff and the community; as well as a more open discussion.

For example, the Fisheries Action Coalition Team (FACT) in Cambodia organised a Community Fisheries Forum in 2005 to discuss the ADB’s Tonle Sap Environmental Management Project (TSEMP) with ADB staff. Structured presentations, followed by an open discussion forum, helped NGOs and fisher community representatives to advocate for a better approach to community fisheries directly to ADB staff.

Some NGOs attending an ADB consultation have insisted that minutes be taken and approved by everyone who attends; even before agreeing to attend. For example, when the members of the NGO Forum on the ADB wanted to talk to the ADB about its “Water for All” policy in 2005, there was a big discussion with ADB staff beforehand over the format and output of the consultation meeting. This approach avoids the frustration of NGO messages being misrepresented after the meeting. It also avoids the ADB claiming that you have been consulted, when in actual fact your concerns were not properly heard or addressed during the consultation.

Carefully researching and thinking through your issues well in advance of a consultation will help ensure that you have good arguments. Holding pre-meetings with your allies — community-based organisations, civil society groups and academics — can be a good way to make sure that any differences can be resolved before the meeting. However the ADB can often make planning for a consultation quite difficult by not disclosing consultation documents before the meeting, and not providing documents in the local language(s). Occasionally, ADB staff may request a meeting to discuss an issue that you are working on at short notice. This meeting then later appears in official project documents as a consultation. When an ADB representative contacts you for such a meeting, make sure you tell them that the meeting is not a consultation. However this could make it difficult to get proper consultations later on.

Finally, remember that official ADB consultations are only one way of influencing an ADB project or policy. Consultations can sometimes be used effectively; but they are only one part of your advocacy strategy. Depending on your advocacy objectives, you may also want to work with the media, write letters or discuss issues directly with the ADB’s Board of Directors.

Source: Carl Middleton, International Rivers

CHAPTER 10

What are the GMS key sectors and projects?

Agriculture

Purpose: to create: more income from agriculture; greater trade in agricultural goods and services; and greater sharing of agricultural benefits between Mekong countries.

Working Group: Working Group on Agriculture

The Agriculture Sector Working Group prepared a GMS Strategic Framework for Subregional Cooperation in Agriculture and a Core Agriculture Support Program (CASP).²⁶ The CASP has five important parts: (i) facilitating cross-border agricultural trade and investment; (ii) promoting public-private partnerships in sharing agricultural information; (iii) enhancing capacity in agricultural science and technology; (iv) establishing emergency response mechanisms for agriculture and natural resources; and (v) strengthening institutional linkages and mechanisms for cooperation. The Strategic Framework and CASP for years 2006-2010 were endorsed by the Agriculture Ministers of the GMS countries at a meeting held in Beijing, China, during April 2007.

Energy

Purpose: to pursue opportunities for cooperating in electrical energy; including the implementation of power projects among GMS countries.

Working Group: Energy Sector Forum

The ADB has financed three loan projects for hydropower developments under this sector as well as 10 TAs related to power trade, interconnection and transmission. The three dams that have been financed are the Theun Hinboun Hydropower Project, Nam Luek Hydropower Project and Nam Theun 2. Future plans in this sector include development of an energy sector strategy and regional power trade and interconnection scheme.

A range of other projects are listed under this sector. A rural electrification project is planned along the east-west economic corridor, while gas pipelines associated with the southern and east-west economic corridors are also identified as future projects. A number of transmission systems upgrades and interconnection projects are planned around the region. Oil and gas-fired power plants and other hydropower projects are planned for China, Vietnam and Cambodia.

Environment

Purpose: to ensure that environmental issues, especially in large infrastructure projects under the GMS Program, are addressed; and to get cooperation from Mekong governments on natural resource management issues.



Working Group: Working Group on Environment

The Strategic Environmental Framework (SEF) and the Core Environment Program (CEP) are the best known environmental programs. Both try to address environmental issues in other sectors of the GMS Program. To do this, staff from the Working Group on Environment participate in other sectoral groups and forums.

The Biodiversity Conservation Initiative is a major part of the CEP. It creates conservation corridors so that species can move freely across borders, and eco-systems can be protected in areas that are likely to be impacted by large infrastructure projects.

Human Resource Development

Purpose: to set up training and capacity building programs in sectors of the GMS Program.

Working Group: Working Group on Human Resource Development

The GMS Phnom Penh Plan for Development Management (PPP),²⁷ a major initiative under this sector, aims to: strengthen technical capacity of middle and senior officials in the GMS Program; improve capacity to manage development programs; and develop knowledge sharing across GMS countries. This sector includes: a fellowship program, a distinguished speaker series, a Public Private Partnership (PPP) learning resource centre, alumni networks and learning programs in areas of leadership and general development management.

Investment

Purpose: to make it easier for investors from one Mekong country to invest in another Mekong country.

