

# The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance

## RealityCheck

MAY 2016



# AID AND POVERTY

## PROBING ADB PROGRAMS FOR ASIA'S POOR

Issue Prepared by IBON International and the Reality of Aid - Asia Pacific

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## about this issue

*This Reality Check advocates for key messages relating to the performance of the Asian Development Bank as a major development institution in the region. This Issue looks into the Bank's mandates, policy priorities, and strategies in eradicating poverty and inequality in Asia and the Pacific using development effectiveness benchmarks and unique perspectives from the civil society.*

This issue is prepared by:



IBON International



Reality of Aid - Asia Pacific

## The Reality of Aid

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Cover and Inside Photos from:  
Asian Development Bank  
Colleen Choi  
Dave Wilson  
Thomas Depenbusch  
Land is Life

Cover Design and Layout by: Ron Villegas

Reality of Aid - Asia Pacific Secretariat  
3rd Floor IBON Center  
114 Timog Avenue, Quezon City  
1103 Philippines  
Tel: (632) 927 7060 to 62 local 201  
Fax: (632) 927 6981  
E-mail: [secretariat@realityofaid.org](mailto:secretariat@realityofaid.org)  
Website: <http://www.realityofaid.org>

# RealityCheck

MAY 2016

## Aid and Poverty Probing ADB Programs for Asia's Poor

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### EDITOR'S NOTE

The Asian Development Bank (ADB)'s current accountability mechanism, despite its flaws, is a welcome initiative to redress grievances. However, while this mechanism encourages communities to file complaints, such is still insufficient to address chronic problems of inequality and poverty in the region. Much of its development projects continue to face growing region-wide criticism from the civil society and its partner countries. Hence, it is vital to ask whether ADB's program and policy prescriptions still align to its professed mandate of reducing poverty.

Through decades of operating in Asia and the Pacific, the ADB is undeniably one of the most powerful development institutions in the region. However, the Bank's approach of minimizing the role of the State and expanding that of the private sector not only breeds inequality but also undermines its avowed purpose of reducing poverty. This approach continues to be hinged on the market fundamentals of rapid economic growth, export-oriented liberalization, and privatization of public services that often undermine human rights, democratic ownership, and communities' access to basic social services. An apparent disconnect arises between ADB's programs and their outcomes, thus creating a paradoxical circumstance that aggravates the living conditions of the poor and vulnerable in the region.

As the Bank convenes once again to discuss development progress in the region, it is high time that vulnerable populations and communities directly affected by its development programs demand for social accountability and development justice. There is a tremendous momentum to build on active civil society engagement that will advance an effective accountability mechanism founded on international human rights framework and development effectiveness principles.

In the process, the ADB should pay more attention to social accountability, taking into serious consideration human rights and environmental impact of their development projects in the region. The ADB must not lose sight of bringing in people's priorities and interests especially from the grassroots level to achieve genuine sustainable development. An accountability mechanism founded on respect for national sovereignty, inclusive partnership with civil society, and transparency should highly be acknowledged.

Until the ADB adopts major policy changes that will cater more to the rights of the people than profit for businesses, the region cannot expect poverty and inequality to be significantly reduced in the coming years.

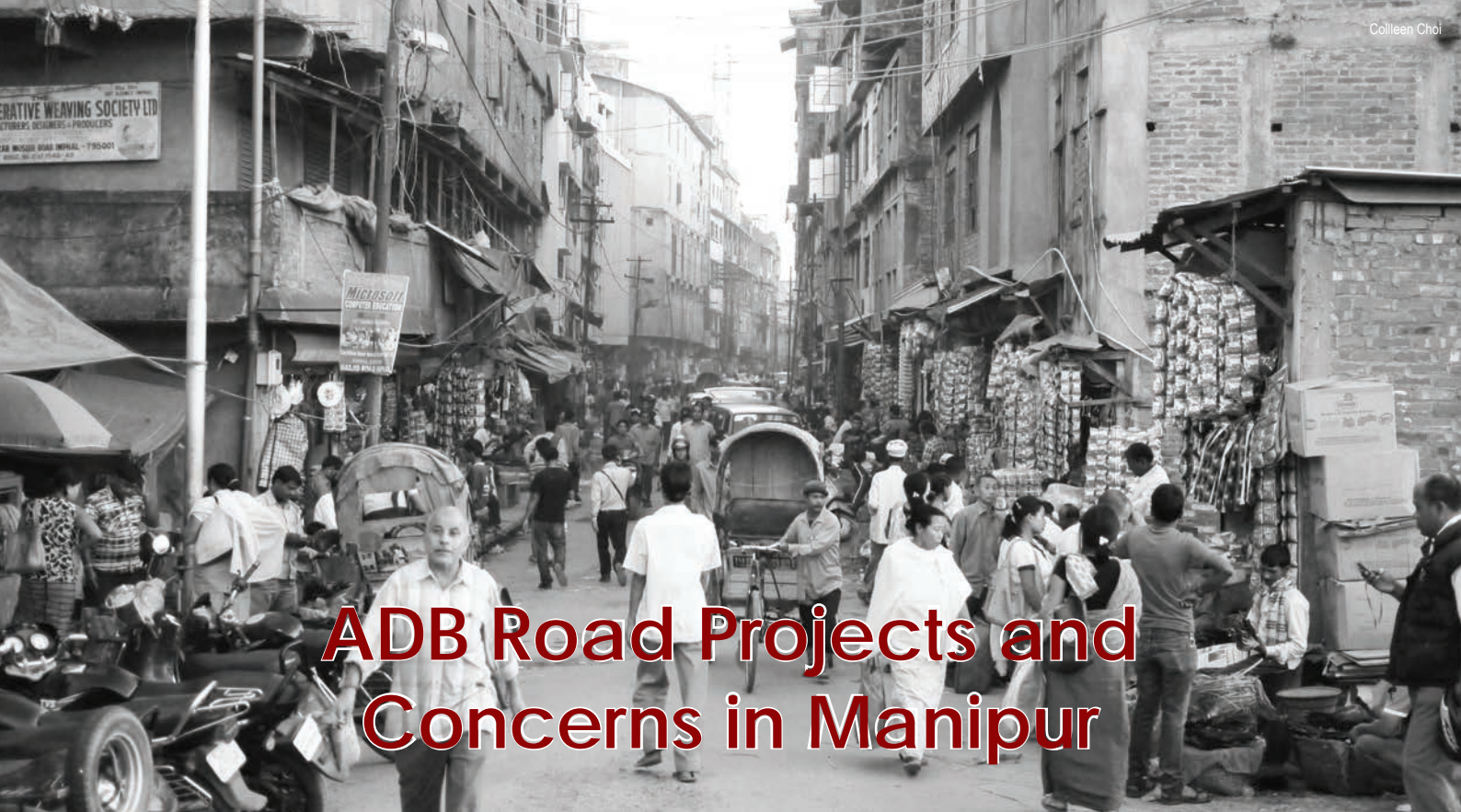
This year's issue of the Reality Check provides a critical look on the work of the ADB as a regional multilateral development institution mandated to eradicate poverty and promote economic and social progress within its member countries.

**Yodhim Dela Rosa**

Regional Coordinator – Asia Pacific

Reality of Aid Network





# ADB Road Projects and Concerns in Manipur

by Jiten Yumnam\*

## Contextualizing India's Neoliberal Policy and IFIs

The Indian government adopted an aggressive neoliberal economic framework in the 1990s leading to significant changes in India's politico-economic framework. Since then, International Financial Institutions (IFIs) intensified their presence and reach in Manipur and across the region.<sup>1</sup>

The post-1991 phase of economic liberalization saw an aggressive move to connect Northeast India with Southeast Asia, as evidenced by the construction of the Trans-Asian Highway and Trans-Asian Railway passing through Manipur as well as with other multitude of infrastructure and sectoral investments. Recently, in 2014, after signing the Free Trade Agreement with ASEAN countries in Laos, the Indian government has designated its northeast region, including Manipur, the gateway to Southeast Asia for trade and investment.<sup>2</sup>

IFIs, primarily the Asian Development Bank (ADB), World Bank, and Japan International Cooperation Agency, are increasingly associated with Manipur's so-called 'development' with their financial and technical support on a range of projects, such as road development, tourism, power, and governance.<sup>3</sup> As part of its effort to economically integrate India with larger economies in the Asia-Pacific region, IFIs also expanded its activities in trade, finance, transport, and information technology. The IFIs' focus in Northeast India is evident from the large number of projects in a range of sectors, particularly in infrastructure, energy, urban development,

1 Insidious Financial Institutions in India's North East, by R. Wangkheirakpam and J. Yumnam, published by Intercultural Resources and Form for Indigenous Perspectives and Action, April 2006

2 India-ASEAN conclude free trade agreement in services, investments, Press Trust of India (PTI), December 20, 2012 [http://articles.economicstimes.indiatimes.com/2012-12-20/news/35933727\\_1\\_commemorative-summit-services-and-investments-asean-today](http://articles.economicstimes.indiatimes.com/2012-12-20/news/35933727_1_commemorative-summit-services-and-investments-asean-today)

3 Study on Water and Natural Resources Management in India's North East India, World Bank, 2006

\*Jiten Yumnam is a journalist, human rights advocate, and environmental activist. He is currently affiliated with the Center for Research and Advocacy Manipur, an indigenous people's organization for human rights and sustainable development based in Manipur, India.

agriculture, water management and subsequent policy reforms, among others. Regional transportation and connectivity has also been considered by IFIs as extremely crucial to foster trade and commerce among the countries in the South and Southeast Asia. The World Bank, in particular, is investing heavily on the construction of high-voltage transmission and distribution lines, whereas the ADB is interested in developing a series of road projects in Manipur and across India's northeast region.

