

THE WORLD BANK/IFC/MIGA

# OFFICE MEMORANDUM

File  
Morse

DATE: June 19, 1992

TO: Mr. Timothy Cullen, Chief, EXTIP

FROM: *Morse*  
Marjorie Messiter, EXTIP

EXTENSION: 31793

SUBJECT: Morse Commission and Environmental Defense Fund Press Conferences

In his opening statement Bradford Morse, chairman of the Independent Review Commission, said the Sardar Sarovar projects had proceeded without the data necessary to make proper assessments of the needs of the people and the extent of environmental damage. There had also been a failure to consult the people who were affected by the project. "At bottom, human and environmental concerns had been subordinated to the engineering and construction demands of the project," he said. Further, the Bank had adopted an incremental strategy that was "counterproductive."

Morse said the commission recommended that construction be halted and the Bank "step back" and conduct the necessary studies before further construction takes place.

Deputy Chairman Thomas Berger said that of the 100,00 people who would be displaced behind the dam, a majority would not be entitled to resettlement benefits in accordance with the Bank's own standards. The canal would affect another 140,000 people, but despite a Bank policy adopted in 1980 that displaced people were entitled to resettlement benefits, no resettlement provisions had been made for them when the projects were approved in 1985. "One of our gravest concerns about the project is that the question of what will happen to displaced persons was ignored," Mr. Berger said.

On the environmental side, Mr. Berger said the project did not comply with either the Bank's or India's environmental policies, which he acknowledged are "first class." The project provided that an environmental workplan be developed by 1989, but five years later those studies are still not complete, he said.

The commission considered whether sufficient water storage capacity was provided under the project, concluding that it was insufficient and the project could not perform as planned.

Neither upstream nor downstream ecological conditions had been considered, Mr. Berger stated. The authorities had failed to consider the rate of upstream sedimentation and had not studied the effects downstream of a reduced flow of water in the river. The commission's findings indicated there will be severe problems downstream and losses to the hilsa fishery on which

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6,000 families depend for a living. Further, despite one of the project's stated objectives being to bring drinking water to drought-prone areas, no plans had been drawn up, and no malaria prevention measures had been taken nor had any plans for such measures been drawn up.

In addition to halting construction, Mr. Morse said it is urgent that the Bank use its good offices to ensure that those already displaced are given resettlement benefits and that the Bank develop a resettlement policy for persons affected downstream.

In closing, Mr. Morse said the Bank's decision to authorize the study indicated its determination to improve policies. "The problem isn't with the guidelines, but with the failure to observe them."

About 70 reporters attended the conference. Several pressed Mr. Morse on whether the project should be abandoned and disbursements stopped. He replied that the flaws were "very serious," but the commission did not think the money that had been spent should be wasted and was not recommending that disbursements be stopped. "We are saying that an informed decision can't be made so long as construction continues."

A reporter asked why there was so much concern about 100,000 people when 40 million people would benefit from the project. Mr. Berger replied that there are international human rights standards stating that displaced people are entitled to be resettled so that they regain the standard of living they once enjoyed. These were the standards against which the commission had to measure what had been done. He added that India and the Bank have been in the forefront of developing these standards.

Another reporter asked what data the commission used. Mr. Morse said the study took more than nine months because of the lack of a sound data base. The commission had to gather information from the Bank, the Indian government, and non-governmental organizations. They held meetings in dozens of villages and traveled throughout the Narmada Valley to places where Bank and government officials hadn't visited.

Another asked about funding. Mr. Morse said the study cost about \$945,000 which the Bank paid for, but the commission hired the consultants. Another asked about the "flavor of discussions" with Mr. Preston today. Mr. Morse said they had been cordial and Mr. Preston had assured him the recommendations would be taken into account fully--but he added, "I'm not sure they'll ask us to do another study."

Environmental Defense Fund Press Conference

The Environmental Defense Fund (EDF) and AsiaWatch held a press conference immediately following the Morse commission meeting. Commenting on the Morse report were Lori Udall of EDF, Smithu Kothari of the International Rivers Network and Patricia Gossman of AsiaWatch.

