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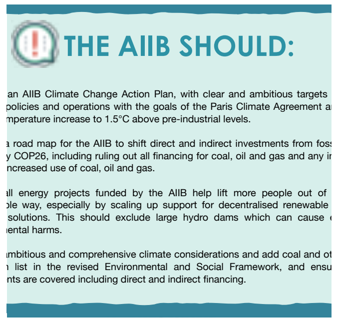
INSIDE



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* Cover Photo by Naeem Mayet

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BUILDING A SUSTAINABLE ECONOMY IN ASIA: CAN ADB LEAD THE WAY?

RENE E. OFRENEO, FREEDOM FROM DEBT COALITION

In 2008, at the height of the global financial crisis (GFC), the UN Environment Programme (UNEP) proposed to the G-20 countries that stimulus spending be focused on making theireconomies green and sustainable. The idea was christened as the "Global Green New Deal"(GGND).

Under the GGND, the United States, EU and other high-income economies were asked to spendat least one percent of their GDP on reducing carbon dependency in two years. On the otherhand, developing economies were asked to spend at least one percent of their GDP onimproving sanitation, secure clean water, develop safety net programs and adopt other actionprograms in support of sustainable production, especially in primary activities.

In response to the above GGND proposal, several countries made definitive commitments, namely, Germany, France, Mexico, South Africa and South Korea. Among these countries, South Korea has been praised for its successful formulation and launching in 2009 of a "Korean Green New Deal," complete with financing programs.
Now fast forward to the present: 2020. UNEP's GGND scorecard: woeful. The UN environmental agency has very little data to show how different economies worldwide have fulfilled the initial GGND targets set in 2008.

Further, the global picture on greying planet has taken a turn for the worse. In the first quarter of 2020, a virulent virus swept the world. The Covid-19 pandemic has deepened the sustainability crisis of planet Earth. One sustainability issue on top of the other: climate change risks, mass hunger and poverty, social and economic inequality, and now, global health crisis.

To contain the virus spread, countries around the world have been putting whole populations on quarantine or lockdown. The economic impact is almost instantaneous: a crisis like no other, wrote the International Monetary Fund. The economic disruptions mean massive displacement of people from jobs and livelihoods in both developed and developing economies.

Asia in particular has been bleeding heavily due to the pandemic. The Philippines and other developing countries were not prepared to handle the contagion because of broken public health systems. The pandemic is also giving "Factory Asia" paralyzing body blows. The so-called global value chains, which have been disrupted by the technology revolution and US-China trade war, are further flattened by depressed global market demand and rising economic protectionism.

It is against the foregoing background that one must assess the readiness of the Asian Development Bank, the "development banker" of Asia-Pacific, to respond to the climate, health and economic challenges facing the region. The 54-year-old ADB openly declares that it is committed "to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty."

The ADB is supposed to be the "financing" partner of 68 Asia-Pacific countries in the building of physical and social infrastructures (e.g., roads, dams, power plants, education programs, etc.) needed by their respective populations. Because of the huge social and economic impact of these infras, a number of community and civil society organizations (CSOs) have been monitoring closely the ADB's infra lending programs. Some infra projects have positive growth impact (for example, solar electrification of rural areas); others, however, have been labelled by the CSOs as "anti-people" (for instance, dams displacing indigenous communities from their land).

Somehow, the ADB has learned to live and interface with the CSOs on various issues through the years, largely through social dialogue. The Bank itself has institutionalized a number of remediation programs to address CSO concerns such as having a system of accountability reporting and the Bank's adoption of ILO decent work standards in infra construction, a major demand of the trade unions.

But in the coming 53rd Annual Meeting of the Bank on September 16-18, 2020, a number of CSOs are unhappy. In the past, the Bank's annual meetings were big conference festivals attended not only by government delegates but also by hundreds of private sector and CSO guests/observers.

This time, the 53rd Annual Meeting is going virtual. However, going online is not what is raising the hackles of the CSOs. The Meeting is not open to the CSOs, although the officers of the Bank wrote the ADB NGO Forum, the lead CSO convenor, that the Bank is arranging post-Conference meetings and consultations with the CSOs later in the year.

A number of CSOs are angry over the exclusion decision. In particular, they have two urgent concerns they want to raise with the Bank officers. These are:

Soaring debt in a flattened economy.The Bank, through a $20 billion Covid-19 Accelerated Response and Expenditures, is providing new loans to Member Countries to help them address the health and economic crises arising from the pandemic. According to the NGO Forum on ADB and the Freedom from Debt Coalition, the debt burden of borrowing countries is growing fast without any indication that flattened economies can automatically be revived.

The usual lending practices of the Bank simply assume that the economy of a borrowing country will grow based on a new spending stimulus created by the Bank's loans. With the social distancing rules among people and global distancing among countries due to rising protectionism likely to persist in the foreseeable time, both the Bank and borrowing countries must realize that Covid times call for bold changes in the economic development framework that must guide borrowing and spending of a country. For example, why are the Bank's loans overly focused in prioritizing the role of the "private sector" in the utilization of loans when local governments and communities are the ones in greater need of such funds? Additionally, the capacity of the private sector to lead in uncertain times is also low.

This brings us to the second CSOs' concern: ADB's climate responsibility.The old ADB Energy Policy is not explicit if the Bank is fully aligning itself with the Paris Agreement 2015 to reduce global temperature to 1.5 degree Celsius. Since its establishment, the Bank has been a major co-funder of coal- and fossil-fuel-run power plants in the Philippines and other Asian countries. The complaint of the CSOs is that the Bank, in recent years, tends to resort to "green washing," that is, making public avowals in support of green transitioning to renewables while "retro-fitting" or maintaining existing dirty plants.

However, the NGO Forum on ADB welcomes the recent announcement by the "IED Energy Evaluation" team of the ADB: the Bank must stop funding or investing in coal-fired power plants and must formally declare that a policy of going renewable is being institutionalized. The IED Report, released end of August, emphasized mitigation and adaptation measures as core priority in the Bank's energy program. Rayyan Hassan, ED of NGO Forum on ADB, explains that this positive development "is a testament to the years of collective pressure" CSOs have exerted on ADB to divest from dirty energy.

With the IED Report, are we now seeing a new ADB? Will the ADB also be open to a social dialogue on other concerns being raised by CSOs: food security, fair trade, sustainable finance, balanced agricultural-industrial development, full social protection to the vulnerables, rebuilding of the public health-care systems, job creation for those in the margins, development of state-led public distribution system, and people-centered global economic integration?

Will ADB lead the way in transforming Asia-Pacific into a green and sustainable continent?

