

The Wrong Kind of Aid by Gráinne Ryder – policy director of Probe International and Editor of *Three Gorges Probe* Energy Probe Research Foundation

The following is the keynote address, given by Gráinne Ryder, at the fall 2008 ATLIS conference at Mount Allison University.

Though well intentioned, Canadian aid has backfired.

When I joined Probe International 20 years ago and began investigating how Canada's foreign aid affects the environment, I saw firsthand how "development" projects – particularly energy and water infrastructure projects – could really harm peoples' means of subsistence and their environments.

What I didn't realize initially was that this harm occurred almost everywhere: in west Africa at the Akosombo dam; at the Three Gorges dam in China; in the tropical rainforests of Indonesia and the Amazon from transmigration, logging, and cattle-ranching schemes; in the Congo road projects; and so on.

Through our contributions to the World Bank, the Asian Development Bank, United Nations (UN) agencies, and the Canadian International Development Agency (CIDA), we have financed environmental destruction.

So when you hear that aid is needed to save the global environment think again. The reality is that aid harms the environment by damming tropical rivers, by flooding agricultural lands, by clear-cutting forests, and by excavating mines.

Aid doesn't reduce poverty. It causes poverty by forcibly resettling people onto unfamiliar and unsuitable lands and by destroying the environments they know and depended on for their survival.

Development aid doesn't empower people. It disempowers them by financing dictators — like Zimbabwe's Mugabe — who can keep their armies ready and their personal bank accounts flush with the monies intended for the poor.

Yet we still hear pleas from rock stars like Bono to "make poverty history" by increasing aid, as if all aid is good. This notion is wrong and dangerous.

When we write cheques to the governments of Ethiopia or Pakistan or Haiti we allow those governments to be financially independent from their own people, we free them from having to tax their own citizens, to justify their expenditures, and to prove that funds are spent in the public interest.

With our aid, Third World rulers don't need to be accountable to their people for their performance. This not only undermines the efforts of the people to secure peace and democracy, it also creates the perfect environment for corruption and unchecked development.

The views of Dr. George Ayittey, a Ghanaian and Distinguished Economist at American University, are especially insightful. Here's what he recently told the Canadian Senate Committee on Foreign Affairs and International Trade: "Naive Westerners think that the best way of helping the African people is by handing money over to their corrupt despots... The entire Western aid process has been corrupted and perverted. It is now a circus, riddled with failure, dependency, fraud, and trenchant dishonesty."

Faced with such harsh criticism, aid agencies are constantly reinventing themselves. The World Bank is now mobilizing billions of dollars for what is called "carbon finance" and a UN-brokered scheme called the Clean Development Mechanism (CDM). This has developing countries now trying to pass off hydro megaprojects, industrial tree plantations, and even nuclear plants and coal-fired power stations, as projects qualifying for "carbon credits" that they can then sell on the global carbon market.

CDM hopefuls include big hydro dams in Africa on the Congo, and in Brazil on the Madeira River. Selling carbon credits has become a source of revenue for these projects that otherwise are not financially attractive.

The world's poor are likely to be the hardest hit by CDM projects as wind projects and hydro dams gobble up more land and as polluters learn how to game the system and acquire fake credits. If unchecked, this CDM business will lead to more monopolization of land and rivers by state controlled entities – and all for very dubious climate benefits. That is why citizens groups around the world are fighting CDM today, ironically, just as Western governments and donors are warming to it.

But let's return to the project scale of things for a moment. Why do bad projects keep getting built, knowing what we know after all these years? It can be boiled down to one simple but profound dynamic: when a dam builder (or a developer or polluter of any kind) does not have to pay for the costs imposed on other members of society, he or she will keep building.

This is because as one Chinese environmentalist put it, “the beneficiaries are not the sufferers, and the sufferers are not the beneficiaries.” In other words, those who benefit are not the ones who pay the highest costs. The ones who pay the highest costs have no right to say “no.” And so costs and risks get “externalized.”

One of the clearest examples of “cost externalization” is China's Three Gorges dam, which started operating in 2003 and that took 10 years and \$25 billion (and counting) to build.

Because of China's state secrecy and ban on public criticism of the Three Gorges dam, we do not have perfect information about its costs — but we do know that its costs to Chinese society and economy are high and climbing.

Here is a glimpse:

- Of the more than one million people displaced by the Three Gorges dam, hundreds of thousands of farmers were moved uphill onto land that is too steep and barren for growing crops, and there's no alternative means of income.
- The Three Gorges reservoir has triggered landslides in more than 90 places and tsunami-like waves up to 50 metres high. Already, 70,000 people have had to be evacuated from at-risk areas.
- Rapid sediment buildup at the upper end of the Three Gorges reservoir will render the harbour at Chongqing – a city of 14 million – useless within 20 years.
- Water released from the dam is scouring flood control embankments faster than official predictions, putting downstream Wuhan, a city of 9 million people, at great risk. (Think New Orleans after its embankments failed but on a much much bigger scale.)

