



FOR IMMEDIATE RELEASE

May 4, 2015

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NGO Forum to ADB: “Start banking FOR not ON development”

Baku, Azerbaijan (May 4) --- In the face of a looming investment collaboration between the Asian Development Bank (ADB) and its touted rival the Asian Infrastructure Investment Bank (AIIB), an international civil society network challenged the ADB to “stop banking on development and instead begin banking for development.”

In a civil society meeting with ADB President Takehiko Nakao at the 48th Annual Governors Meeting, the 250-member strong NGO Forum on ADB urged the Bank to implement concrete policy tools and practices on safeguards and human rights in order to eradicate poverty and inequality in Asia. Forum added that ADB’s open engagement with civil society organizations is indispensable in making the Bank more accountable and effective.

Forum executive director Rayyan Hassan noted that the 2009 Safeguard Policy Statement (SPS) clearly states that the higher standards of Safeguards should apply in any ADB-financed project. Hassan asked the ADB President to clarify whether the SPS would cover any joint project with AIIB in the future.

In response, President Nakao made an assurance that for co-financing projects; the ADB will apply its own standards. The ADB President pointed out that the AIIB interim secretary Jin Liqun has already expressed that safeguard policies are important for all projects and that AIIB would adhere to international standards of safeguard policies.

However, while President Nakao said the AIIB will make its own efforts on safeguards, he also emphasized the question of how they will be implemented as very important.

“It is crucial for the ADB to implement its safeguard policies on all projects including co-financing agreements with commercial, bilateral and multilateral agencies such as the newly-created AIIB,” Hassan said. “The stringent application of environmental and social safeguards with strong human rights dimension is one good way for the ADB to prove that it is indeed a bank for development.”

Moreover, Hassan said the ADB-AIIB co-financing initiative would further underline the glaring gaps in ADB’s delivery mechanism of its safeguards as revealed by the operational review conducted by its own Independent Evaluation Department (IED) in 2014.

He cited the following: (i) Lack of any disclosure and reporting gaps in ADB’s financial intermediary (FI) private sector projects, (ii) Glut increase in category B projects to avoid more stringent environmental and social assessments, (iii) Poor quality at entry of information in regards to environment, resettlement and indigenous peoples issues pre-project approval, and (iv) lack of clear response on project monitoring by ADB on Safeguards with almost non-existent on site field visit by ADB safeguard staff.

In reaction, President Nakao acknowledged that IED’s safeguards evaluation did raise many issues but at the same time, reiterated that safeguards are a hallmark of ADB and borrowing nations should consider them a contribution instead of a burden.

Hassan further added, “unfortunately safeguard policies have been perceived by most

development actors, especially public and private borrowers as ‘obstacles’ to the path of project implementation. ADB should ensure due diligence in design, implementation and supervision of its safeguard measures for all projects per the recommendation of the IED; if it intends to be true to its original mandate of poverty alleviation in Asia.”

Forum also expressed serious concern on the shrinking civic space and restriction on civil society in countries where ADB operates such as Lao PDR, Uzbekistan and Azerbaijan. The group joined Human Rights Watch in appealing to the Bank to urge the Azeri government to end its crackdown on activists and independent groups.

President Nakao replied that ADB will continue to lend to the said countries because they are making efforts to adhere to standards, such as labor standards. He added that these countries are still developing and trying to reduce poverty. Citing the economy of Azerbaijan over that last 10 years, he said social indicators have become much better, including literacy and maternal mortality.

On civil society space, President Nakao said even developed countries have to make progress on working with CSOs. ADB is trying to address those issues according to him.

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The NGO Forum on the ADB, based in Manila, is an Asian-led network, comprised of community groups and civil society organizations, which has been monitoring the projects, policies and programs of the Asian Development Bank since 1992. Forum has around 250 member organizations largely from South Asia, Southeast Asia, Mekong, and Central Asia & Caucasus. It also has members and partners from Europe, Australia, China, Japan and the United States.