IFIs also targeted India's northeastern region in their sub-regionalization process and in the South Asia Subregional Economic Cooperation (SASEC) because of its massive energy potential and vast resource of minerals, oil, forest, livestock, fertile agricultural land, important ports as well as cheap skilled labour.<sup>4</sup> As a matter of fact, in its Country Partnership Strategy (CPS) for 2013-2017, the ADB included a special emphasis on India's northeastern region as a strategic location for cross-border regional cooperation with several neighboring countries and trade and investment, suggesting the need to integrate South Asian economies with that of the Southeast Asia.<sup>5</sup>

Indeed, the goal of the ADB transport sector coincides with that of India's CPS, that is, to make the movement of people and goods more efficient, safe, sustainable manner. The proposed investment program also resonates with the regional cooperation operations business plan (2014-2016), which is focused on creating an enabling South Asia to integrate its cooperation initiatives with neighboring regions.<sup>6</sup> However, while the governments of India and Manipur project such facilitation as necessary in reducing poverty and breaking barriers of

underdevelopment, there is still silence on whether such programs and financing policies adhere to international development norms. Deep controversy still persists in projects financed by these IFIs across Asia and long-term implications of their financing are often overlooked.

## IFIs and Road Projects in Manipur

Manipur is one of the States targeted for the US\$300 million loan agreement signed between the Government of India and the ADB in March 2015. This agreement aims to improve road connectivity and increasing domestic and regional trade along the North Bengal-North Eastern region international trade corridor. Two new roads in Manipur envisaged for construction under the project are the Imphal-Kanchup-Tamenglong Road and Imphal Ring Road. The loan is the first under a US\$425 million multi-tranche SASEC Road Connectivity Investment Programme approved by the ADB in 2014, to be completed in December 2021. The ADB is providing US\$300 million, which is nearly 71% of the total project cost with the Central Government of India and State Government of Manipur providing counterpart finance of about US\$125 million.<sup>7</sup>

India is also preparing to implement the SASEC Road Connectivity Investment Program, which is an integral part of India's investment program for regional connectivity. The Ministry of Road Transport and Highways and the States of Manipur and West Bengal will be the implementing agencies. The investment program was endorsed by the SASEC trade facilitation and transport working group meeting held in Singapore in October 2013. The total cost from Fiscal Years 2014-2015 to 2021-2022 is expected to be US\$761.6 million.

4 "South Asia Sub-regional Economic Cooperation (SASEC): Building Block Between South & East Asia", Sekhar Bonu, Director, SARC/SARD, ADB, 7 September 2012 [https://aric.adb.org/pdf/SASEC\\_RCI%20Seminar%20Presentation.pdf](https://aric.adb.org/pdf/SASEC_RCI%20Seminar%20Presentation.pdf)

5 "ADB-India Partnership Strategy", Asian Development Bank <http://www.adb.org/countries/india/strategy>

6 This Framework Financing Agreement, dated 26 February 2014, between India acting by its President (India) and Asian Development Bank ("ADB")

7 "Manipur to benefit from ADB loan, - Ring road part of project" the Telegraph, 27 March 2015 [http://www.telegraphindia.com/1150327/jsp/northeast/story\\_11074.jsp#.VxjhRHonI2w](http://www.telegraphindia.com/1150327/jsp/northeast/story_11074.jsp#.VxjhRHonI2w)

Loan agreements between the Indian Government and the ADB were also signed for the Northeastern States Road Investment Program (NESRIP) in July 2012 (Tranche I) and for the tranche II in February 2014 at a total cost of US\$200 million.<sup>8</sup> The implementation of the Tranche II is progressing in the northeastern states, where the roads projects from Tupul (NH 53) to Bishnupur, Thoubal to Kasom Khullen in Manipur has been taken up.<sup>9</sup>

All these road projects in Manipur financed by ADB and pursued under the NESRIP through the SASEC Regional Road Connectivity project already landed in controversies. For instance, several communities affected by the ADB's Imphal Ring Road plan already expressed wide objections and concerns. Three joint action committees (JAC) of affected communities, constituted against the Manipur Government's plan, have appealed to the ADB in January 2015 to desist from financing the proposed Imphal Ring Road Project. In a memorandum submitted to ADB President Takehiko Nakao, the JAC Against Proposed Imphal Ring Road (Tharon-Lanthungching), JAC Kongba Makha Nandeibam Leikai Development Committee and JAC Langthabal Nambul Mapal on Imphal Ring Road Project maintained that ADB should not invest in the Imphal Ring Road Project until and unless free, prior, and informed consent of the affected peoples are properly obtained. So far, there have been minimal efforts on the part of the Government and ADB to reach out to affected people and inform details of the project and possible implications for their rights and survival.<sup>10</sup>

Similarly, communities affected by ADB-financed road project in Kasom Khullen in Ukhru District, Manipur challenged ADB's violations and impacts

in Manipur High court seeking appropriate redress and justice for violations but to no avail.<sup>11</sup> Some of the selected ADB road projects and implications on indigenous communities in Manipur are discussed below.

### **ADB-financed Imphal Ring Road Project in Manipur**

The Imphal Ring Road Project, part of ADB's SASEC Road Connectivity Investment Programme, ignited wide controversy with its massive land acquisition moves, lack of holistic impact appraisals, lack of consultations with affected communities, and alternatives to participatory processes. The proposed Imphal Ring Road, which will be 46 km long and with a width of 30 metres, is planned to be constructed within a period of five years at an estimated cost of around 346 Crores Indian Rupees and expenditures envisaged at 8.17 Crores Indian Rupees for each kilometre.<sup>12</sup> The project proponents reasoned that India's Look East Policy and trade expansion with Southeast Asian countries will enormously increase traffic volume, thus the need for the Imphal Ring Road.

In September 2014, the Public Works Department of the Government of Manipur issued a notice inviting consultants to conduct feasibility studies and issue a detailed project report. A team of experts from the EGIS International France led by Transport specialist Eyan Jennings inspected the condition of roads and crossings in Imphal town to support the project.<sup>13</sup> Representatives of Mr. MK Mohanty, Resettlement Specialist and ADB consultant for the

8 Loan 3073-IND: North Eastern State Roads Investment Program

9 Loan agreement, LOAN NUMBER 3073-IND, PROJECT AGREEMENT (North Eastern State Roads Investment Program (Project 2) between ADB and Government of Manipur with MDONER, 17 February 2014

10 Spare residential areas, agricultural land: JACs to ADB The Sangai Express, 17 Jan 2015 <http://www.thesangaiexpress.com/page/items/47489/spare-residential-areas-agricultural-land-jacs-to-adb>

11 Construction of Thoubal-Kasom Khullen road : Asian Development Bank served notice, The Sangai Express, 18 August 2014 <http://www.thesangaiexpress.com/construction-of-thoubal-kasom-khullen-road-asian-development-bank-served-notice/>

12 Govt plans to come up with ring road with ADB aid, The Sangai Express, 4 February 2014. <http://www.thesangaiexpress.com/page/items/35418/govt-plans-to-come-up-with-ring-road-with-adb-aid>

13 EGIS Intl Experts undertake feasibility study on city roads and junctions The Hueiyen Lanpao, 7 November 2014, <http://www.e-pao.net/GP.asp?src=3..071114.nov14>



project, also commenced surveys for rehabilitation in Kongba, Langthabal, Langjing, Langol, and other areas.<sup>14</sup> Affected communities objected to the survey due to its unilateral process, lack of consultation, limited impact assessment, as well as the prospect of undervaluing their assets as what happened in the ADB-loaned road project in Kasom Khullen in Eastern Manipur.<sup>15</sup>

Despite objections, officials of the Revenue and Settlement Department of the Government of Manipur still commenced surveys and collection of land records in villages along the Langol foothills and other areas affected by the plan in outskirts of Imphal Town. Earlier, the project director, NESRIP, Public Works Department of the Government of Manipur already instructed the Deputy Commissioner of Imphal West and Imphal East Districts to commence with land acquisition.<sup>16</sup>

The Imphal Town Ring Road project will heavily affect residential areas in Kongba Nandeibam Leikai, Langthabal, Langol, and Kairang Villages in Imphal West and East Districts. While the total number of families and agricultural land areas to be affected by the project is yet to be ascertained, it is expected that hundreds of households will be uprooted completely.<sup>17</sup> An initial assessment indicates that the project will affect more than 1000 acres of prime agricultural land in Kongba, Bashikhong, Langthabal, Langol, and Lamphel in Imphal West and East Districts. Around 500 families will also be affected in the villages of Tharon, Thangmeiband, Tarung, Laimanai, Neikanglong, Grace Colony, and Vaiphei Enclave that are inhabited by various communities such as

Vaiphei, Paite, Meitei, and Rongmei.<sup>18</sup> The project will destroy part of sacred Langthabal, Langjing, Chingmeirong Cheiraoching, Langol Hills as well as adjoining forests which are all associated with the history and folklores of Meitei and other indigenous peoples. Many families depending on Lamphelpat wetlands for agriculture and fishing will also be affected. Community grounds, water bodies, forest areas, rich vegetation and other religious structures will also be affected.

One of the serious concerns is the feasibility of the Imphal Ring Road plan with its route concentration in Imphal Town areas itself: strange route demarcations criss-crossing in zigzag pattern and oddly circumventing narrow conspicuous strip of land in Mantripukhri area left many bewildered. There are also concerns whether the routes of the Imphal Ring Road are just meant to accommodate the rich and privileged rather than ensuring the rights and properties of the local communities.<sup>19</sup>

Several other affected communities publicly expressed their objections believing that the road widening plan will only extinguish their habitation space and undermine their identity. In September 2014, the Kongba Makha Nandeibam Leikai development committee strongly opposed the eviction plan as the road project implementation and subsequent land acquisition processes failed to obtain their consent. Affected communities of Langthabal submitted a memorandum to the Chief Minister of Manipur to reconsider the Ring Road alignments and consider alternative routes.<sup>20</sup> Similarly, residents of the Langjing Achouba and Langol foothills areas from Tharon to Lanthungching also expressed objections. Despite community objections and submissions, project authorities and the ADB still proceeded with

14 Survey underway for Imphal Ring road, The Sangai Express, 11 November 2014 <http://www.thesangaiexpress.com/page/items/45106/survey-underway-for-imphal-ring-road>

15 Sites for the proposed ADB-funded ring road inspected, The Hueiyen Lanpao, 12 December 2014 <http://www.hueiyenlanpao.com/headlines/item/15745-sites-for-the-proposed-adb-funded-ring-road-inspected>

16 Letter to the Deputy Commissioner, Imphal West, Government of Manipur by Mr. Y. Joykumar, Project Director, NESRIP, dated 5 May 2014 and Reference No: 3/PD/NESRIP/Cor/2013/13

17 Memorandum to the President, Asian Development Bank by Affected Peoples Coordinating Committee on ADB Financed Imphal Ring Road Project, dated 15 January 2015

18 Objection rings loud against ring road, Source: The Sangai Express, 26 November 2014, <http://e-pao.net/GP.asp?src=7..261114.nov14>

19 "ADB Ring Road Controversies", by Jiten Yumnam, The Sangai Express, 19 November 2014 <http://www.thesangaiexpress.com/adbs-imphal-ring-road-controversies/>

20 "Proposed Ring road", The Sangai Express, 19 November 2014 <http://www.thesangaiexpress.com/proposed-ring-road/>

the surveys and construction without discussing alternatives with affected communities.

