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Reflections on Our ADB Lobby

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THE ASIAN DEVELOPMENT BANK (ADB) TURNS 30 in 1996. In Fuokoka where the Bank will celebrate its three decades of operations in 1997, the mood will be upbeat. Member countries and guests who will come to the banquet will surely hail the Bank for a splendid job of helping make Asia and the Pacific the fastest growing region of the world.

At the time of the 30th ADB Annual Meeting in May 1997, activists from different countries will also mark nearly a decade of sustained NGO lobby for Bank reforms initiated in 1989. They too will have their own story to tell and it will not be as rosy.

For the record

ADB's history spans three development decades, long enough to accumulate lessons from project experience, demonstrate impact, answer criticisms and make a real change.

A multilateral development finance institution set up to promote the economic and social progress of its developing member countries (DMCs) in the Asia Pacific region, the Asian Development Bank began operations in December 1966 from its headquarters in Manila. Its capital stock is owned by 56 member countries (as of end-1995) 40 of which come from the region and 16 from outside the region.

The Bank gets its money from member subscriptions and paid-in capital, and donor contributions, government-backed borrowings from the regional and international capital markets of Asia, Europe, the Middle East and the United States and from the central banks of some member countries and from accumulated net income.

As of 1995, the Bank's authorized capital comes to around 52 billion dollars. So far it has borrowed 19 billion dollars from the international capital markets for its own ordinary capital lending and private sector investments. It has also used about 20 billion dollars from its soft loan window, the Asian Development Fund, for concessional lending to poorer DMCs. Additionally, the Bank got around 623 million dollars as Technical Assistance Special Funds for financing technical assistance operations.

Where did all this money go? The bulk of course went to the Bank's main product — loan projects — usually conceived by the Bank and then sold to or consulted with its borrowing DMCs who in principle should be the project owners. The rest went to the Bank's other products — technical assistance and advisory and sponsorship of various regional activities — and to salaries and benefits and operating costs.

By May 1996, the Bank had spinned out a total of 1,385 projects in its public and private sector operations, accounting for 57.1 billion dollars in loans and credits. Completed projects totaled 973 by 1995. These projects spread across such sectors as agriculture and agro-industry, energy, finance, industry and non-fuel minerals, transport and communications, and social infrastructure. Technical assistance and advisory service to these projects, from project preparation to implementation and evaluation, cost 4.3 billion dollars.



The Bank is run by a whole array of highly-paid international civil servants (642 professional staff and 1,278 support staff as of end 1995) headed by a president (by tradition, always a Japanese national) who is elected every five years by the Board of Governors composed of heads of member countries' central banks or finance ministries. The Bank's President chairs the Board of Directors and conducts the business of the Bank under its direction. The members of the Board of Directors are highly paid ambassadors of member governments whose salaries and perks are drawn from the Bank's coffers.

The Bank's net income indicates good banking business. In the last five years alone, the Bank has consistently realized a net income of more than half billion dollars annually. Not bad business for a public institution mandated to catalyze economic and social development on behalf of its developing member countries.

Judging the Bank's performance

But what about the results and outcomes? What would constitute a fair judgment of the Bank's contribution to a DMC's economic and social progress, or lack of it? Are the 40 DMCs which should have benefited from over 1,000 projects financed by Bank's loans better off now than before? Who really benefited from all these projects? What were the costs and who paid them?

A consensus judgment will not come easy, even among like-minded activists and lobbyists. The difficulty lies in part to ideological reasons, as in the case of a radical perspective clashing with a less radical one. Another problem has to do with information. How much do we really know about the Bank's projects to be able to ascertain their costs and benefits and final effects?

The two problems are closely linked. Assuming we know enough about each project or operation the value we will put on the data gathered will still be colored by our ideological bias. Nevertheless there is no substitute to getting our information right. We need to do hard-nosed research and produce case stories from each country, if possible, and straight out of project sites.

But we need not hold our punches. The least we can do is to take the Bank on its own word. Bank reports and related literature abound and there is more than enough material to ground our conclusions on the Bank's 30-year record.



The record shows that up until the early 1990s the Bank has been preoccupied more with pushing money out the door, so to speak. This is the so-called culture of approval that has long characterized Bank operations. The Bank has made out one loan after another, mostly for traditional growth projects that favored the borrowing countries' elites and resulted in more harm than good to the masses of poor and the environment.

The more than 57 billion dollars of Bank loans have piled up as international obligations in the borrowing countries' ledgers, adding to an already huge composite debt burden and with little prospects of being fully serviced. So far only South Korea has graduated from the status of a borrower nation.

It seems that the Bank is less interested in collecting repayments than in opening local economies to global trade. What is more important for the Bank is to increase exports and it matters little if earnings from these do not suffice to meet the borrowers' obligations. Indeed most of the borrowing DMCs have already been trading off their human and natural capital without necessarily increasing their capacity to repay. Most of the Bank-funded projects which got the lion's share of the Bank's resources appear to be oriented in this direction.

How to place Bank reforms

The Bank, like its global counterpart, the World Bank, has been responding positively to mounting criticism of its policy and practice. We are being told that the infrastructure bank of old is no more. What we are now supposed to see is a bank that has gone far down the road to reforms, a reformed ADB that addresses social and environmental concerns more than anything else and is more accountable with respect to the conduct of its business and the consequences of its decisions.

The Bank subscribes to the current ideological consensus that economic growth is necessary but not enough. What it means is that the Bank from now on will see to the incorporation of social and environmental concerns across the board while pursuing economic development. Following this, the Bank has put in place policy measures addressing many, if not all, of the issues raised by its critics.