Working Group: Subregional Investment Working Group

The 2005 GMS Summit endorsed a Strategic Framework for Action on Trade Facilitation and Investment²⁸ which included an agreement to cooperate in developing smoother customs procedures; including inspection and quarantine systems. The leaders also agreed to create better systems to facilitate trade and the travel of business people in and out of their countries.

Telecommunications

Purpose: to develop facilities, policies and regulations for integrated telecommunications in the Mekong.

Working Group: Subregional Telecommunications Forum

The flagship project of this sector aims to expand telecommunications networks and to connect national networks to each other. The project is seeking to attract private investment in national telecommunications networks.

Tourism

Purpose: to provide direction for, and assist, regional tourism initiatives in the Mekong

Working Group: Tourism Working Group

The Mekong Tourism Development Project²⁹ has been the only project in this sector. It was designed to develop the tourism sector in the lower Mekong Basin by funding airport upgrades, community-based tourism, better marketing and promotion. It also focused on finding ways for tourists to travel with fewer restrictions. The Mekong Tourism Office was established under this project. Based in Bangkok, it coordinates projects and promotes the region as 'one destination'.

27 ADB 2007, Phnom Penh Plan for Development Management, available at: <http://www.adb.org/GMS/phnom-penh-plan/default.asp>

28 ADB 2005, Strategic Framework for Action on Trade Facilitation and Investment in the Greater Mekong Subregion, available at: <http://gjs.mofcom.gov.cn/accessory/200606/1151484908116.doc>

29 ADB 2002, Mekong Tourism Development Program Loans 1969,1970,1971, available at: <http://www.adb.org/GMS/projects/loan-1969-1970-1971.asp>

Trade

Purpose: to help Mekong countries achieve economic growth through increased trade.

Working Group: Trade Facilitation Working Group

This sector is not very active and tends to work with the investment working group. Together, they have carried out a number of projects involving the GMS Business Forum.

Transport

Purpose: to develop regional transport infrastructure in order to facilitate trade and investment in the Mekong.

Working Group: Subregional Transport Forum

With 10 loans and over 20 TAs, the transport sector is the largest GMS program. Most projects in this sector come under three 'economic corridors' of the GMS Program (see Flagship Programs below). Recent action has focused on the GMS Cross Border Transport Agreement (CBTA)³⁰ and the Transport Sector Strategy Study.

The CBTA aims to simplify procedures for the transport of goods and people in the region. It does this by developing better customs inspection, immigration and traffic rules, road signs and signals. The Transport Sector Strategy Study (TSSS)³¹, running from 2006 to 2015, sets out plans to finish the GMS transport network and improve links with other transport networks in South Asia. These new links are aimed at reducing transport costs and encouraging more trade. Plans for more than 150 investment projects are outlined in the TSSS, some as part

of the economic corridors.

Flagship (multi-sector) programs

According to the ADB, economic corridors aid the interconnection of national markets in the Mekong region. They also help the flow of goods, services, people, finance and information. The three GMS Economic Corridor projects - the East-West Corridor, the North-South Corridor and the Southern Economic Corridor - are the most prominent. While these initiatives started off as just transport sector projects, they now include initiatives from many sectors. Nearly every sector has some projects related to the flagship economic corridors.

Questions to think about for civil society groups

- Where can you see the positive or negative impacts of the GMS Program's sector activities?
- Which sector activities are most visible in your country?
- Which sector activities have a positive impact on people?
- Which sector activities have the worst impacts on people?

Greater Mekong Subregion Economic Corridors, ADB, North-South Economic Corridor, p. 5, Jun 2005.

Permission to use this map was sought from ADB but not response received.



³⁰ ADB 2007, GMS Cross-Border Transport Agreement, available at: <http://www.adb.org/GMS/agreement.asp>

³¹ ADB 2006, TA 6195-REG: GMS Transport Sector Strategy Study, Workshop on the revised draft final form (Session 1), available at <http://www.adb.org/GMS/stf10-session1.pdf>

CHAPTER 11

What are the most important documents of the GMS Program?

Regional Cooperation Strategic Plan

The Regional Cooperation Strategic Plan (RCSP) is a 'living document' — meaning that it is regularly updated and frequently used. It expands on the four strategic pillars of the GMS Program.

Updates are prepared on a yearly basis to reflect changes in the GMS Program. Updates normally have information on recent development trends and issues as well as which activities have been implemented under the plan, and how effective these activities have been.

In the update's appendix, the ADB provides a list of social, environmental and economic indicators for the Mekong region. The appendix also has maps, information about grants and loans made under the program and plans for future activities.

To access the most recent updates, see: <http://www.adb.org/GMS/strategy.asp>

GMS Plan of Action

The first GMS Plan of Action (PoA) was developed by GMS ministers after the 2004 GMS Ministerial Conference. It set a medium-term timeline, or schedule of activities, for the GMS Program.