In January 2015, the ADB, through the Public Works Department, convened a meeting for communities affected by its Imphal Ring Road Project. The ADB visit in Manipur is related to monitoring the project implementation but also attempted to meet affected communities. However, the due process of taking free, prior, and informed consent has not been followed and affected communities were not officially informed prior to the meeting. As the affected villagers were not officially invited, they resorted to making an open submission to the media establishments of Manipur instead, urging the ADB to desist from financing the Imphal Ring Road Project.<sup>21</sup> After the media reportage, affected communities were able to meet with ADB representatives and apprise them of their concerns on the Ring Road Plan.

### **ADB-financed Kasom Khullen Road Project in Manipur**

The 47-kilometre Kasom Khullen road project financed by ADB is included in Tranche II of the NESRIP that was implemented by the Public Works Department of the Government of Manipur. The villages of Somrei, Irong Ngoupikhong, N Mollen of Saikul Division Village of Senapait District, Yeasom Village, Kasom Khullen Village, and T Natyang Village of Kasom Khullen Sub-division of Ukhrul District in Manipur are just some of the areas that have been severely affected by the project.

In August 2014, affected villagers filed legal petition against the ADB with regard to land acquisition without providing sufficient information on related rehabilitation and compensation measures. Contending that applicable land rehabilitation legislations were ignored, the affected villagers

pleaded that the Right to Fair Compensation and Rehabilitation Act of 2013 be implemented before the commencement of the road project. The ADB has failed to respond to the legal notice served to them by affected villagers as of yet, as also shared by the counsel representing the affected communities.

### **ADB-financed Asian Highway 1**

The Asian Highway is one of the key focus of in facilitating trade and investment between South and Southeast Asian countries. Providing a crucial link between India and Myanmar, the Asian Highway road section in Manipur from Imphal Town to Moreh will be financed by the ADB and is included among the road projects outlined in agreement between the Government of India and the ADB in February 2014.

There are clear concerns that the appraisal of social and environment impacts has not been carried out adequately and with adherence to indigenous peoples rights.<sup>22</sup> At least 100 acres of prime agricultural land will be affected by the proposed 100-feet four lane road Asian Highway 1 in Manipur. The proposed Asian Highway 1 will affect farming communities residing along the Yaithibi Loukon, an agricultural land in the Thoubal District, and several indigenous communities of Manipur. Aside from the ADB's Ring Road Project, the communities are also beset by other proposed construction projects, such as the National Sports University at Yaithibi Loukon. The resulting heavy traffic and congestion along the Trans-Asian Highway route will never provide conducive environment for the healthy growth of sports in Manipur. Moreover, the combined effect of all these projects also seriously undermines the survival of small-scale farmers. In particular, the ADB's Asian Highway project requires homestead lands in Sora and Langthabal Villages in Thoubal River to be acquired. Seventy (70) households and small scale

21 Spare residential areas, agricultural land: JACs to ADB, Source: The Sangai Express, 17 January 2015 <http://e-pao.net/GP.asp?src=8..170115.jan15>

22 "ADB team surveys Imphal-Moreh route", 6 August 2013, Sangai Express. <http://www.thesangaiexpress.com/29070-adb-team-surveys-imphalmoreh-route/>



business establishments face the risk of becoming homeless and landless.<sup>23</sup>

## **ADB's Involvement in Road Projects and Violations**

The Imphal Ring Road project is marked by an absence of detailed social, economic, health, and environmental needs and impact assessments to define clear alternatives for affected communities.<sup>24</sup> These communities are worried that surveyors from ADB's consultants and government revenue departments will only intrude into their villages without consulting them. There have been no efforts on the part of the Government, the ADB, and their consultants to reach out to affected communities and inform them of the details of the project and other implications on their rights.<sup>25</sup>

The involvement of private consultant firms, private developers, and IFIs does not necessarily translate to development and efficient services. The Public Works Department of Manipur and other units implementing the road project, including AECOM Asia Company Limited, Rodic Consultants Private Ltd, Dineshchandra R. Agarwal Infracon Pvt. Ltd, and ABCL, have begun constructing the Bishenput–Tupul Road and the Thoubal–Kasom Khullen road without conducting a detailed impact assessments and causing social and environmental damages. The extensive sand and stone mining by ABCI company from Ejei River for construction of Bishenput to Tupul road had led to massive soil erosion, receding of water level, loss of fish habitat, and scarcity of water in Noney and Tupul areas in Tamenglong District, also rendering agriculture lands unfit for cultivation.

Neither does the involvement of foreign governments ensure the proper implementation of projects. The French Government-supported Imphal Sewerage Project in Manipur has been widely condemned for its extensive delays, environmental impacts, and human casualties.<sup>26</sup> The project still remains incomplete but has already claimed several lives in accidents due to multiple holes that were left uncovered.<sup>27</sup> The Manipur Sericulture Project financed by the Japanese Bank for International Cooperation is also laden with failure and wide corruption, in addition to other controversies.<sup>28</sup>

## **Conclusions**

In all these development projects, ADB and the Government of Manipur seem to have failed in: (a) applying safeguard policies; (b) conducting environment and social impact assessments; (c) preparing rehabilitation and resettlement plans; and (d) securing indigenous peoples' action plan based on their rightful participation, among others.

The fundamental recognition of peoples' livelihood and survival dependence on their land and resources is lacking in the pursuance of these projects. On the contrary, these projects were pursued to advance the economic interests of corporate bodies and the Government of India.

The Government of Manipur has failed to consult with affected communities and obtain their free, prior and informed consent. The ADB cannot, under any circumstances, exempt these projects from compliance with their own safeguard policy statement for the protection of indigenous peoples' rights and environment in Manipur. The failure to consult

23 Letter to Mr. Takehiko Nakao, President, Asian Development Bank by Affected Land Owners Association Against Forced Land Acquisition for Sports University, Manipur on 15 June 2015

24 "Objection rings loud against ring road", Source: The Sangai Express, 26 November 2014. <http://e-pao.net/GP.asp?src=7..261114.November 2014>

25 "Adverse impact of Imphal Ring Road plan spelled out", Hueiyen News Service, 16 January 2015. <http://e-pao.net/GP.asp?src=28..160115.jan15>

26 Leivon, D. (2012, Aug 23). Manipur: Imphal Sewage Project: A Boon or Bane. Retrieved from <http://kanglaonline.com/2012/08/manipur/imphal-sewage-project-a-boon-or-a-bane/>

27 "Sloppy sewerage project gets final thrust", The Sangai Express, 28 May 2015. <http://www.thesangaiexpress.com/page/items/39181/sloppy-sewerage-project-gets-final-thrust>

28 700 Seri FoUs as good as dead. (2013, July 06). The Sangai Express.

and obtain the free, prior, and informed consent of affected communities is a significant violation of indigenous peoples' rights as outlined in the 2007 UN Declaration on the Indigenous Peoples Rights.

The ADB road projects not only facilitated the plunder of indigenous peoples' land, water, forest, and natural resources but also led to severe social and environmental impacts. ADB's Kangchup-Tamenglong Road already resulted in social conflict among the Zeliangrong people on rehabilitation matters. The Zeliangrong Youth Front has raised concerns over the lack of impact appraisals and clear rehabilitation and resettlement plans for the areas affected.<sup>29</sup> Moreover, concerns persist that the ADB road from Bishenpur to Tupul will directly facilitate the construction of 66 MW Loktak and 70 MW Nungleiband hydroelectric projects besides oil exploration plans by Jubilant Energy in the region. These mega dams and oil exploration will lead to massive scale of submergence and destruction of both agricultural land and forest areas as well as negative impacts on the livelihood of indigenous communities in the district.

The ADB, in all its financed and supported projects, is obliged to advance safeguard policies that cover rehabilitation and resettlement, social and environment impact assessment, and indigenous peoples rights. Unfortunately, these safeguard policies, widely condemned for its limitations, were inadequately applied in Manipur.

Many communities who eke out their livelihood through farming, fishing, and small scale economic activity in areas affected by the road project, continue to be threatened with the loss of their livelihood. These projects constitute a clear violation of their right to life, as guaranteed by Article 21 of Constitution of India and Article 6 of the International Covenant

on Civil and Political Rights. Failure to complete the rehabilitation and resettlement for the land acquired for the road project also constitute a clear disregard to the UN Declaration on Indigenous Peoples Rights.

Moreover, the direct implication of increased loans, thus increasing debt of Manipur and its people, to IFIs has never been discussed. In early 2015, the Government of India had already withdrawn the Special Category State Status from Manipur which costs the State Government at least 50% of development financial expenses from its own coffers. With limited resource avenues, Manipur will be compelled to borrow from the IFIs. The increased involvement of IFIs is not only coincident but also a clear indication of the pattern of development financings in Manipur, more of seeking conditional loans. With Manipur listed as one of the most corrupt states, the increasing investment from IFIs will only lead to imposition of more tax and debt servicing from its people. With a range of loans and financing by IFIs, Manipur is simply destined to be trapped in a vicious cycle of debt, conflict and an uncertain future. In addition to seeking increased loan from IFIs, Manipur will also be compelled to mortgage its own water, oil and gas, forest, minerals, and other resources to unscrupulous exploitation and destruction by corporate bodies for mere royalties and minimal taxes.