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IFIS' UNMET GENDER PROMISES

ELAINE ZUCKERMAN, GENDER ACTION

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A new report by Gender Action, NGO Forum on ADB, Oxfam and Recourse, "Unmet Gender Promises: making IFI projects and policies deliver on gender-equal rights", shows that projects financed by taxpayer-supported International Financial Institutions (IFIs) -- the world's largest public development banks', often harm the livelihoods, health and wellbeing of women, men and sexual and gender minorities (SGMs). IFIs' stated missions range from eradicating poverty to sharing prosperity and social progress. The reality is different.

The backdrop to Unmet Gender Promises is decades of IFI "neoliberal" austerity policies, which instigate public spending cutbacks accompanied by privatizing health, education, industrial, agricultural and other services and enterprises. Poor women, men and SGMs who lack wherewithal to pay for them get squeezed out.

Unmet Gender Promises both analyzes and scores ten IFI gender policies and the gender-sensitivity of 12 IFIs' environmental and social frameworks (ESFs) which guide IFI investments, and examines their implementation on the ground via fieldwork case examples from Bangladesh, Haiti, India, Myanmar, Nigeria, Pakistan, Senegal and Uganda.

The fieldwork cases demonstrate recurring IFI gender policy and ESF implementation violations' harmful impacts on women, men and SGMs including:

- Farmers' households and livelihoods suffer from loss of homes, land, livestock, water, and/or fisheries due to forced evictions that make way for project construction (Bangladesh, Haiti, Myanmar, Nigeria, Pakistan, Senegal).
- Women and their household members' health suffer from pollution and women's unpaid care work multiplies from fossil-fuel powered plants (Bangladesh, Myanmar, Senegal) that exacerbate climate change, trigger respiratory diseases and expand women's unpaid work caring for sickened household members. In a rare IFI response to community complaints about harmful project effects, in 2019 the African Development Bank (AfDB) ceased operations of the Senegal Sendou coal power plant which breached AfDB's gender policy and ESF. However, the women fishers and farmers who lost livelihoods and whose health was damaged by the coal plant have not been compensated.
- Affected people's failure to receive project information and be consulted, despite IFI commitments to transparently disclose information and conduct gender-sensitive consultations. Ignoring women's specific concerns resulted in gender-insensitive outputs. In the Asia Infrastructure Investment Bank (AIIB)-financed rural roads project in Gujarat, India, women and children who walk to school and markets on project roads became accident victims on roads built without sidewalks that cater to vehicles overwhelmingly driven by men.
- Sexual and gender-based violence (SGBV) occurs in IFI projects when contracted male construction workers rape women and girls as though they are property and forced evictions leave women and girls homelessly exposed to lechers (Haiti, Nigeria, Uganda). In IFI circles, the World Bank-financed road project in Uganda has become synonymous with SGBV. After construction workers raped and impregnated over 30 schoolgirls who had to drop out of school, community members filed a complaint with the World Bank accountability mechanism. In response to the complaint and widespread negative publicity, the World Bank canceled financing a leg of the road project and provided assistance to the girl-mothers. In another World Bank project that promised to improve slums in Lagos Nigeria, the slums were bulldozed without warning, resulting in newly homeless women and girls as young as eight years being raped. Some women who lost businesses after the bulldozing turned to sex work to survive. To this day seven years after the bulldozing, most of the evicted slum residents remain homeless despite the project's declared purpose to provide improved housing. In the Inter-American Development Bank (IDB)-financed Caracol Industrial Park project, farmers were evicted from scarce fertile land in Haiti. While exposed women suffered sexual harassment for years promised new homes and compensation were not provided. Years later, in response to a community complaint made to the IDB accountability mechanism, some compensation is being provided.
- Gender unequal labor practices, are exemplified in the AIIB Gujarat, India rural roads project where men workers much less qualified than women workers received superior jobs with better pay.

Considering the findings of both our gender policy and ESF scoring analysis and the case studies showing IFI policy violations in practice, report recommendations include:

- New IFIs, notably the Asia Infrastructure Development Bank and New Development Bank, must create mandatory robust gender policies while traditional IFIs must strengthen theirs. All IFIs must rigorously implement strong gender policies.
- IFIs must address interrelated project gender, environment, and climate impacts. Current policies rarely acknowledge women's primary roles protecting the environment and managing natural resources and biodiverse ecosystems. Our cases underline that adverse climate and ecological effects especially undermine women's livelihoods and health.
- IFIs must ensure full information disclosure and inclusive consultation in all projects. While some IFI projects require gender-sensitive consultations, in practice consultations often fail to target women and are held too late for affected people to consent to or refuse projects. The right to refuse projects might pre-

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vent harmful forced eviction impacts described above.

- IFIs must ensure that gender equal rights (GERs) complement women's economic empowerment. Most IFIs solely make the business case that increased women's employment expands economic growth without complementarily promoting GERs.
- IFIs must ensure prevention of all forms of SGBV. Although almost all IFIs claims to prevent SGBV following the World Bank Uganda road project scandal described above, case studies demonstrate recurring SGBV in IFI projects that especially harms women and girls.
- IFIs must recognize and reward unpaid and underpaid care work. Some IFI policies recognize women's unpaid care work and promote technologies to alleviate it, but none promote monetizing and remunerating its economic contributions and distributing it across genders.
- IFIs' indirect Financial Intermediary (FI) subprojects must adhere to IFI gender policies and ESFs. Opaque FI subprojects make loans to intermediaries such as commercial banks and equity funds which in turn finance subprojects. FIs, that circumvent IFI policies, compose an increasing proportion of IFI portfolios. Case studies demonstrate FI subprojects' destructive gender, environment and climate effects.
- IFIs must rule out discrimination of sexual and gender minorities (SGMs). Only a handful of IFIs have begun protecting SGMs. All must expand policies and train staff to counter project discrimination against LGBTQ+ people and ensure they benefit from projects.
- IFIs must collect baseline and subsequent gender-disaggregated monitoring and evaluation (M&E) data. These data are essential in order to identify and apply lessons. Although some IFIs have long promised to collect these data, the report shows they do so insufficiently. These data must not only be collected and used to improve projects but must also be publicly disclosed.
- IFIs must commit ample core funding to promote GERs institutionally and in all project phases.
- IFIs must end their neoliberal privatization mania and make grants, not loans, to end country indebtedness which undermines providing health and and other basic human needs.

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ASIAN DEVELOPMENT BANK'S ENERGY EXISTENTIAL CRISIS

ZACH MALIK, E3G – THIRD GENERATION ENVIRONMENTALISM

Since adopting its 2009 Energy Policy, the Asian Development Bank (ADB) has been an important partner for Asian countries in tackling development challenges such as energy access and the energy transition. However, the ADB's record in increasing the share of its energy investments in renewable energy technologies and reducing investment in fossil fuels is mixed. From the inception of the 2009 Energy Policy, the ADB has spent USD42 billion on energy projects.

