

Shared Solutions:

Safeguarding Sustainable Development in the Mekong Region

Regional Symposium

August 25-27, 2015, Eastin Grande Hotel Sathorn, Bangkok

# The Business Case for Social & Environmental Safeguards in Infrastructure Lending

Vinod Thomas

Director General, Independent Evaluation  
Asian Development Bank

Independent  
Evaluation 

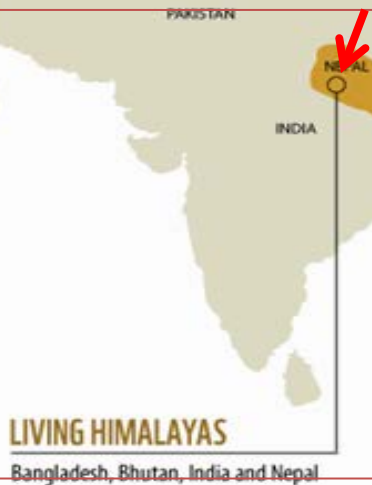
# Benefits and Costs of Safeguards

- Private and social calculus
- Cost of having safeguards estimated at 3-4% of total project cost
- Benefits of safeguards could exceed cost over 3 times
- Investors do not automatically mitigate damages

# Socio-Environmental Stress Raises the Stakes

- 70-75% of rural poor highly dependent on natural resources and ecosystems services for their livelihood

## Acceleration of glacier melt



- 8.5 M ha of deforestation in 1990-2005
- Annual estimated fish catch decline of over 150,000 tons between 2000 and 2015

## HEART OF BURNED

Brunei Darussalam, Indonesia and Malaysia

850,000 ha annual forest loss in the last 25 years

40% loss of reefs and mangroves in the last 40 years

## GREATER MEKONG SUBREGION

Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam

## CORAL TRIANGLE

Indonesia, Malaysia, Papua New Guinea, the Philippines, Solomon Islands

# Infrastructure Investment Augments the Risks

- Invest almost US\$1 trillion per year through 2020 to sustain rapid growth
- More infra finance available, including through new MDBs
- But raises the stakes for safeguards scrutiny

# Resistance to Safeguards

- Lack of differentiation of risks
- Project delays and higher costs
- Loss of business opportunities

# Damages Incurred and Avoided

- 2010 BP-Amoco Gulf of Mexico oil spill resulted in \$25 billion in claims and clean-up costs
- Sardar Sarovar Dam in India displaced over 200,000 people while Three Gorges Dam in China displaced over 1 M
- Health issues from discharges from factories and mines in Couer d'Alene River Basin in the US, Minimata Bay in Japan and Marinduque Island in the Philippines
- Ertan 1 hydropower in China resettled 46,000
- Addressed safeguard issues in Bolivia-Brazil Gas Pipeline, Baku-Tbilisi-Ceyhan Pipeline, Baku-Tbilisi-Erzurum, Nam Theun 2, and Southern Africa Gas Pipeline

# Good Safeguards Practices

- Pollution mitigation in an energy project in Pakistan
- Minimizing social impact of hydropower development in Viet Nam
- Political risk insurance for the private sector to address social and environmental challenges in Africa



# ADB's Experience

- Country readiness
- Classification and risks
- Supervision and resources
- Expanded requirements on health and safety, biodiversity, culture



# World Bank Proposal

- The What and the How
- Public sector and private sector
- Design and implementation
- Flexibility = weakening compliance?

# MDB Reforms

- Don't water down safeguard policies
  - Adopting legally binding indicators for environmental and social impacts
- Make safeguards work better
  - Undertaking monitoring, verification and disclosure vetted by reliable third party counterparts
- Show safeguards are in a country's best interest
  - Looking at benefits and costs
  - Improving efficiency
  - Ensuring adequacy of country safeguard systems

# Thank You!

Download thru links



ADB Safeguard Policy Statement 2009:

<http://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>



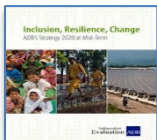
Learning Lessons: ADB's Safeguards Policy:

<http://www.adb.org/sites/default/files/LL-safeguards.pdf>



Safeguards Operational Review: ADB Processes, Portfolio, Country Systems, and Financial Intermediaries:

<http://www.adb.org/sites/default/files/evaluation-document/89401/files/ces-safeguards.pdf>



Inclusion, Resilience, Change: ADB's Strategy 2020 at Mid-Term: <http://bit.ly/irc-strategy2020>



Infrastructure lending must be based on environmental and social safeguards: <http://bit.ly/safeguards-brookings>

# Thank You!

Follow Us



[evaluation@adb.org](mailto:evaluation@adb.org)



[www.adb.org/evaluation](http://www.adb.org/evaluation)



<https://www.facebook.com/adbevaluation>



<https://twitter.com/adbevaluation>



<http://www.youtube.com/evaluationatadb>



<http://www.scribd.com/adbevaluation/>



<http://www.soundcloud.com/adbevaluation/>