The larger implications of ADB-financed road projects on local economy, on the intrinsic role of indigenous women in sustainable and traditional economic system and other impacts on the environment and natural resources in Manipur have also not been considered. This consideration is crucial given the primacy to a liberalized economy and trading among countries with powerful economy in South and Southeast Asia under WTO guidelines. The overwhelming thrust to privatization and role of corporations in India's Look East Policy and also by IFI's in their project financings and realization of their objective would definitely usher in an economy defined and controlled by corporate interests, which

29 "ZU warn against disturbances in construction of Imphal-Kangchup-Tamenglong road", the Imphal Free Press, 21 March 2016 <http://ifp.co.in/page/items/31298/znu-warn-against-disturbances-in-construction-of-imphal-kangchup-tamenglong-road>

will only lead to uncontrolled plunder of natural resources in the region.

Indeed, there is minimal focus to promote the interest and rights of indigenous communities, or to recognize their intrinsic survival rights and relationship with their land and resources. The new economic agenda and allied infrastructure push with IFI's facilitation will additionally have political ramifications, with increased militarization and subsequent human rights violations in Manipur.

## Recommendations

An introspection of the road development projects in Manipur would indicate development priorities of the government and IFIs in fostering trade and commerce with neighboring countries which are pursued not only in an exclusive process, but also promoted at the interest of private corporate bodies and political elites. There's hardly any consideration of promoting interest and rights of indigenous communities with their rightful participation. The land and resources, all intrinsic to their survival, are misinterpreted as sources of economic development without considering the larger implications of expropriation of such resources on indigenous peoples' survival.

The marked rise in inequality and concentration of wealth is an alarming reality in Manipur. It's high time to ponder if Manipur will ever leap to meaningful progress with credit financing of 'development' projects by IFIs such as the ADB. With ADB's thrust for private sector involvement, corporatization of development, and utter disregard of fundamental livelihood source of communities, poverty and inequality will not be significantly reduced.

A clear accountability framework is thus crucial for ADB projects in Manipur so that affected

communities can seek redress and justice. The ADB financed Imphal Town Ring Road, Kasom Khullen Road, and Asian Highway 1 projects, among other rural roads and large-scale infrastructure projects should not be constructed without the free, prior, and informed consent of all affected communities in Manipur. The Government of Manipur and the ADB should not only provide all necessary related information to stakeholders but also hold accountability on the effects and impacts, both intended and unintended, of their projects.

There should be no forceful acquisition of agricultural lands, residential areas, wetlands, forests, and hills of Manipur for the project without informed consultation process with all stakeholders. Any forced displacement by the ADB's road and other projects in Manipur will only lead to further violations of Article 11 of the International Covenant on Economic, Social and Cultural Rights.

Given the ADB's road financing pattern, there are tell-tale evidence that IFI-financed projects will only lead to widespread impoverishment, inequality, and social conflicts that undermine self-determined development for indigenous peoples of Manipur. Any development process that benefits the few elites and corporate bodies, while victimizing communities at large, is simply anti-people and should not be construed as real development. Such development process that victimizes communities and destroys livelihood sources will only foster inequality.<sup>30</sup> A development rooted in rightful participation of indigenous communities and based on promotion of sustainability of natural heritage of Manipur should be accorded high primacy.

30 Memorandum submitted to President, ADB by Affected Peoples Coordinating Committee on ADB Financed Imphal Ring Road Project on 30 November 2014





## ADB Efforts in Reducing Poverty and Inequality: India's Case

by Jyotsna Mohan Singh\*

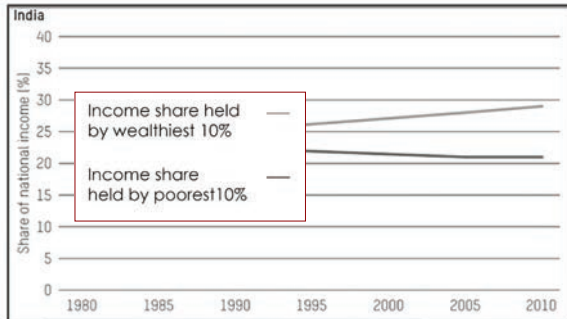
Popular literature often touts India as an industrial powerhouse, supplemented by its large consumer base. Despite its huge population of 1.23 billion,<sup>1</sup> India exhibited a modest average growth of 1.64% annually from 2001 to 2011. However, 363 million (29.5% of the population) still lives below the poverty line from 2011 to 2012. Given its diverse and dynamic nature, India's demography merits a closer examination, both to identify potential growth opportunities and possible problems associated with it. On the one hand, the growth opportunities come from the immense human resources inviting foreign investments on account of cheap labor and skilled manpower. The problems, on the other hand, are rooted in poverty, vast inequality in income and education, and consequently, huge disparities in standards of living.

The Asian Development Bank (ADB), being the main development bank in the region mandated to eradicate poverty, has been a development partner of India since 1986. For almost three decades now, most of its program strategies in the country primarily focus on government priorities, such as transportation, energy, and water and other urban infrastructure.<sup>2</sup> However, while the ADB continues to support these programs, poverty in India still remains significantly high over the years.

<sup>1</sup> Government estimate as of March 2014.

<sup>2</sup> Development Effectiveness Brief, India, India/ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication

\* Jyotsna Mohan Singh is actively involved in diverse social issues affecting Indian NGOs. She is currently the Programme Manager of Voluntary Action Network India, an organization that promotes volunteerism and the voluntary sector in India using advocacy as its principle instrument to catalyze change.



**Figure 1. Increasing Inequality in India**

Source: Even it up; Time to End Extreme Inequality (2014), Oxfam International

## Aggravating Poverty and Inequality in India

Measuring poverty rates is highly politicized in India with changing definitions from one government regime to another. The Rangarajan Committee (2014) was tasked with revisiting the Tendulkar Formula (2011-2012) for estimation of poverty and identification of the poor after a massive public outcry erupted over the abnormally low poverty lines fixed by the last UPA (United Progressive Alliance) government. The recommendation of the panel resulted in an increase in the number of poor living below poverty line (BPL), which is estimated at 363 million (29.5% of the population) in 2011-2012. This is 35% higher than the estimated 270 million people (21.9% of the population) based on the Tendulkar Formula. The Rangarajan report also estimated that the share of the BPL group in the total population was 38.2%, translating into a decline in poverty ratio by 8.7 percentage points over a two-year period (2009-2010).

The gap in income between the richest 10% and the poorest 40% of the population in India has been on a constant rise since 1995. The benefits of growth have increasingly accrued to the richest members of society, pushing income inequality even higher. Figure 1 demonstrates how India's national income is shared between the richest 10% and the poorest 40%.

As a matter of fact, ninety million Indians could be lifted out of extreme poverty by 2019 if only the country manages to prevent a rise in income inequality. If the government of India successfully reduce inequality by 36%, then it could eliminate extreme poverty in the country.<sup>3</sup> However, inequality in wealth is even higher than the inequality in income. The income of dollar millionaires, known as High Net Worth Individuals, rose from US\$10 million in 2009 to US\$13.7 million in 2013. The total number of India's billionaires also increased from just two (2) in the 1990s to sixty-five (65) in early 2014.<sup>4</sup> Their net worth would be enough to eliminate absolute poverty in the country twice over.<sup>5</sup>

A significant number of India's billionaires made their fortunes in sectors highly dependent on exclusive government contracts and licenses, such as real estate, construction, mining, telecommunications, and media. A 2012 study estimated that at least half of India's billionaire wealth came from such 'rent-thick' sectors of the economy.

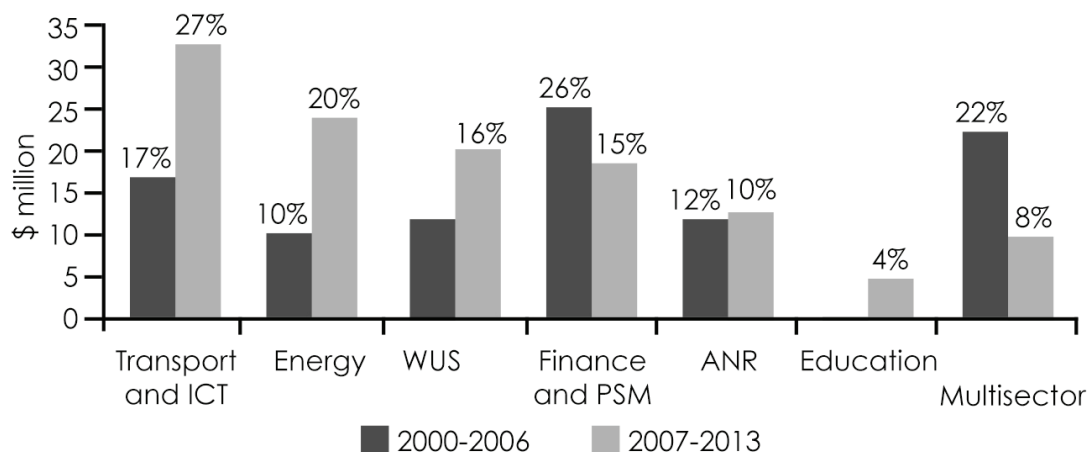
There are various reasons cited for the increase in inequality rates between the rich and the poor, and one of them is tax havens. Tax havens facilitate the process of 'round-tripping' which allows companies and individuals to take their money offshore, cover it in financial secrecy, and then bring it back into the country in the guise of foreign direct investments (FDI). This allows them to reap the reward of tax benefits only available to foreign investments; the money is subject to tax breaks rather than capital gains and income tax that should have been rightly charged on domestic investments.

In 2013, the United Nations Development Programme (UNDP) reports that India ranks 136th out of 186 countries on the Human Development

<sup>3</sup> Even it up; Time to End Extreme Inequality (2014), Oxfam International

<sup>4</sup> Ibid.