As reported by its Independent Evaluation Department (IED), the ADB has surpassed its targets on clean energy investments. A remarkable 51% of the ADB's climate finance flows – which is what the ADB define as climate finance - into energy projects, but at the same time the Bank invested almost 40% more in fossil compared to clean energy. Despite declaring a commitment to renewable energy, the ADB's policies and lending demonstrate that it does not truly believe that renewables can displace fossil fuels.

The Bank has not approved coal projects for the past seven years – the last one being in December 2013. On paper, however, the ADB is yet to categorically state that it is excluding coal from its finance operations, as the 2009 Energy Policy still allows for coal investments. Such mismatch creates confusion amongst Bank stakeholders and in theory leaves a path open to future coal investments, even if in practice this would be politically impossible. A deeper dive into the ADB's energy investment portfolio and practices unveils the ambiguities with which the ADB operates concerning its clean energy policies. The Bank, for example, includes natural gas as a type of 'clean energy'. In interpreting this statement, the ADB's definition of

renewable or clean energy is both loose and rather unfaithful and can lead to accusations of greenwashing. The ADB's credibility depends on a forceful update to its decade-old energy policy, making explicit its stance on financing coal and setting out a clear plan to phase out gas investment, as many of its peer MDBs and DFIs have done.

The ADB's Internal Evaluation Department agrees when it comes to coal. The ADB "cannot keep an ambiguous position on this contentious issue. It should exercise its leadership role by emphasizing its support for decarbonizing the [energy] generation mix and phase out coal power generation in [developing member countries]," according to the latest report.

Furthermore, the bank's internal watchdog recommends that the ADB emphasises climate change mitigation and adaption as a core priority in energy. Zooming in on renewable energy integration, the evaluation report counted 7,013 MW of new renewable energy generation capacity, although only 1,382 MW resulted from direct project investments. However, 1,080 MW of this was incorrectly included as it stemmed from the Viet Nam Mong Duong 1 Thermal Power Project, a coal-fired investment that closed in 2018. The report then compared the ADB renewables figure of 5,933 MW with the corresponding ADB fossil-fuelled plus hydropower generation figure of 12,189 MW. This is not dissimilar to research E3G has done on fossil to non-fossil energy lending ratios.

In addition, the evaluation found that the energy sector lending portfolio did not follow the policy guidance offered by Energy Policy 2009 in five significant ways. Important to emphasise the second reason. The "portfolio did not follow the mandate to promote energy efficiency, using both supply- and demand-side interventions", according to the report. The report continued to say "[If] a generous definition of supply-side energy efficiency is adopted; it could be argued that ADB committed significant resources to introducing high-efficiency fossil-fuel power generation". However, "no amount of generosity in classification can mask the limited number of efficiency initiatives on the demand side".

On efficient cooling technologies, one of the sectors that will make or break global attempts to achieve 1.5 or 2C, the ADB had already highlighted in its Energy Outlook for Asia and the Pacific report in 2013 that "the largest energy savings potential in buildings could be from cooling in Asia and the Pacific". Yet, the evaluation's argument concluded by noting that "no ADB interventions in efficient cooling or building insulation in the past 10 years, which shows a mismatch between what should be supported and actual support". Sustainable cooling can offer climate co-benefits whilst also facilitating sustainable development, and sits at the nexus of three international commitments – the Paris Agreement, Sustainable Development Goals, and the Kigali Amendment to the Montreal Protocol. Analysis by E3G has shown that all major MDBs have a majority shareholding that support greater action on cooling, either through ratification of the Kigali Amendment, or through the development of a National Cooling Action Plan (NCAP).

In response to the evaluation, Bank's management said it "agrees that the current policy is no longer adequately aligned with the global consensus on climate change, ongoing global transformation of the energy sector, and operational priorities of ADB's new Strategy 2030." Management agrees to revisit and update the policy but note the importance of stakeholder consultations on the role of fossil fuel in the region's energy mix, "including on whether to formally withdraw from financing new coal-fired power and heat generation capacity, among others."

While this sounds promising, the real proof will lie in the draft and final energy policy next year. The Bank's investment in "dirty energy" has been a contentious issue for years. Think tanks and civil society groups have long pressed the Bank to divest from these investments, and rethink its energy policy. The push to drive out coal investments is not a PR campaign, but a race to preserve the threat of climate change on humanity.

Looking ahead, the current global and regional context presents ADB with the opportunity and rationale to formally declare that it will no longer finance new added capacity of coal-fired power generation projects. Indeed, the ADB added its name as a "witness" to the Finance in Common Summit Joint Declaration of all public development banks in the world, which committed to "Support and promote sustainable alternatives to fossil fuel investments and consider ways and means of reducing these investments. Consider the range of fossil fuel investments in our portfolios, avoid stranded assets, and work towards applying more stringent investment criteria, such as explicit policies to exit from coal."
The reasons for stopping support for these activities are multiple: First, as mentioned earlier,

the ADB already stopped financing coal power projects in 2013. Second, coal power generation is a major contributor to climate change and air pollution. Third, 78% of the world's coal power project pipeline is in the ADB Developing Member Countries, which suggests financing is available from sources other than the ADB. Fourth, new coal generation involves significant risks of asset stranding due to expected policy and market trends in the medium term. Fifth, other MDBs and major international financing institutions have already banned financing of coal power generation. Sixth, the ADB's corporate Strategy 2030 emphasises low-carbon technologies as a path for development – and no one can pretend that coal is a low-carbon technology.

The European Bank for Reconstruction and Development's (EBRD's) for example rule out financing of thermal coal mining and coal-fired electricity generation in their energy sector strategy. The Inter-American Development Bank's (IDB) Environmental and Social Policy Framework (EPSF) also recently excluded "all steps involved in thermal coal mining or coal-fired power generation and associated facilities" - and it is notable that the Japanese government, so powerful within the ADB, supported this move at the IDB. Ultimately, the ADB needs to much clearer on its position on coal – and fossil fuels more broadly – to regain credibility and signal that aspirations and promises are translating into action. Additionally, stronger reporting and transparency mechanisms are needed, as reiterated by the Bank's IED. Lastly, the ADB should better understand the economic, environmental, and social benefits associated with renewable energy. In this context, the ADB's leniency on fossil fuels needs to come to an end and, instead, exercise its leadership role by emphasising its support for decarbonising the generation mix and phase out of coal power generation in its developing member countries.
The ADB must re-define its raison d'etre by deciding whether it will develop a new Energy Policy that stays true to the recommendations and aligns with the 1.5°C goal of the Paris Agreement or revert to old habits and accelerate climate emergency, one that will cripple Asia and the world.