The change in Bank's thinking and policy language reflects what is happening at the global scene. The series of international events and processes in which the Bank's member governments have participated have resulted in a bundle of commitments addressed to a whole range



of issues concerning human survival. The Bank itself has been a participant in the UN summits in Rio, Cairo and Copenhagen, among others, and is not only privy to all the commitments made but is also somehow bound by them.

The Bank has committed to integrate all of its declared policy reforms in its project practice. The Bank's 50:50 project mix goal (50 percent traditional growth projects and 50 percent social and environment projects) set in 1991 provides the framework for this integration. ADB claims that its 50:50 promise is superior to the UNDP's 20:20 compact proposed but failed adoption during the 1995 Copenhagen Social Summit. The UNDP 20:20 formula proposes a matching arrangement of 20 percent of ODA and 20 percent of national budget of recipient government to be dedicated to social spending.

The 30-year history of the Bank is not all about lending. Part of it, specifically the last five years, indicates a change for the better. What value we put to it remains to be a strategic question.

Test of the pudding

There is a whale of difference between making a commitment and actually making good of it. As is often the case, word hardly squares with practice. Surely, the Bank faces a tall order in breaking away from a deep-seated culture and practice and embarking on the path of change.

Many fundamental issues pertaining to equity and sustainability remain outstanding. These issues originate from the very core of the dominant development paradigm. Debates around these issues must continue. The battle for word, as it were, is not yet over.

However, it is about time we started collecting on the promises. For this we will need a strong civic watch over the Bank to make sure that commitments get pushed to their logical end. A strong civic watch means a regionwide network of voluntary organizations capable of engaging the Bank and its member governments not only in discourse but more specially in monitoring compliance with promises.

The Bank's 50:50 "compact" for a socially and environmentally responsible development, despite its limitations, provides a framework for the convergence of policy reforms. Its realization may very well be the litmus test for the Bank's sincerity to reform.



Along this line the following action agenda is being proposed:

Guard the pipeline. It is important to mind the Bank's program and project cycles. The simple questions asked and the data extracted from Appraisal Reports (AR) to establish costs and benefits as shown in Project Profiles, are in the same fundamental questions that should be asked and answered at every stage of the cycle: (1) at project identification; (2) during initial analysis, design and processing of the project; (3) throughout project implementation; and (4) at post-evaluation. Here, Mission Leaders and Program Officers are the people to engage since they play a key role in seeing through the loan projects from the planning to commitment stage. At any point, throughout the project preparation stage, especially early in the cycle, it is important to focus on the Executive Directors since they are the final decision makers apart from being "initiators" and "lobbyists" of projects on behalf of borrowing countries.

Engage the borrower. "Talk to your government" is a standard Bank reply to NGO lobbyists. We should take this advice seriously, without giving up on our criticism of the Bank's own responsibility for pushing money out the door among other shortcomings. Up till now we have been concentrating more on the Bank management and staff than on its borrowing owners, the DMCs, who are becoming less and less inclined to spend for human development priorities and environment protection. If only the borrowing DMC had reflected these concerns adequately in their loan proposal, there would be little need to lobby the Bank.

Ground test. It can and does happen that social and environmental concerns built into the project design get watered down or ignored in the course of implementation. Preventing this from happening is the least that must be done from the moment the loan project becomes effective. The yearly summary of Bank loan projects by strategic development objectives from 1992 to 1995 provides us with useful navigation map for project tracking on site. On a per project basis, Project Profiles, with their cost and benefit appraisals, are very useful guiding, monitoring and evaluation tools. Lobbyists and affected local communities must take full advantage of these instruments.

Monitor the private sector. Private sector participation in the Bank's co-financed projects is definitely on the rise. Already, the Bank's share of financing is proportionately declining against the financial share of private sectors, especially in traditional growth projects where the application of the 50-50 target is found to be weakest. As this trend goes full swing, we can expect increasing adverse effects on affected local communities and their living environments. Since the private sector



is less subject to social and environmental “conditionalities” than the borrowing governments the prospects for meeting the 50-50 target mix will be in a difficult fix indeed. We need to devise effective strategies for engaging the big money interests. The current buzzword of corporate citizenship, whatever it means, should translate in monitorable corporate responsibility to people and the environment.

Make an ally of the Bank. The Bank can and should be an ally in the pursuit of equitable and sustainable development. In face of a rampaging privatization, characterized by progressive dismantling of protection for the poor and the environment the last thing we want is one more enemy. We can argue endlessly about whether the Bank is a friend or an enemy , with good reasons either way. What is more important, we should continue to be critically constructive even as we explore avenues of cooperation within or beyond the parameters of the 50:50 project mix goal. Vision or reality, the Bank’s 50:50 deal suggests many possibilities for working together toward a common future in this part of our planet.

Finally, a word of caution. Some of us may be worried about some Bank people trying to call our bluff. We need not be apologetic about knowing only so much. After all, it takes a while to decode and get used to the Bank’s technical mumbo-jumbo. Why don’t we instead call the Bank’s bluff? Like the affected communities, we have a right to do so.





About the author

Isagani R. Serrano is Senior Vice President and Board Member of the Philippine Rural Reconstruction Movement (PRRM). He's written for CIVICUS the following: *Civil Society in the Asia-Pacific*, 1994; *Humanity In Trouble But Hopeful* in CITIZENS, 1995; *Profile: Philippines* for CIVIC INDEX, 1997; *Coming Apart, Coming Together* in Civil Society at the Turn of the Millennium, 1999; *A Global Citizens' Commitment*, 1999. A community organizer, educator, writer, guitarist, 'farmer', and political prisoner for seven years during martial law in the Philippines. Trained in education and literature, community organization and development management. Holds a Master of Science in Environment & Development Education (MSc in EE/DE) from the South Bank University-London.