<sup>5</sup> <http://www.dailymail.co.uk/indiahome/indianews/article-2551814/Richer-Net-worth-Indian-billionaires-eliminate-absolute-poverty-country-twice-says-IMFs-Lagarde.html>



**Figure 2. ADB Loan to India by Sector, 1986-2013**

ANR – agriculture and neutral resources; ICT – information and communication technology; PSM – public sector management; WUS – water and other urban infrastructure and services.

Notes: Data labels show sector-wise share in total approvals by period. Multisector includes technical assistance projects across themes such as knowledge, capacity development, gender, and so on.

Source: ADB Estimates

Index (HDI) that is calculated on the basis of Multi-dimensional Poverty Index (MPI). The MPI identifies multiple deprivations in the same households in terms of education, health, and standard of living. When India's HDI is adjusted for gender inequality, the same report suggests that it is South Asia's worst performing country after Afghanistan.

However, despite overwhelming poverty and inequality in India, the government still continues to underspend on social services for the most vulnerable. In 2011, for instance, public health expenditure per capita in India was just 4% of the OECD country average in per capita terms.

### ADB Strategies and Priorities in India

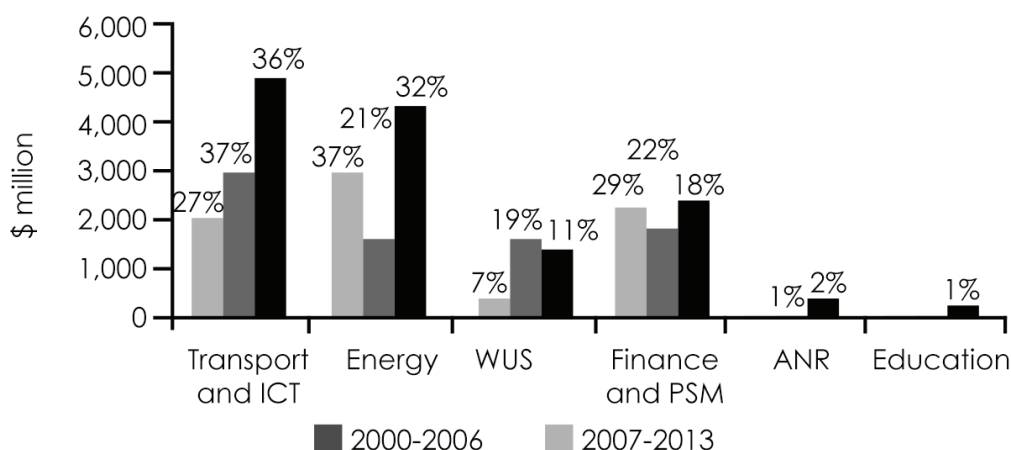
Responding to this, the ADB has been a development partner of India for decades. Initially, its programs and strategies were designed to match the early priorities of the reform agenda, assisting with the

infrastructure and foreign exchange requirements for trade liberalization. The ADB has provided India with a mix of lending and non-lending products, including loans, technical assistance, and grants. Investing in institutional strengthening and capacity development, aided by an effective knowledge program focusing on a project- and sector-specific knowledge is integral to ADB operations in India.<sup>6</sup>

However, ADB's operational strategies and geographic focus have changed in line with government priorities over these years. In the first decade of its operations, ADB's initiatives were focused largely on national-level entities with some presence in States; whereas the present scenario is considerably different with ADB having a presence in 23 Indian States. ADB has investments in basic infrastructure and services, such as electricity, roads, and water supply (Figure 3). These are of particular significance for people living in isolated rural areas,

<sup>6</sup> Development Effectiveness Brief, India, India/ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication





**Figure 3. Technical Assistance Projects by Sector, 2000-2013**

ANR – agriculture and natural resources; ICT – information and communication technology; PSM public sector management; WUS – water and other urban infrastructure and services.

Notes: Data labels show sector-wise share in total approvals by period. Multisector includes technical assistance projects across themes such as knowledge, capacity development, gender, and so on.

Source: ADB Estimates

the urban poor, and women, as this opens up new opportunities for mainstreaming.<sup>7</sup>

ADB's portfolio also includes specific technical assistance projects and grants at national and state levels. Technical assistance is provided for capacity development, improved project preparedness and implementation, public-private partnership (PPP) initiatives, and knowledge products. During the period covering 2000–2013, ADB approved technical assistance projects worth US\$218.5 million on a cumulative basis.

## ADB's Work in India: Critique on ADB Projects in Key Sectors of India

### Food Security

ADB's agricultural projects in India broadly fall into the following categories; (a) irrigation, water

management, and flood protection; (b) erosion protection and (c) agribusiness and marketing.

Among the three categories, agriculture and marketing are most central to the ADB's approach to food security. In the view of the Operational Plan, it is only through such supply chains that production can be translated into "sustainable food security." Currently, there are two main projects already underway in India, with one including a number of subsidiary and allied projects with it. These two projects are: Project 43105, "Improving Small Farmers' Access to Market in Bihar and Maharashtra" (approved in 2010)<sup>8</sup> and Project 37091, "Agribusiness Infrastructure Development Investment Program" (approved in 2010).<sup>9</sup>

Both of these projects are concerned with the States of Bihar and Maharashtra. It is not clear if the former is a supplement to the latter or not. Neither

<sup>7</sup> ADB Estimates

<sup>8</sup> Project Data Sheet available at: <http://www.adb.org/printpdf/projects/43105-012/main>

<sup>9</sup> <http://www.adb.org/projects/search/513%2C21268&ref=countries/india/projects?keyword=37091>

project appears to have begun active work in the field as yet, though the latter was supposed to have done so earlier, but was delayed by the failure to sign a loan agreement with the Bihar government on time. It is not clear where the first project will be implemented, but the latter is focused on the Muzaffarpur and Patna-Nalanda areas of Bihar and the Aurangabad and Nashik areas of Maharashtra. News reports indicate that project work has formally begun in May and July 2012 in Maharashtra and Bihar respectively (see Dayal, 2012<sup>10</sup> and Deshmukh 2012).

Both projects claim to have been designed after “extensive consultations”. For instance, the Project Data Sheet (PDS) for the first project states that such consultations included “crucial stakeholders in the public, private, and cooperative sectors at the central and state levels, as well as farmers, entrepreneurs, trade organizations, and financial institutions at the state and local levels... [and with] communities, community-based organizations/ non-government organizations (CBOs/NGOs), existing cooperatives/ agro-enterprises, and governments...” However, none of the projects’ available documentation provides any details of the consultations: who were consulted, when and where did these consultations take place, and the manner upon which the consultations were conducted. In the absence of such details, it is difficult to verify how consultative the process actually is.

The focus in both projects is the creation of “integrated value chains” (IVCs) in these areas. In the latter, larger project, consultants have identified four such IVCs in each State. The former project clarifies that its main focus is on “fresh fruits and vegetables.” In the latter, according to a note put out by the ADB and the Finance Ministry in 2011, the focus is on IVCs for “high-value crops”. In total, the IVCs will encompass more than 50 market sites. Each site will see its infrastructure greatly upgraded with washing and cold storage facilities as well as better

transport and infrastructure. The note goes on to state that the IVCs are to be created through public-private partnerships in which private companies “will be selected in a transparent and competitive way for designing, building, financing, operating, and maintaining the IVCs.” Meanwhile, the program will organize “groups of small producers into farmer companies and provide them with training...”

### Enabling Environment for Private Sector Participation

State governments have provided assurance on facilitating policy and regulatory environment for such investments, undisputed land availability, and support in establishing backward linkages with farmers’ organizations for accessing required production of fruits and vegetables. It may be noted that as of mid-2011, both States had already completed land acquisition for these projects and appointed “project management units.”

As neither project has begun work on the ground, it is not possible to examine their activities in the field or to review their impact. However, even from the very limited available information, certain facts are already clear. First, the ADB is indeed implementing its “connectivity” approach almost precisely in the manner that its Operational Plan and Country Partnership Strategy indicates. The focus is on high-value crops and the method of “transforming” supply chains is through farmer groups and privately controlled infrastructure (though technically this is being done in a PPP model with control in the hands of the State, it is clear that private investors will find a responsive State administration). How relevant is such a model in these districts? Unfortunately, the Agricultural Census has apparently not been done at the level of any of these four districts for a very long period, and hence it is difficult to obtain data on the distribution of landholdings or tenancy levels in them. However, the Census of 2001 indicates a high level of landlessness, particularly in the districts of

<sup>10</sup> Dayal, Ravi (2012). “ADB to provide \$67m loan for agri-business”, Times of India, July 12.

District	Cultivators	Agricultural Laborers
Patna	314,106	468,888
Nalanda	320,883	380,460
Muzaffarpur	292,359	519,070
Nashik	823,669	540,102
Aurangabad	441,125	289,765

**Table 1. Agricultural Census in India, 2011**

Source: S. Gopalakrishnan, Critical Analysis of the Asian Development Bank's Approach to Food Security in India, [https://www.academia.edu/2342725/Critical\\_Analysis\\_of\\_the\\_Asian\\_Development\\_Banks\\_Approach\\_to\\_Food\\_Security\\_in\\_India](https://www.academia.edu/2342725/Critical_Analysis_of_the_Asian_Development_Banks_Approach_to_Food_Security_in_India)

Bihar, as the comparison of the number of cultivators to agricultural laborers indicates in Table 1.<sup>11</sup>

The prevalence of landlessness is, of course, a crude method of critiquing these projects. However, it does force one to confront the fundamental irrelevance of the ADB's approach in the Indian context. There are three possible benefits that could reach the landless and marginal peasant population, according to this project. The first is inclusion in these high-value chains, which, as discussed above, is highly unlikely for marginal peasants and impossible for landless people to participate in. For the landless, the ADB holds out the possibility of "employment generation" as a result of these supply chains. However, it should be kept in mind that these are not entirely new supply chains, but an effort to "upgrade" those already existing through a PPP model. Thus, in order to generate employment, the 'new' supply chain has to generate sufficient new jobs to employ those who were originally working in the previous supply chain (as well as additional new people).