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1) Little evidence that a preference for serving the poorest and the unserved permeated the ADB energy operations; 3) The policy's pillar of "promoting energy sector reforms, capacity building, and governance" was not reflected in the ADB's limited financing for the sector development and institutional reform subsector; 4) Regarding infrastructure, the ADB provided only limited support for designing and implementing policy frameworks, other than high-level documents; and 5) Resilience and climate proofing of energy infrastructure has been missing, only $287 million of climate change finance for adaptation was approved from 2016 to 2019, just 4% of the total climate finance for the energy sector in that period.

Masinloc Coal Palnt © Lala Cantillo

WHAT CHINESE COMPANIES SHOULD KNOW ABOUT LATIN AMERICA BEFORE INVESTING

DERECHO, AMBIENTE Y RECURSOS NATURALES (DAR)

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Even during the COVID-19 period, the commercial relationship between Peru and China has gone from strength to strength as the renegotiation the Free Trade Agreement (FTA) and the purchase of Luz del Sur, the largest electricity company in Peru, went ahead. In this context, it is necessary to promote dialogue between civil society, public officials and China's private sector in order to better understand Peru's socio-environmental regulatory framework and improve the long-term sustainability of Chinese investments in the country.

It is worth noting that the purchase of Luz del Sur adds to the Chinese Three Gorges Corporation's assets in Peru, as it is also the majority partner of the Chaglla hydroelectric power plant, located in the department of Huánuco. This project was owned by Brazilian firm Odebrecht, which had unfulfilled commitments to construct works and ensure surrounding communities' access to water and was a source of conflict in 2019. To date, however, Chaglla has not yet been part of the regionwide Lava Jato corruption investigation that centred on Odebrecht. But such uncertainty jeopardises the design of the project, which communities have noted lacks transparency and adequate dialogue mechanisms.

The sustainable use of natural resources needs to be internalised by the Chinese business sector

Lessons should be learned from projects such as Lot 58, an oilfield in Cusco department in which China National Petroleum Corporation bought shares and continued with the same socio-environmental conditions that generated conflict. The project lacked efficient governance and the Peruvian State did not comply with the right to prior consultation.

With this in mind, in a recent webinar Latin American civil society organisations and Chinese institutions advocated the creation of spaces for such exchanges as an opportunity to recommend improvements to investments. Derecho Ambiente y Recursos Naturales (DAR, Peru), Green Camel Bell (China), China Civil Climate Action Network (China), Chongqing Renewable Energy Society (China), and Chongqing International Culture Exchange Center (China), recently organised the first such space called the "Peru Environment and Investment Forum".

This online event brought the Chinese community closer to understanding Peru's political and economic context, as well as its environmental and social regulations, which are included in the two countries' investment development framework.

Participants included Zhang Jingjing from China Accountability Project, who said that leaders of Chinese companies must know the environmental risks before investments are made. She also said it was necessary to understand environmental and indigenous peoples' regulations when investing in Peru and Latin America, and to implement due diligence mechanisms when carrying out projects in biodiverse areas. Zhang also said that under the framework of the Belt and Road Initiative and international treaties to which both China and Peru are parties, the sustainable use of natural resources needs to be internalised by the Chinese business sector.

Getting to know Peru

Along with Zhang, Mercedes Lu from the Environmental Law Alliance Worldwide (ELAW), German Alarco, professor at the University of the Pacific and Denisse Linares, a DAR specialist, also represented the Peruvian side, whose contributions sought to deepen the Chinese public's knowledge of our country.

Lu said social and environmental risks remained because standards weren't applied. She added that Peru has gone through a series of reform packages that have made the socio-environmental regulatory framework even more flexible, so that foreign investments could apply more lax standards than tougher, international ones. Alarco pointed out issues in the lack of product diversification in Peru's foreign trade, which comprises largely of metals and minerals. He recommended that extractives companies, including Chinese, enhance their fiscal contributions as the current net contribution is low and in many cases mining companies are subsidised.

Linares gave the Chinese participants an overview of Peru's socio-environmental regulatory framework, which their investments must respect, emphasising the National Environmental Assessment System and that it is mandatory for investments to be approved. It is important that this too is internalised by the Chinese business community investing in Peru, as in many cases, this is the framework for environmental regulations that is violated when, for example, environmental impact studies aren't properly carried out. Likewise, it is essential that indigenous peoples and their right to prior consultation be recognised, which is obligatory in Peru and represents a substantial difference with China, where only ethnic minorities are recognised.

Treaties signed by both Peru and China, such as the Convention on Biological Diversity, must provide the common ground for improving environmental standards in trade relations. From bringing together Chinese and Peruvian stakeholders, it is also clear that it is considered vital to integrate environmental and social standards into the FTAs, which is especially relevant given China's presence at the United Nations Forum on Indigenous Issues, a space for the recognition of rights.

***Otiginally published in China Dialogue.

IS THE AIIB ALIGNING WITH THE PARIS AGREEMENT ON CLIMATE CHANGE?

PETRA KJELL, RECOURSE

As the Asian Infrastructure Investment Bank (AIIB) – the world's newest multilateral development bank (MDB) – is approaching its five year anniversary, so is the Paris Agreement on climate change. As a 'young' and post-Paris institution, the AIIB had the option of leapfrogging the dirty fossil-fuelled legacy of older MDBs. From the very start, the AIIB set out to be 'green' and to support the implementation of the Paris agreement. But despite these lofty promises, for every $1 invested in renewable energy, the AIIB has invested more than twice that in fossil fuels.

Most significantly, the AIIB still allows investments in coal. President Jin has repeatedly stated that the AIIB will not fund coal power plants, this year he added "projects functionally related to coal" to this. But without this wording translating into policy, it has little binding power. Moreover, in contrast to all other major MDBs, the AIIB does not have a climate strategy, policy or action plan, which guides its actions towards Paris alignment. This omission is proving detrimental, as in practice, fossil fuels remain the default option for AIIB energy investments.

The Paris Agreement and the MDBs

The Paris Agreement was adopted in December 2015 and unites countries around the world in common cause to fight climate change and help developing countries adapt to its effects – with a core commitment to keep the global temperature rise to well below 2°C above pre-industrial levels, while pursuing efforts to limit warming to 1.5°C.

In December 2018, AIIB joined eight other multilateral development banks (MDBs) to develop a joint framework for aligning with the Paris Agreement. This followed a 2017 commitment to align their financial flows with the objectives of the Paris Agreement, and in September 2019, the MDBs committed to jointly increase climate finance to $175 billion by 2025. Progress since has been slow and opaque, but the MDBs are anticipated to provide an update on their commitments by or during the next global climate negotiations in November 2021, COP26. The MDBs may make a statement on the occasion of the five-year anniversary of the Paris Agreement, to be hosted by the UN and the UK on 12 December this year.