The PoA now defines program **priority** projects and general timeframes within which they will be implemented.

Status reports on the PoA are available. These reports generally include information on which project activities are being worked on in each sector and provide information on follow-up action required to complete programs.

The different colours in the Plan of Action tell you whether projects are completed, ongoing/under progress or still to be initiated or commenced.

To access the latest PoA, see: <http://www.adb.org/GMS/plan.asp>

CHAPTER 12

What are the future plans for the GMS Program?

The third GMS Summit was held in Vientiane, Lao PDR in March 2008, with the theme “Enhancing Competitiveness through Greater Connectivity”. The six GMS Leaders discussed ways to deepen economic cooperation. Leaders argued that increasing regional connectivity would help expand markets, improve access to social services and protect the environment. Heads of governments and the President of the ADB proclaimed in a joint statement that, “the significant reduction in the incidence of poverty in our subregion since 1992 is a remarkable outcome. While many factors contributed to this development, the GMS Program has certainly been a key element in reducing poverty, a goal which remains at the core of our development efforts”.

In 2008 the Bank boosted efforts to facilitate private sector development. A key side-event at the 2008 Summit was the GMS Business and Investment Dialogue (BID). Attended by representatives of the GMS business community and international corporations with business operations in the GMS, the discussion included how to address key challenges in trade and investment in the GMS.

Since the 2008 Summit, the ADB has been increasing its focus on infrastructure development, especially in the transport and energy sectors. The GMS Program is likely to continue and intensify its overall approach, with no changes in strategy to address the rising social inequality and environmental concerns in the region.

The GMS Program still lacks the ability to develop a serious understanding of the experiences of poverty of Mekong communities; let alone develop the capacity to meaningfully address the needs of poor communities.

CHAPTER 13

Important contacts and information

You can find most information on the GMS Program on the ADB's website:

<http://www.adb.org/gms/>

There is a huge amount of information on the GMS Program's website and sometimes it can be difficult to find the information that you are looking for.

If you can't find the information you need, you can contact the ADB's NGO Center (see below). Alternatively, if you are looking for a specific document, you can contact the ADB's Information Disclosure Unit (see above).

Below are some of the most important contacts and their details. Please remember that these details may change over time, so it is best to check the ADB website for updated details.

GMS Secretariat

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Southeast Asia Department
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Cambodia Resident Mission

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Email: adbcarcm@adb.org
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PRC Resident Mission (PRCM)

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Office Hours: 8:30am to 5:00pm, Monday - Friday

ADB's NGO & Civil Society Centre

The ADB's NGO and Civil Society Centre was created in February 2001 to strengthen cooperation with civil society actors and respond to their concerns. The Centre serves as a connection point for: non-government organisations, including community-based organisations; people's groups and foundations; and trade unions. The NGO Centre's general email is: ngocoordinator@adb.org

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CHAPTER 14

Further reading

Bank Information Centre

Tools for Activists: An information and advocacy guide to the World Bank Group, available at: <http://www.bicusa.org/en/Page.Toolkits.aspx>

Cornford, Jonathan & Matthews, Nathaniel 2007,

Hidden Costs: the underside of economic transformation in the Greater Mekong Subregion, Oxfam Australia, available at: www.oxfam.org.au/campaigns/development_banks/docs/hidden-costs-greater-mekong.pdf

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NGO Forum on the ADB & Bank Information Centre 2005,

Unpacking the ADB: A guide to understanding the Asian Development Bank, 2nd Edition, available at: <http://www.forum-adb.org/Publications/Toolkits.html>

Towards Ecological Recovery and Regional Alliances (TERRA),

Watershed: People's Forum on Ecology, newsletter, available at: <http://www.terraper.org/watershed.php>

United Nations Environment Program (UNEP) 2007,

Greater Mekong Environment Outlook, available at: <http://www.rrcap.unep.org/pub/eo/gmeo07/index.cfm>

APPENDIX

Sample Letter to the ADB Public Information Disclosure Unit

(See Section 5.3)

Date

Dear Public Information and Disclosure Coordination Assistant,

Case 1:

I would like to request an electronic copy of the Consultant's (Final) Report for TA 6121: Rural, Urban and Subregional Linkages in the Mekong Region: A Holistic Approach to Development and Poverty Reduction. I would also request that you make a translation into (Lao, Khmer, Thai...) available, according to your Translation Framework.

Alternately, if you do not know the exact title of the document you are looking for, or need more general information, you could write the following:

Case 2:

I would like to request any publicly available documents regarding the ADB's project, GMS Southern Coastal Corridor. Please also provide me with a list of all publicly available documents. (When you receive the ADB's response, you can then see if you want any information/documents translated, and then use the request from Case 1).

For both Case 1 and Case 2:

Please send me electronic copies of the document and the translation to this email address (or please send me hard copies of the document and translation to the following mailing address....)

Best regards,

(Your name)



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