Notwithstanding these projections, the reality is that in 2005, 99.4% of the units and 86.8% of the jobs in food processing were unorganized.<sup>12</sup> In such context, the introduction of large private players with capital intensive strategies into this sector may well result in displacement rather than generation of employment. Thus, it is likely that few marginal farmers and landless workers will benefit from the ADB's project. Indeed, they will not even benefit as purchasers nor consumers of food, which mostly do not include such "high value" crops.

The ADB appears to be promoting a model of "transformation" of supply chains whose key immediate beneficiaries will be some private investors and companies, and possibly, a narrow segment of cultivators. In the long run, both producers and consumers would then be subject to the risks introduced by such a supply chain. These include the problems associated with contract farming and direct procurement. More fundamentally, they potentially strengthen the element of speculation and profiteering in the food supply chain, empowering private entities to exercise their control over vital links in a manner that has already been shown to be risky. Such speculation can have a ripple effect even on markets for non-"high value" crops.

Improvement in agricultural infrastructure is always welcome. However, it is still not clear why such improvement must be done in a manner imposed by the ADB. In particular, it appears highly doubtful that such projects will contribute to effectively addressing the food security situation in the country. Rather, they may, in fact, increase the risk of further food security crisis.

<sup>11</sup> S. Gopalakrishnan, Critical Analysis of the Asian Development Bank's Approach to Food Security in India, [https://www.academia.edu/2342725/Critical\\_Analysis\\_of\\_the\\_Asian\\_Development\\_Banks\\_Approach\\_to\\_Food\\_Security\\_in\\_India](https://www.academia.edu/2342725/Critical_Analysis_of_the_Asian_Development_Banks_Approach_to_Food_Security_in_India)

<sup>12</sup> Dev, Mahendra S. and Chandrashekhar Rao, N. (2005) 'Food Processing and Contract Farming in Andhra Pradesh: A Small Farmer Perspective', Economic and Political Weekly, June 25.



### ADB's Involvement in the Water Supply and Sanitation

ADB's water supply and sanitation (WSS) projects in India<sup>13</sup> are classified under a broad urban portfolio and generally combined with targeted poverty reduction components, municipal governance, and policy reforms. A stated key objective of ADB funding is to increase access and involvement of slum dwellers through NGOs in planning and management of WSS to improve the overall quality of their lives and reduce poverty. ADB entered the WSS sector in India in 1998 and to date has invested US\$960 million in five Integrated Urban Development Projects. In 2004, around 14% of its total investment in India was in urban WSS-related projects. ADB started with the developed state of Karnataka and is now leveraging its experience in the less developed states like Rajasthan, Madhya Pradesh, North-East, Jammu & Kashmir, and Uttaranchal. ADB's Country Strategy and Programme envisages one new urban development project annually and an estimated 56% of the total project cost of the IUD projects is allocated to WSS-related activities and municipal capacity building. It is estimated that by 2015, ADB will have funded 6% of the total outlay of resources needed for 100 percent water and sanitation coverage in urban areas, using estimates prepared by the Expert Group on Commercialization of Infrastructure Projects (EGCIP).<sup>14</sup> However, direct pro-poor components under slum packages comprise a mere 2.84% of total project funding. Low priority is given to the sanitation sector, despite the high cost of sanitation infrastructure and the sanitation coverage gap.

13 Implementation of ADB's Water Policy in India: A Review, Water Aid India, 2006

14 The EGCIP estimate at Rs 1505 billion, is inclusive of cost estimates for new infrastructure (i.e. drainage, sewerage, solid waste management) and it is highest compared to MoUD estimate of Rs 514 billion for Urban water & sanitation and UNICEF/WHO/Planning Commission estimate of Rs 304 billion for meeting MDG Urban water and sanitation target. Source: Drinking Water and Sanitation Status in India: Coverage, Financing and Emerging Concerns, WAI-2005, Page 31.

By ADB's own admission, water sector assessments have not yet been carried out for influencing national water policy changes even though it was recommended in the internal ADB assessment of its own water policy in 2003. Focused dialogue on water policy at the state or national level has not yet taken place. Water Aid believes national sovereignty has to be upheld and national policies need to be consultative and legislative but if there are pro-poor elements missing, ADB should focus on facilitating amendments to incorporate the same in their loan agreements. This needs to be worked out in a consultative and legislative manner.

Despite three generations of loans, projects for the poor continue to be designed as standalone rather than integrated/mainstream interventions; inequitable state policies on service provision in slums have been accepted and upheld, and community inclusion and NGO involvement has received low priority in all stages, i.e. project conceptualisation, design, investment, and monitoring.

Despite funding a technical assistance on urban poverty and making commitments to poverty reduction, ADB appears not to be encouraging governments to adopt pro-poor elements in policies. By its own admission, this is due to a lack of understanding of poverty issues.

### Other Criticisms on ADB

Since the ADB's early days, critics have charged that the two major donors, Japan and the United States, have had extensive influence over lending, policy, and staffing decisions.<sup>15</sup> Oxfam Australia has criticized the Asian Development Bank of insensitivity to local communities. "Operating at a global and international level, these banks can undermine people's human rights through projects

15 Kilby, Christopher (2002). "Donor Influence in MDBs: The Case of the Asian Development Bank" (PDF). *The Review of International Organizations* 68 (4): 509:528. Retrieved 2010-09-16.

that have detrimental outcomes for poor and marginalized communities.”<sup>16</sup> The ADB also received criticism from the United Nations Environmental Program, stating in a report that “much of the growth has bypassed more than 70% of its rural population, many of whom are directly dependent on natural resources for livelihoods and incomes.”<sup>17</sup>

There had been criticism that ADB’s large scale projects cause social and environmental damage due to lack of oversight. One of the most controversial ADB-related projects is Thailand’s Mae Moh coal-fired power station. Environmental and human rights activists say ADB’s environmental safeguards policy as well as policies for indigenous peoples and involuntary resettlement, while usually up to international standards on paper, are often ignored in practice, are too vague or weak to be effective, or are simply not enforced by bank officials.

The ADB has been criticized over its role and relevance in times of crisis. The ADB has been accused by civil society of ignoring warnings leading up to the crisis. It has also been condemned for pushing loan conditions that unfairly pressure governments to deregulate and privatize agriculture, leading to problems, such as the rice supply shortage in Southeast Asia.

The ADB has also been criticized by Vietnam War veterans for funding projects in Laos, because of the United States’ 15% stake in the bank, underwritten by taxes.<sup>18</sup> Laos became a communist country after the U.S. withdrew from Vietnam, and the Laotian Civil War was won by the Pathet Lao, which is widely understood to have been supported by the North Vietnamese Army.

## Recommendations

- Making the ADB accountable: As an international institution, the ADB is not legally bound by national or international law. The only way communities can hold the ADB accountable is through its own policies which are supposed to protect those affected by its operations.
- As noted in one of the case studies, access to land remains a critical constraint for the food security of many small and marginal cultivators as well as for landless workers. Rather than ignoring this issue, the ADB should at the least, state that it is in favor of implementation of India’s land reform laws, distribution of ceiling-surplus land and security of landholdings for forest dwellers and those cultivating without title.
- Supporting PPP models for infrastructure and handing over critical elements of the market supply chain to private companies flies in the face of the Indian and global experience over the last decade. Advocating and promoting direct corporate procurement from farmers and contract farming will, in the long run (despite apparent short-term benefits), threaten the livelihood security of farmers, increase price volatility for consumers and further encourage speculative activities in the market supply chain. ADB’s promotion of such activities should be stopped.
- Investing in support for low impact, low input agriculture would be a better fit for the ADB’s ostensible objective of tackling climate change and increasing ‘resilience’ than what its current approach provides.

<sup>16</sup> Oxfam Australia. “The Mekong and Asian Development Bank

<sup>17</sup> IPS. “UNEP faults Asian development project.”

<sup>18</sup> Walsh, Denny (2008-04-23). “Laos plot case back in federal court”. Sacramento Bee. Retrieved 2008-04-23





# The Kyrgyz Republic and the Asian Development Bank: Analysis of Relationships

by Chinara Aitbaeva\*

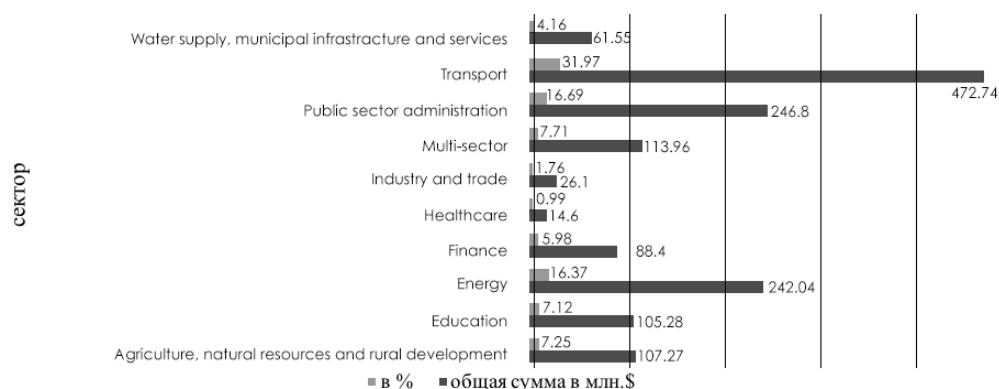
Comprehensive economic growth remains to be the Asian Development Bank (ADB)'s primary poverty reduction strategy in the Kyrgyz Republic. However, besides estimates, there is a dearth of data on *actual* success rates of these projects at the country level. Success rate estimates of ADB projects have pegged it at about 50% from 2010-2014. Notwithstanding this estimate, the actual economic and social development of the Kyrgyz Republic has not improved over the years.

## The Kyrgyz Republic and the ADB

The Kyrgyz Republic, although possessing only a small percentage of votes in the ADB, annually receives tens of millions of US dollars from ADB on poverty reduction and development programs. The ADB's information bulletin states that its Country Partnership Strategy (CPS) for 2013-2014 supports the National Strategy for Sustainable Development of the Kyrgyz Republic (NSSD), that is, to expand access to economic opportunities in the country.