AIIB and the Paris Principles

In September 2020, 60 climate and rights groups launched the Principles for Paris-Aligned Financial Institutions. These provide a useful roadmap against which the AIIB can measure its progress and whether it is on track to combat climate change, in line with the Paris goal of limiting global warming to 1.5°C. As a public bank tasked with acting for the common good, AIIB should in fact far exceed these principles. But analysis by Recourse together with NGO Forum on ADB and the Big Shift Global coalition, shows a very different picture.

PARIS PRINCIPLE 1: Adopt a commitment by COP26 that requires that the projects and companies it finances are aligned with 1.5°C:

INDICATOR	AIIB STATUS
No financing for projects exploring new fossil fuel reserves, expanding extraction of fossil fuels, or building new fossil fuel infrastructure.	AIIB does not exclude fossil fuels in any of its policies or strategies, such as the Corporate Strategy and the Energy Sector Strategy.
Rapidly phase out of all financing for coal companies.	President Jin has repeatedly stated that AIIB won't fund coal and to date it has not funded any coal power plant, but this has not yet translated into policy.
No finance for any company that is expanding fossil extraction or infrastructure, or exploring for new reserves.	AIIB's Energy Sector Strategy allows financing for all fossil fuels.
No financing for projects involving degradation or loss of natural forests or other natural ecosystems.	AIIB's draft new Environmental and Social Framework (ESF) excludes logging in primary and old-growth forests, but allows other activities to be 'offset'.
Clear, time-bound requirements for fossil fuel or deforestation-risk clients, that respect human and Indigenous People's rights.	Human rights are absent from AIIB policies and the draft ESF does not recognise Indigenous Peoples' right to Free Prior and Informed Consent.

PARIS PRINCIPLE 2: Have in place a process by COP26 to measure and disclose climate impact, commit to phase out financed emissions in alignment with 1.5°C, and develop a specific plan for establishing science-based targets:

INDICATOR	AIIB STATUS
Commit to reducing climate impacts to zero by 2050, with an interim commitment of halving impact by 2030.	The Corporate Strategy commits AIIB to increase climate finance to 50% by 2025 – but there is no commitment to also reduce GHG emissions.
Measure and disclose overall carbon footprint in a transparent and verifiable fashion.	There is no requirement for the AIIB to measure and disclose AIIB's overall carbon footprint.
No "net zero" accounting based on discredited schemes, such as offsets.	AIIB's draft ESF allows offsets, including for biodiversity.
Adopt a process for transparent third-party monitoring of progress on meeting commitments and annual reporting of the results.	AIIB reports impacts on climate finance in its Annual Report and is developing a tool to measure internal GHG emissions, but not operational emissions.

Opportunity lost – the Finance in Common summit

The French government hosted the 'Finance in Common' summit 11 - 12 November 2020, which aimed to gather together public development banks to 'implement the transition to a low carbon and resilient economy' as part of the build-up to COP26. With COP26 postponed until 2021 due to the Covid-19 pandemic, this summit presented an important opportunity for the AIIB to join its MDB peers to stake out a roadmap for meaningful climate action towards COP26. The Summit declaration included some small, but vital, steps on how public development banks can shift towards a fossil free future. But the AIIB failed to even do the bare minimum of signing onto the declaration, instead sending signals that it is not prepared to move forwards towards Paris alignment – prompting a civil society backlash. A letter by NGO Forum on ADB, endorsed by 29 organisations, expressed alarm with the AIIB's decision "not to commit to this critical and immediate declaration."

What's next?

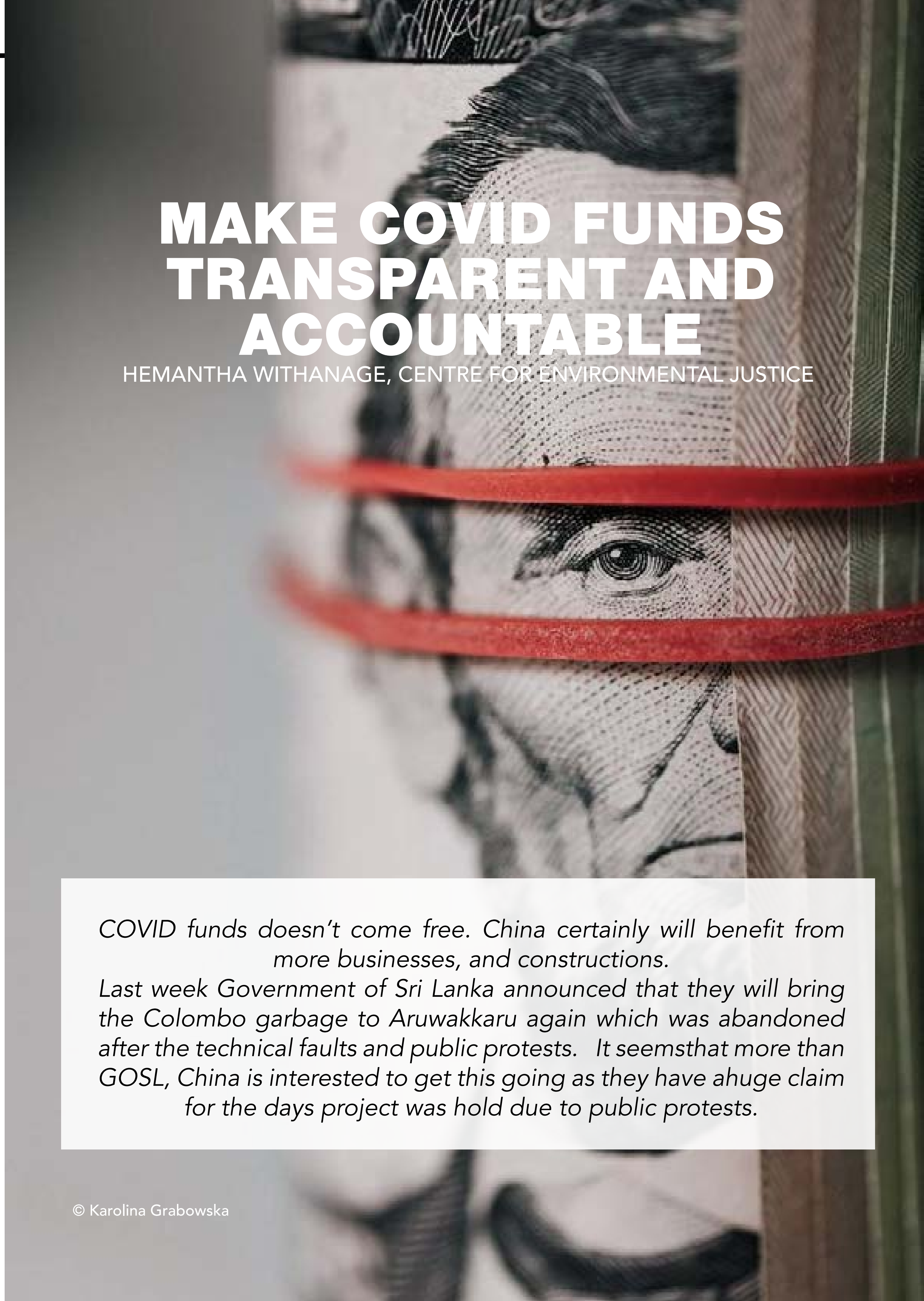
AIIB launched its Environmental and Social Framework (ESF) review in early 2020 – the standards which guide its investments. The review is an opportunity for the AIIB to raise the bar to ensure that all projects are Paris aligned, by, for example, introducing a project exclusion list, measuring project-level GHG emissions, and setting emissions benchmarks. Many stakeholders, including civil society but also shareholders from Europe, identified strengthening the language on climate change as a top priority. But disappointingly the draft new ESF, released in early September, lacks any meaningful improvement to climate commitments – leaving the AIIB far behind other MDBs. The consultation period is now closed, but organisations, such as Recourse and NGO Forum on ADB, submitted a wide variety of comments on how the ESF could strengthened, including on how the language on climate change must be improved. The AIIB's Board is expected to approve the revised ESF in the first half of 2021 and it is essential that this final version aligns with the Paris Agreement.