Critics inside China and elsewhere have predicted all these environmental problems and the attendant economic and social upheaval they cause since the 1980s. But because the proponents were not accountable to the people now living with these problems, the project went ahead.

What some of you may not know about Three Gorges is that Canadian aid helped make it happen.

The Three Gorges dam might not be operating today if not for CIDA's decision to finance the Canadian engineering consortium that recommended that China build the dam. Their favourable recommendation – which discounted the data warning of disaster – bolstered the Chinese government's decision to go ahead.

Not only did the Canadian consortium downplay every potential risk to people's lives and livelihoods, they concluded that no other investment options could provide the people of China with the navigation, flood control, and power benefits Three Gorges could.

How wrong they were. Here's the situation today after just a few years of operation:

- The dam has increased flood risk for millions of people, both upstream and downstream.

- The dam has created a navigation nightmare, a bottleneck for ships trying to reach Chongqing, with delays of up to several days before they can pass through the locks. Observers say more goods are now transported around the dam by road because it is faster and cheaper.
- The dam's power is neither cheap nor reliable. China would have been better off building smaller-scale power plants closer to where power is needed.

Had the Canadian consortium opted for prudence in their feasibility study instead of reassuring the Chinese government that the project was entirely feasible, millions of people living along the Yangtze might not be living with multiple threats of catastrophe from this project today.

Since analyzing how Three Gorges was justified and eventually financed, we have learned something we believe should be better understood by environmentalists. Projects that so harm the environment are not inevitable. They proceed only because a number of things are in place to make them happen.

First, governments give developers permission to destroy the environment, regardless of who is harmed. This permission usually includes immunity from environmental liabilities.

Then, in the case of dam builders, they are usually protected from competition. Nobody else is allowed to challenge the proposal in terms of promised benefits, price of output, and quality of service to customers.

Proponents are given subsidies to reduce financial risk to any private backers; this comes from government-backed institutions like the World Bank or China's Construction Bank.

Big dam developers are usually guaranteed returns from captive consumers. There is no market risk whatsoever because customers have to pay for the dam's output whether they want it or not.

And always you have agencies like UN Development Programme or the World Bank's Global Environment Facility ready to offset the developers' costs and risks. The UN Environment Program explained the use of subsidies in a report on the global water situation last year. It said: "[s]ubsidies of all types have been used in many countries to establish a 'topdown' energy supply system, favouring thermal and large hydropower generating plants of ever increasing capacity – a trend that now needs to be reversed."

So what can Canada do?

First, we need to stop throwing subsidies at projects we know are environmentally damaging and, more importantly, publicly unacceptable to local communities. More generally, we need to stop the delivery of aid to governments that do not respect citizens' rights.

To go back to what I said earlier, we have to accept that if aid doesn't reduce poverty or save the environment, then we should stop giving it.

I would like to read you what Gerry Barr, the President of the Canadian Council for International Cooperation told the Canadian Senate committee on foreign aid recently:

"The absence of international aid is certainly not the cause of poverty, and aid will not be its cure. Poverty is about decisions taken by those in power globally and within states about who counts and who does not. The cure to poverty is not aid but the emergence of those who are living in poverty ...as rights holders and as citizens demanding accountability from governments and reshaping their social circumstances."

The emergence of the poor as rights holders and citizens. This is our greatest hope.

Our greatest hope is in the emergence of people like China's Wu Lihong, who has complained loudly about industrial pollution destroying Lake Tai, China's third-largest freshwater lake (just outside Shanghai). For his efforts, he was arrested and sentenced to three years in prison last spring on trumped up racketeering charges.

Or people like Zhang Changjian, a rural doctor, who has sued a polluting factory with help from a new NGO called the Chinese Center for Legal Assistance to Pollution Victims. For his efforts, the government revoked his license to practice medicine and now he cannot afford to pay his children's school fees.

These are just two people among thousands around the world who we call front line defenders of the environment. These community activists are the ones that we must cheer on and stand beside, not the global institutions and celebrity campaigners.

Remember that for every perceived global threat there are always local victims, people working to stop polluters and demanding cleaner water, cleaner air, or simply the security to own and defend their land and their communities without fear of reprisal, jail, or worse.

So this is our challenge. We must speak for those who cannot. We must lead by insisting that Canadian companies uphold the highest standards of conduct overseas and then hold them to that at every opportunity. We must demand that all citizens have the legal and political tools to participate in decisions affecting them and to defend their environment. And we need to ensure that people have the security to express themselves and assert their rights, and we need to help people hold their governments and ours accountable.

This is both vision and challenge for defending our global commons.

Thank-you.

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