\* Chinara Aitbaeva is currently the President of the Public Union of Nash Vek Youth Movement, an organization that monitors external aid and budget policy of the Kyrgyz Republic. She is also the Chairperson of the Committee on External Aid and Public Debt of the Public Council of the Kyrgyz Republic's Ministry of Finance.





**Figure 1. Total volume of approved lending, grants and technical assistance of the Asian Development Bank to the Kyrgyz Republic (as of December 31, 2014)**

Note: In % total \$ million

Source: Database of indicators of confirmed PCR and program/project assessment reports as of December 31, 2014

Note: Compared to previous ADB information bulletins, the success rates reported in this bulletin are based on indicators confirmed by PCR and by independent operation evaluation reports and do not include internal assessments data. Because of the small sample size, the success rates do not necessarily represent all operations in the country.

Figure 1 shows the total volume of approved lending, grants, and technical assistance of the ADB amounting to US\$1,478,078,000 for the Kyrgyz Republic. Out of this amount, a huge chunk goes to the transport, public administration, and energy sectors, translating to 32, 17, and 16% respectively. Noticeably, however, social services, such as education, agriculture, natural resources, finance, water and healthcare receive allocation below 10% each only.

Compared to previous ADB information bulletins, the success rates shown in Table 1 are based on indicators confirmed its project completion report and by independent activity evaluation reports that exclude internal assessments data. Because of the small sample size, the success rates do not necessarily represent all operations in the country. However, the 2010 and 2014 analyses of selected independently evaluated projects (two in each above-mentioned year) show that the success rate is only 50%. And for all ten selected evaluated projects for the period from 2007 to 2014, the success rate is only 60%.

Taking into consideration the ADB official data<sup>1</sup> from Table No. 2, which specify co-financed eight projects, it can be concluded on the basis of data from Table 1 that in 50% of ADB's aid for 4 years (from 2010 to 2014), the success rate of ADB projects is only 50%

From January 1, 1966 to December 31, 2014, contractors and suppliers participated in 194,667 contracts for goods, works, and related services in the projects financed by ADB credits and grants for the total amount US\$135.21 billion. Figure 2 shows the percentage of contractors and suppliers from the Kyrgyz Republic vis-à-vis those from other countries. The contractors and suppliers from the Kyrgyz Republic have only been involved in 1,349 contracts for a total amount of US\$334.41 million, representing 1% of the total number of participants. By contrast, those implemented by contractors and suppliers from other countries comprise the remaining 99%

<sup>1</sup> The Asian Development Bank and the Kyrgyz Republic, information Bulletin

Year	Success rate (%)	Number of independently evaluated projects/ programs
2007	100.00	1
2008	100.00	2
2010	50.00	2
2011	100.00	1
2013	-	2
2014	50.00	2
Total	60.00	10

**Table 1. Kyrgyz Republic: Projects success rates**

The Asian Development Bank and the Kyrgyz Republic, INFORMATION BULLETIN

Note: the term "year" means the year of the distribution and circulation of the project completion report (PCR). Compared to previous ADB information bulletins, the success rates reported in this bulletin are based on indicators confirmed by PCR and by independent operation evaluation reports and do not include internal assessments data. Because of the small sample size, the success rates do not necessarily represent all operations in the country.

Sources: Database of indicators of confirmed PCR and program/project assessment reports as of December 31, 2014

or 193,318 contracts for a total amount of US\$135 billion. Indeed, we have very few local contractors and suppliers being involved but more international contractors hired in ADB financed projects.

The same pattern emerges for consultancy services. From January 1, 1966 to December 31, 2014 there were a total of 45,584 contracts for consultancy services within the framework of the ADB credit, grant and technical assistance projects which cost US\$9.98 billion. However, the consultants from the Kyrgyz Republic have participated in the implementation of only 961 contracts for a total amount of US\$26.85 million, whereas the consultants from other countries have been involved and paid for the remaining 44,623 contracts which cost US\$9.95 billion.

Co-financing (\$ million)	Number of projects	Amount
Projects <sup>a</sup>	3	161.50
Grants	1	1.50
Official assistance loans	2	160.00
Technical assistance grants	2	1.15

**Table 2. Kyrgyz Republic: co-financed projects, January 1, 2010 - December 31, 2014**

<sup>a</sup>Project with more than one source of co-financing is calculated once.

### Dissonance in Objectives

The ADB highlighted poverty reduction through comprehensive economic growth as its main objective in the future as stated in the Country Operations Business Plan" (COBP) for 2014-2015, which is consistent with the CPS (the country partnership strategy). COBP supports public sector administration for the private sector development. The plan focuses on rehabilitating the regional corridors and supporting existing logistics network. The energy sector business plan is aimed at the rehabilitation and modernization of power networks through the organizational and technological reforms to enhance its effectiveness. Reforms in education and training focus on increasing the availability of skilled labor force and expansion of employment opportunities for the population, especially the poor and vulnerable segments of the population. The COBP framework also includes technical assistance to strengthen government capacity in the implementation of sustainable water supply and sanitation projects.

The ADB has allocated US\$207 million from its Asian Development Fund (ADF) resources for 2015-2017. Final allocation of ADF resources

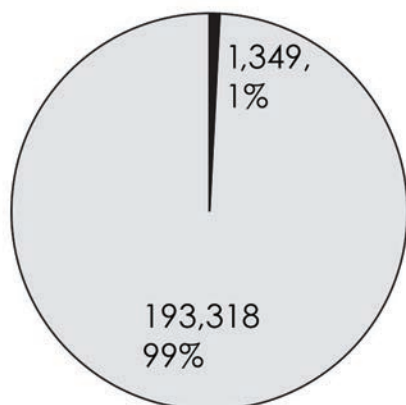


Figure 2A. ADB contractors and suppliers in contracts for goods, works, and related services in the ADB loan and grant projects (number and percentage)

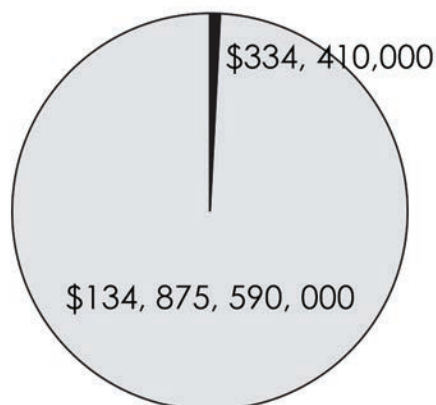


Figure 2B. ADB contractors and suppliers in contracts for goods, works, and related services in the ADB loan and grant projects in million and billion US dollars.

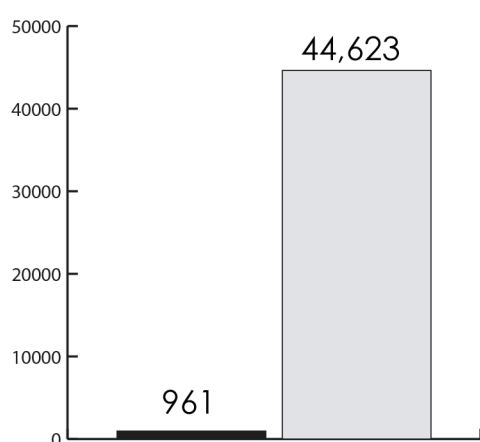


Figure 3A. Consulting services within the framework of the ADB credit, grant and technical assistance projects (number of contracts for consulting services)

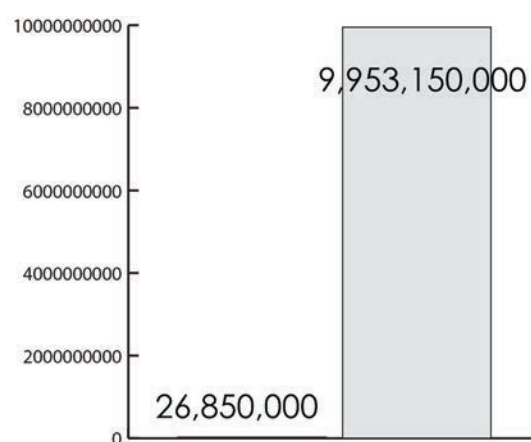


Figure 3B. Consulting services within the framework of the ADB credit, grant, and technical assistance projects (in million and billion US dollars)

<b>Country Development Objectives:</b> 1. Sustained and stable economic growth (average real GDP growth should exceed 5% in 2013-2017) 2. Job creation (350 000 additional jobs to be created in 2013-2017) 3. Reducing poverty in all regions (the poverty rate will decrease from 36.8% in 2011 to 25% by 2017, at the level of the national poverty line, with a reduction in each oblast)	
Sector objectives of the Government	Changes compared with the CPS (Country partnership strategy) or last COBP (Country operations business plan)
<b>Transport</b> (Main direction 1: Infrastructure, 3: Regional integration) Improving transport and reducing regional inequalities and imbalances Improving transport and reducing regional inequalities and imbalances	ADB resources allocation increased from \$150,0 million to \$164,6 million.
<b>Energy</b> (Main direction 1: Infrastructure, 3: Regional integration) Improving the quality and energy supply	ADB resources allocation increased from \$100.0 million to \$174,0 million.
<b>Education</b> (Main direction 5: Education) High quality, result-oriented education	ADB resources allocation increased from \$40.0 million to \$42 million.
<b>Multi-sectors</b> (Main direction - Miscellaneous: Public sector administration, and 4: Financial sector development) Appropriate environment for the development and improvement of the private sector operation	ADB resources allocation decreased from \$72.0 million to \$62.0 million.
<b>Water supply and sanitation, and other municipal infrastructure and services</b> (Main direction 1: Infrastructure) More people get access to improved water supply and sanitation services	ADB resources allocation decreased from \$50.0 million to \$30.0 million.