Another opportunity on the horizon is an upcoming review of the AIIB's 2017 Energy Sector Strategy. Widely criticised for failing to exclude or restrict investments in fossil fuels, even coal, and for favouring gas, a review could address these loopholes and send much needed signals that the AIIB is prepared to live up to its commitment to be 'green'. No date has been set yet, but AIIB's President Jin has hinted that this crucial review could start in 2021.

But while both these options would definitely strengthen AIIB's route towards Paris alignment, more is needed. Climate change cannot be addressed by the ESF or the energy sector strategy alone and to be Paris aligned, the AIIB as a whole, including all its investments, need to be aligned, too. This is why we continue to call on the AIIB to set out its road map for Paris alignment in a Climate Change Action Plan, with ambitious timebound and measurable targets. Until this happens, the AIIB's efforts to be Paris aligned will be at best incomplete – and at worst, actively undermine the Paris Agreement.

THE AIIB SHOULD:

- Develop an AIIB Climate Change Action Plan, with clear and ambitious targets for how the AIIB will align its policies and operations with the goals of the Paris Climate Agreement and efforts to limit the global temperature increase to 1.5°C above pre-industrial levels.
- Provide a road map for the AIIB to shift direct and indirect investments from fossil fuels to renewable energy by COP26, including ruling out all financing for coal, oil and gas and any investment that would result in increased use of coal, oil and gas.
- Ensure all energy projects funded by the AIIB help lift more people out of energy poverty in a sustainable way, especially by scaling up support for decentralised renewable electricity and clean cooking solutions. This should exclude large hydro dams which can cause extensive social and environmental harms.
- Include ambitious and comprehensive climate considerations and add coal and other fossil fuels to the exclusion list in the revised Environmental and Social Framework, and ensure all types of AIIB investments are covered including direct and indirect financing.



MAKE COVID FUNDS TRANSPARENT AND ACCOUNTABLE

HEMANTHA WITHANAGE, CENTRE FOR ENVIRONMENTAL JUSTICE

COVID funds doesn't come free. China certainly will benefit from more businesses, and constructions.
Last week Government of Sri Lanka announced that they will bring the Colombo garbage to Aruwakkaru again which was abandoned after the technical faults and public protests. It seemsthat more than GOSL, China is interested to get this going as they have ahuge claim for the days project was hold due to public protests.

World is expecting some 8 trillions loss due to the Corona outbreak. ADB press release issued on 15 May 2020) state "The global economy could suffer between $5.8 trillion and $8.8 trillion in losses—equivalent to 6.4% to 9.7% of global gross domestic product (GDP)—as a result of the novel coronavirus disease (COVID-19) pandemic."

Even before COVID has done its impacts the ADB has forecasted the impacts to the economy. Its press release dated April 3 state the Asian Development Outlook 2020, forecasts significant headwinds for Sri Lanka's economy as it fights the spread of COVID-19, which comes less than 12 months after the terror attacks in April 2019.

Sri Lanka's economic growth is projected to fall to 2.2% in 2020 and recover moderately to 3.5% in 2021. It further state "With the domestic outbreak of COVID-19, Sri Lanka's growth projection comes with significant downside risks—growth could be lower by another 1.0 to 1.5 percentage points, depending on the severity and the duration of domestic infection. However, quick measures to contain the domestic spread of the virus and policy action to provide relief to those adversely affected could mitigate the fallout."

The Asian Development Bank (ADB) has allocated a $600,000 grant from the Health System Enhancement Project to the Government of Sri Lanka to finance preventive and response efforts to fight a potential novel coronavirus (COVID-19) outbreak in the country.

The World Bank's Board of Executive Directors approved the $128.6 million Sri Lanka COVID-19 Emergency Response and Health Systems Preparedness Project to help the country prevent, detect, and respond to the COVID-19 pandemic and strengthen its public health preparedness. The project includes a $35 million loan from the International Bank for Reconstruction and Development (IBRD) through the World Bank Group's COVID-19 Fast-Track Facility and a $93.6 million credit from the International Development Association (IDA), the World Bank's concessional credit window for developing countries. The Ministry of Health and Indigenous Medical Services will implement the project with support from United Nations agencies and other stakeholders engaged in emergency response, prevention, and readiness.(https://www.worldbank.org/en/news/press-release/2020/04/01/world-bank-fast-track-support-covid19-corona)

Meanwhile, China has granted Sri Lanka a concessionary loan of $500 million, to combat COVID-19. They also announce that they will they will rescue the country and with the government request China first stepped up. The once who donated a large amount of masks, PPE, and test kits are China Merchants Port Group (CMPort), the parent company of Colombo International Container Terminals (CICT) and Hambantota International Port Group (HIPG); CHEC Port City Colombo etc. Of course, they have a special interest.

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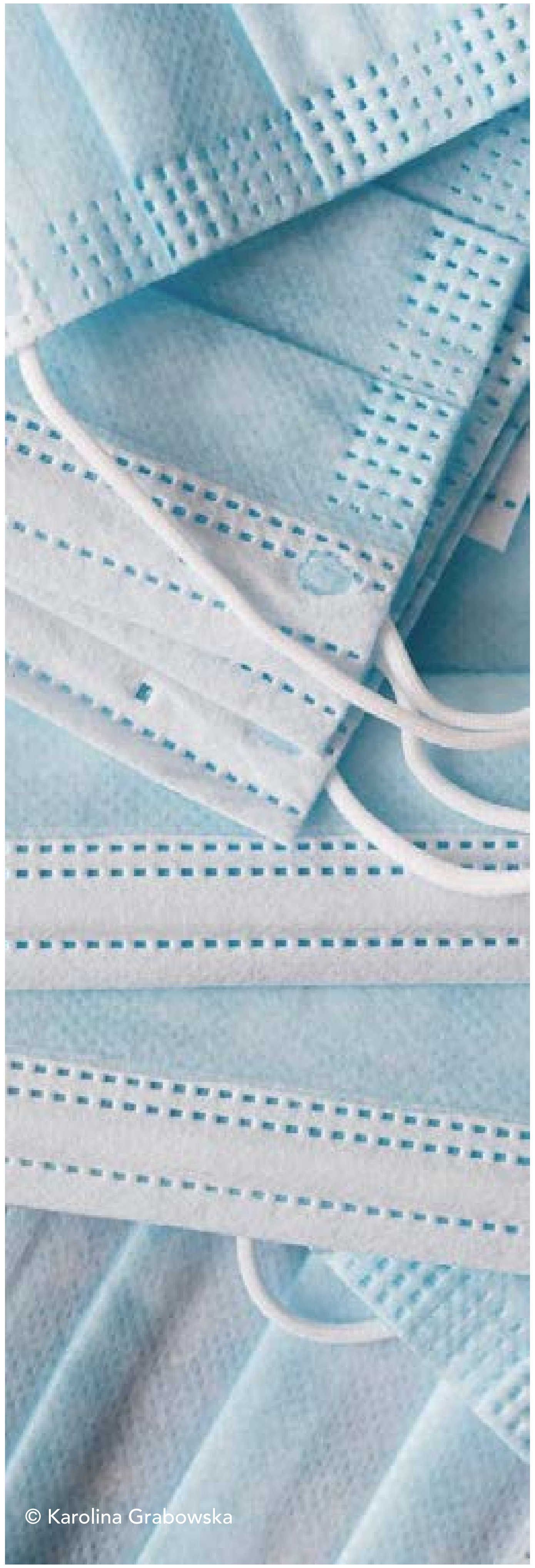

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The United States has pledged to spend up to $100 million in existing funds to combat the COVID-19 and the European Union also provided some EUR 22 million grant to Sri Lanka. Meanwhile the COVID – 19 Healthcare and Social Security Fund's balance has now surpassed Sri Lankan Rs. 1 Billion.

COVID funds doesn't come free. China certainly will benefit from more businesses, and constructions. Last week Government of Sri Lanka announced that they will bring the Colombo garbage to Aruwakkaru again which was abandoned after the technical faults and public protests. It seems that more than GOSL, China is interested to get this going as they have a huge claim for the days project was hold due to public protests.

I believe there are other sources as well. Monitoring COVID funds doesn't seems to have a mechanism in any country. There is no mechanism to find how they spend money.

According to World Bank Blog entitle "Advancing accountability for special emergency funds to address COVID-19" dated May 6 2020, written by SURAIYA ZANNATH and SRINIVAS GURAZADA May 06, 2020 "In some countries, these categories of funds are kept fully within the oversight of government systems, while in others they are kept as a trust or managed through other similar arrangements. Under the latter approach, the funds largely remain unrecorded. Since money into them does not constitute government revenues, it bypasses parliamentary budget oversight and government financial management controls and processes. And that opens opportunities for corruption."

"The World bank group has proposed few key principles that governments should consider when creating emergency relief funds that are outside the regular government budget.

Ensure complementarity in expenditure across various sources: A high-level national or subnational

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decision-making body dealing with the COVID-19 crisis could ensure complementarity of funding between the budget and any emergency funds. Processes need to be in place to ensure that there is no double dipping of funding for the same transaction from multiple sources. For example, having a single budget allocation and release, financial report and audit for expenditure could both sources would help minimize the risk.

When there is a need for exceptions, protocols also need to be enhanced: For transactions that do not follow regular government processes, appropriate protocols need to be in place for higher-level authorization to minimize risk of waste, fraud and corruption. The details of these protocols need to be communicated clearly.

Financial reporting arrangements should link to outputs and outcomes: The government must commit to publishing how the money from donations is spent. It will be appropriate to establish mechanisms for reporting the amounts co-financed through the emergency fund at each spending agency level. The total expenditure on COVID-19 from both regular government budget and the emergency fund need to be reported along with output and outcomes.

Supreme Audit Institutions (SAIs) and private sector auditors can establish credible oversight: There is concern over accountability when an SAI's mandate does not explicitly require an audit of this category of funds. Appointing the SAI to be the auditor of the emergency fund, where possible, would significantly enhance the credibility of the oversight. Where SAI is not involved, the audit needs to be conducted by a credible external audit firm.

Civil society can help improve accountability: Civil society organizations can play a crucial role, both as supporting actors as well as monitoring and information sharing bodies. Governments should encourage engagement and dialogue with civil society organizations and citizens openly and transparently, especially when decisions related to the government's response to the pandemic are involved." (Suraiya Zannath and Srinivas Gurazada May 06, 2020).

Such principles are important to maintain strong institutions to hold leaders and their management of the COVID-19 response accountable. It's necessary for the government to declare the conditions laid by various agencies when making new fund or converting existing fund to COVID response funds. It requires a transparent and accountable process to spend public money. If not COVID might end Sri Lanka further deep into the debt trap.

Reference:

https://blogs.worldbank.org/governance/advancing-accountability-special-emergency-funds-address-covid-19

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BANKWATCH DECEMBER 2020

COAL AUCTION : WILL IT BE A BOON OR A BANE ?

SREEDHAR RAMAMURTHI, ENVIRONICS TRUST


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With much fanfare the Ministry of Coal, invited and the Prime Minister enthusiastically put up a good show for which heis pretty well known by now. The on and off-line, physical and digital spaces were well covered, and the key and petindustrialists were invited to participate. One could rationalise saying that it was the Federation of Indian Industries thatwas partnering the government.

Now let us come to the specifics of the events and its implications. The event was billed as the greatest breakthrough forAtmanirbhar Bharat, a word which originally means self-dependent in Hindi and its use in the recent times hascompletely distorted the sense of self-dependence leave alone self-reliance. The event was branded as the launch of"commercial" coal mining in India and it looked as if the public sector and the big boys of industry were undertakingcoal mining all these years as a charity and for the first time it was being undertaken with a commercial motive!