**Table 3. Updated Matrix of Results of the Country Partnership Strategy (CPS) (Approved by the ADB Board of Directors: CPS - 2013; COBP - November 2014) (excerpt)**



for the country will depend on the availability of reserved obligations within the framework of the ADF replenishment and outcomes of the country performance assessments. Co-financing and financing from other sources, including a sub-regional reserve for projects especially for the energy and transportation sectors, will be actively sought. Non-lending program includes technical assistance grants for a total amount of US\$6 million for the period 2015-2017. The private sector can get access to ordinary capital resources of the ADB as the latter's direct assistance to private sector projects may include lending to such important sectors as energy, transportation, logistics and finance<sup>2</sup>.

Table 3 shows the updated matrix of results of the country partnership strategy, which specifies the country development objectives. Also shown are the changes in the updated results matrix of the ADB Country Partnership Strategy compared with the CPS or the latest country operations business plan. Evidently, ADB allocates most of its financing to the energy and transport sectors. Unfortunately, a less significant amount is allocated to the education sector. Moreover, financing for the water supply and sanitation sector has also been reduced. Thus, for the **Transportation** sector (whose target is to improve transportation and reduce regional inequalities and imbalances), the allocation increased by US\$14 million. For the **Energy** sector (the quality and energy supply), there is an increase by US\$74 million. For the **Education** sector (objective is a high quality, result-oriented education), ADB resources allocation increased by US\$2 million. However, for **Multi-sectors** (main directions are public sector administration and financial sector development; objective is to create an appropriate environment for the development and improvement of the private sector operation), ADB resources allocation decreased by US\$10 million. Also noteworthy is the allocation for the **Water Supply and Sanitation,**

**and Other Municipal Infrastructure and Services** (objective is to improve access to better water supply and sanitation services), whose allocation decreased by US\$20 million.

Looking at each country development objectives, there is a clear disparity between the ADB's programs and strategies and that of the Kyrgyz Republic.

First, on its avowed goal of **sustaining and stabilizing economic growth**, the ADB projects that the average real GDP growth should exceed 5% in 2013-2017. However, results for the period covering 2012-2014 showed that the average annual real GDP growth amounted only to 4.8%. If one takes into account the impact of external factors on the medium-term period 2016-2018 timeframe, the average annual real GDP growth is projected at 4.4% due to growth in all economy sectors. The inevitable conclusion is that the average real GDP growth does not exceed 5% in 2013-2017 as indicated in the updated matrix of results of the ADB Country partnership strategy.

The second country development objective (see Table 3) is **reducing poverty in all regions**. In particular, the aim is to decrease the poverty rate from 36.8% in 2011 to 25% by 2017, at the level of the national poverty line, with reduction in each oblast. However, the mid-term budget forecast for 2016-2018 (see Table 4) indicates that the poverty level in the medium term will be reduced on average by only 0.5 percentage points per year in 2018 or 35.8% (not 25%) in 2017.

Lastly, the forecast also indicates that **employment** will increase on average by 3,000 people per year. This is a far cry from the projected 350,000 new jobs as indicated in the updated matrix of results of the country partnership strategy (see Table 3). Comparative data, unfortunately, show inconsistency with the country development objectives specified in the ADB Country Partnership Strategy.

<sup>2</sup> ABD, Country Operations Business Plan, December 2014, The Kyrgyz Republic 2015-2017

	2015 expected	2016 forecast	2017 forecast	2018 forecast
Average annual number of resident population (thousand people)	5689.0	5778.7	5866.1	5956.0
<b>Poverty (% of total population)</b>	<b>36.8</b>	<b>36.4</b>	<b>35.8</b>	<b>35.3</b>
GDP per capita, United States dollars	1214.1	1229.4	1280.9	1365.7
<b>Employment (thousand people)</b>	<b>2270.0</b>	<b>2273.3</b>	<b>2277.2</b>	<b>2279.5</b>
Money incomes of the population, billion som.	307.4	357.8	421.7	503.3
Average monthly salary, som.	13500	14800	16350	17500
<i>Real growth rate (%)</i>	<i>97.7</i>	<i>98.3</i>	<i>100.5</i>	<i>99.6</i>

**Table No. 4. Social indicators for 2015-2018**

Source: The Kyrgyz Republic, Ministry of Finance, The Medium-Term Budget Forecast for 2016-2018, Bishkek-2015

It is clear that on all identified country development objectives approved by the ADB, the actual outcomes lag behind the ADB's forecast. The diminishing support for service sectors, which directly impacts poverty eradication, brought about this dissonance in the actual and projected results. In addition, the persistent awarding of most supply and consultancy contracts to foreign companies and professionals prevents the funding provided by the ADB from being fully infused with the local Kyrgyz economy.

### Conclusions

- For about half of ADB's aid for four years (from 2010 to 2014), the success rate has been at 50% only.
- In the implementation of contracts, only 1% of the ADB contractors and suppliers are from the Kyrgyz Republic, whereas foreign contractors and suppliers carry out the remaining 99%. As the Kyrgyz economy experiences slow growth, this anomaly does not help the prospects of local companies.
- Consultants from the Kyrgyz Republic comprise only about 2% of consulting services within credit, grant projects, and technical assistance from the ADB. These local consultants participated in the implementation of 961 contracts for a total amount of US\$26.85 million. By contrast, the consultants from other countries have been involved and paid for the remaining 44,623 contracts for a total amount of US\$9.95 billion.
- The ADB in the Kyrgyz Republic directs financing to power and transport sectors, but it does not contribute as much to the education sector. In addition, ADB reduced financing in water supply and sanitation by US\$10 million and US\$20 million, respectively.
- In ADB's updated matrix of results of the country partnership strategy, the purposes of development of the country do not correspond with data from the analysis specified in the medium-term forecast of the budget for 2016-2018 by the government.

For example, the average growth of real GDP does not exceed 5% in 2013-2017, as specified in the updated matrix and predicted at the level of 4.4%. In the document, ADB noted that the level of poverty would decrease by 25% by 2017. However, the analysis of the Ministry of Finance of the Kyrgyz Republic shows that poverty level by 2017 will be at 35.8%. Unfortunately, the forecasts of the ADB and the Kyrgyz Republic differ significantly.

## Recommendations

- Conduct success indicators estimates of ADB projects in Kyrgyz Republic annually;
- Actively involve civil society for joint monitoring and assessment of ADB projects, ensuring planned estimates of success of projects are carried out by the Bank;
- Annually and regularly include contractors, suppliers and consultants from the Kyrgyz Republic in the implementation of contracts that will increase their potential, development, and growth at the international level, to gradual involvement and an essential contribution to national economy;
- ADB to coordinate also with CSOs' projects for financing which will promote the welfare of the population, as well as the social and economic development of the whole country;
- In the ADB country strategy of partnership, to specify purposes of development of the country, indicators, and forecasts, which should be similar with the visions of development of the Government of the Kyrgyz Republic.

# RealityCheck

May 2016

The Reality of Aid Network exists to promote national and international policies that will contribute to a new and effective strategy for poverty eradication, built on solidarity and equity.

Established in 1993, The Reality of Aid is a collaborative, not-for-profit initiative, involving non-governmental organisations from North and South.

The Reality of Aid publishes regular and reliable reports on international development cooperation and the extent to which governments in the North and South, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

The Reality of Aid International Coordinating Committee is chaired by Kavaljit Singh of Madhyam.

The International Coordinating Committee is composed of coordinators of component regional networks (RoA Africa, RoA Asia/Pacific, and LATINDADD for Latin America), Canadian Council for International Cooperation, European Network on Debt and Development (EURODAD), and the Global Secretariat Coordinator.

The Reality Check is the official newsletter of the Reality of Aid. It is designed to highlight current issues in aid regime written from a regional perspective but with global significance, edited in rotation by the leading networks in the following regions:

## International Coordinating Committee

### **Kavaljit Singh** **Chairperson**

Madhyam  
148, Maitri Apartments, Plot #28, Patparganj I.P.  
Tel: 91-11-430-36919  
Email: kavaljit.singh@gmail.com  
www.madhyam.org.in

### **Fraser Reilly-King** **Vice Chairperson/Representing non-European OECD**

Canadian Council for International Cooperation (CCIC)  
450 Rideau Street, Suite 200, Ottawa, Ontario, K1N 5Z4  
Tel: +01 613 2417007  
Email: freillyking@ccic.ca  
www.ccic.ca

### **Vitalice Meja** **Reality of Aid Africa**

Wanandeg Flats Apt 4D Kirichwa Road Kilimani  
P.O.Box 36851 - 00200 Nairobi Kenya  
Tel: + 254 202345762/ 254 704353043  
Email: roafrica-secretariat@realityofaid.org  
www.roafrica.org

### **Yodhim Dela Rosa** **Reality of Aid – Asia Pacific**

3/F, IBON Center, 114 Timog Avenue, Quezon City 1103, Philippines  
Tel: +632 927 7060 to 62 loc 201  
Telefax: +632 927 6981  
Email: ydelarosa@realityofaid.org  
www.realityofaid.org

### **Jeroen Kwakkenbos** **Representing European Country CSO members**

European Network on Debt and Development (EURODAD)  
Rue d'Edimbourg 18-26, 1050 Brussels, Belgium  
Tel: +32 2 8944645  
Email: jkwakkenbos@eurodad.org  
www.eurodad.org

### **Alberto Croce** **Representing Latin American CSO members**

Red Latinoamericana de Deuda, Desarrollo y Derechos (LATINDADD)  
Fundación SES, San Martín 575 6°A  
Buenos Aires, Argentina  
Tel: +54 11 5368 8370  
Email: dir@fundses.org.ar  
www.fundses.org.ar

### **Erin Palomares** **Global Secretariat Coordinator**

3/F, IBON Center, 114 Timog Avenue, Quezon City 1103, Philippines  
Email: epalomares@realityofaid.org  
Tel: +632 927 7060 to 62 loc 201  
Telefax: +632 927 6981  
www.realityofaid.org

**The Reality of Aid**  
An Independent Review of Poverty Reduction and Development Assistance

**Reality of Aid - Asia Pacific Secretariat**  
3rd Floor, IBON Center  
114 Timog Avenue, Quezon City  
1103 Philippines  
Tel: +63 2 9277060 ext. 201  
Telefax: +63 2 9276981  
Email: secretariat@realityofaid.org  
Website: <http://www.realityofaid.org>