This current process of so-called commercial mining began with a move to initiate 100 percent FDI in coal mining inSeptember 2019. Now, as a citizen we are not supposed to ask how we can call it Atmanirbhar if the mines are going tobe completely owned by foreign companies. However, the fact is this policy of 100 percent FDI preceded the slogan andtherefore you are not supposed to raise such issues. So, the event in which every speaker from the Hon PM to the anchor,everyone used this slogan atleast once to emphasise that we will be self-dependent despite the fact that anyone in theworld could come and completely own our coal mines.

The next was a move to issue an ordinance, just a month before the Parliament was to convene, to amend the mining lawto enable this and mine coal for the market instead for a specified end-use. It is not that this was not allowed. The privatesector and the inefficient public sector lead by Coal India Limited and in recent years the Neyveli Lignite Corporationhave been pushing for more and more concessions in terms of ease of expansion, over riding of environmental norms,making public pay through their nose to meet the bad loans to the power companies by the banks. A quarter of the quantity of coal from any mine could be sold in the market for over three years now and it has not lead to any reductionin imports or improvement in the economy. So, this big drama was perhaps intended to transparently do the match fixingwhere companies and the government in front of the entire country are talking – the government to give and cronies totake – the public resource. Needless to say, that all this is ostensibly to be transparently auctioned as directed by theSupreme Court in the 2-G and Coal Block Allocation cases.

Why do I call it open match fixing?

The launch function was open to anyone who registers on the website. The website also cleverly had a question boxwhere you were free to ask your questions. This would enable everyone who is an ardent supporter to say that one couldeven question as the PM was talking. However, the twist was that these questions were perhaps to probe who is askingthe question and to monitor rather than to provide any answer. This art of being "transparently-opaque", is an evolved artfrom the notorious statement of the current PM of erstwhile Prime Minister bathing with a raincoat. This is bathing inthe heavy downpour of Mumbai rains without getting wet!

None of the questions atleast from people I know and I myself raised were unanswered. Some of the questions were verysimple – whether the government thinks it is important to adequately inform the people on whose land these 41 coalblocks being put under the hammer, could people own the mine and the government enable them manage much in thenature of Farmer Producer Companies, there was not even a statement by any of the speakers from the government orthe partners in this match fixing. While this time the process is led was the Hon PM and the drama was created it isactually the 11th tranche of a series of unsuccessful auctions and each time mending rules and regulations to suit thesuitors.

Several groups including sarpanches from some of the prospective villages had written to the government and variouscivil society groups and rights groups had expressed the need to revisit this entire process have fallen into deaf ears.Even responses to the discussion paper presented January, feedback on the legislation all have been transparently ignored just as any of the peoples' concern. People are actually sick and tired of hearing that all this is being done for thepoor and the new twist is given to them as being "aspirational".

What if anything is new?

The bidding rules and the entry barriers have been eased. There is no threshold of experience or of investments. Onceyou succeed in your bid, you can mortgage your coal. It is worth pointing out that in the earlier tranches of auction theCAG had noticed peculiarities which suggested of bid-rigging. This time it is becoming evident as the rule allows forjust two players to bid for a mine. One would recall how the sale of BALCO there were just two-bidders one quotingexactly half of the other!

The Ministry has also been talking of "embedded" clearances. This means that that implicitly all the


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clearances will beprovided by the respective arms of the government. This is actually not called for since our Minsters themselves aresitting over the appraisal bodies and remotely sanctioning the mining in national parks and sanctuaries, over denselypopulated areas and fifth schedule areas where mandatory consent from the gram sabha is essential. If that is not enoughthe Project Management Group of the PMO can intervene. All this is was not attractive enough that the Chief of Vedantawanted that except the public hearing, which can always be rigged, the rest must completely be based on self-certification because of the “difficulties” in obtaining clearances. The Chairman of Tatas wanted a coal exchange so thatthe speculation on prices could be there and with his background in managing more of software companies and revenueshis wish will also be perhaps soon granted.

The singular silence of the lack of demand, over 40 Giga watts of stranded power assets still bleeding the banks andsolar energy becoming cheaper than coal were all immaterial in this new “historic” launch of commercial coal mining.This was new as any sensible person, no matter from which sector would clearly question the need for expansion of coal,how to seriously revisit the investments or junk them to look for distributed renewables. One does not know if theGovernment is trying to fool itself or hoodwink the world when it says coal-gasification is environmentally sound andclimate friendly! What was new is that despite the pandemic clearly showing that these kind of industrialisation andgrowth is not sustainable and so vulnerable even to a single lock-down of a quarter, the knowledgeable decision makerswant to make bigger and bigger mistakes of the same kind. This is very clearly putting good money behind the bad andwill need to be backed by a “bad-bank” too.

Resource Curse with a Bang

Lot of literature exists on the resource curse and lots of communities are victims of the same as concede by even the HonPrime Minster in his speech. However, to just brush it aside with brave words, not recognising even the District MineralFoundation funds have failed to reach the affected and poor is sheer dishonesty with the people who are going to be thevictims. Billions of tonnes of coal are going to be handed over to the corporates at throw away prices.

Some of theblocks on the axe are places were in the past too companies have come to acquire their land and displace. They haveresisted and have been witness to the high handedness of the state. For example, the Machakata block the state and thecompany even colluded to have the public hearing on a day when all women in area would be on the annual fast.

Now that this has the branding and support of the highest authority, the minions will rough ride until we reach the bottom of the pit.

Will this bring enough money?

The figures vary but the government is sating that nearly Rs 50,000 crores will come in over the next four to five years. Is that good enough? Consider this, a recent reply in the Parliament the government stated that every year the Coal India makes losses to the tune of twelve thousand crores from close to 251 mines. Just shutting them down will save us this kind of money. Given the kind of debt-equity ratios being allowed we can expect few more Niravs and Mallayas in the making.

Reversing Gazhni Muhamed

History has it that Gazhni Muhammed raided Indian Sub-continent seventeen times to loot India and as patriotic Indians we hear heroic stories of how he was vanquished each time. We got colonised by stealth and force and it required rare individuals like Gandhi and Subash Bose to redeem us. Today while the brand is “Atmanirbhar”, it is for the 11th time the Government of our Independent country is inviting global corporates to colonise! One of our contemporary anthropologist Dr Shalini Randeria, characterises the Indian State as a cunning state, but this is proving to be more than that “a selling state”!

One wonders what would have been the nature of this event, if the Akhil Bharitya Adivasi Mahasabha or an Association of People Affected by Mining who have not beeproperly rehabilitated after being displaced by the 600-plus coal mines or the self-effacing Swadeshi Jagran Manch were to partner with the government. But not in this case because despite communities and organisations writing to the Government about the gross injustice of auctioning the land without even giving the people a sense of what holds for them in future who are currently living and eking out atleast a subsistence livelihood, this Government does not care. Perhaps the PM cares!

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