Lori Udall said the Morse report was a serious and comprehensive review and its recommendations support many issues the EDF has been raising: that the project is environmentally and socially flawed and can never be implemented according to Bank standards. She said the Bank has financed 20 projects in India involving forced resettlement and has been negligent in resettling people affected by these projects.

She said there was an urgent need for an independent appeals process which should be financed by the Bank (at a cost of about \$5 million a year). The appeals board would have to have access to Bank documents and would receive complaints from NGOs and others on human rights and other violations of loan agreements.

Smithu Kothari said there is an active opposition movement among the people living in the 245 villages in the project area. The movement plans to give a comprehensive response to the report and is organizing a mass rally of about 10,000 people in Madhya Pradesh.

He said the World Bank is one of the most undemocratic and unaccountable institutions on the planet and he hasn't seen any indication that the "greening of the Bank" has been manifested in concrete action. He outlined some steps the Bank must take: provide complete access to all project materials; ensure accountability through independent technical, economic, social and environmental reviews, including an audit of the Bank's environmental record; ensure full support and informed consent of the people affected; and thoroughly analyze all project alternatives.

He went on at length about how the Sardar Sarovar projects are part of a larger strategy of "economic warfare" being waged against the Third World. Structural adjustment loans are an example of this warfare because they change nations' priorities and make Third World countries subservient in global economic processes. He said World Bank and IMF conditions are a continuation of the North's control over the economies of the South.

Patricia Gossman of AsiaWatch said human rights have been routinely violated in Gujarat, Maharashtra and Madhya Pradesh. The concerns raised by the Morse report have been raised repeatedly, but the response has been continued beatings, intimidation and attempts to silence protest. She said unless these human rights abuses are stopped, the project should be stopped. The World Bank should call for an end to human rights abuses and issue a statement that affirms the right of people to express their own views.

About 30 people stayed for the meeting. Two Indian reporters came to our defense in response to Mr. Kothari's comments about the Bank being

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unaccountable and undemocratic.

One person said he had reviewed the last 25 projects approved by the Bank since December and said the environmental assessments could not come close to meeting the Bank's requirements for consultation.

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SARDAR SAROVAR PROJECTS  
**INDEPENDENT REVIEW**

Chairman  
**Bradford Morse**

Deputy Chairman  
**Thomas R. Berger**

Chief of Staff  
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**FOR RELEASE:**

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**MASSIVE DAM PROJECT IN INDIA CRITICIZED FOR  
ENVIRONMENTAL AND HUMAN RIGHTS VIOLATIONS**

WASHINGTON, D.C. - The first-ever independent review of a World Bank-funded project has identified serious deficiencies in the measures taken to safeguard the human rights of thousands of people and to ameliorate the environmental impacts of one of the world's largest hydro-electric and irrigation complexes, under construction in India.

In presenting the results of its 10-month study of the Sardar Sarovar Projects on the Narmada River in western India to Lewis Preston, President of the World Bank, and members of the Bank's Executive Board, review team leader Bradford Morse noted that both the World Bank and India "share responsibility for the situation that has developed."

"We think the Sardar Sarovar Projects are flawed, that resettlement and rehabilitation of all those displaced by the Projects is not possible under prevailing circumstances, and that the environmental impacts of the Projects have not been properly considered or adequately addressed," said Mr. Morse, a former member of the U.S. Congress and the former Head of the United Nations Development Program. He undertook the review, which began in September, 1991, at the request of the President of the World Bank at that time, Barber Conable. Mr. Thomas R. Berger, a noted Canadian authority on human rights and environmental issues, served as deputy chairman of the review.

The Projects, designed to provide irrigation and drinking water to the states of Gujarat and Rajasthan and hydro-electric power to the states of Gujarat, Madhya Pradesh and Maharashtra, are integral parts of the largest water resources development project in India and possibly the world. Proponents of the Dam have argued that the beneficiaries could number 40 million people. But the Projects have drawn vigorous international criticism. The Sardar Sarovar complex is one of the first on the

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Narmada River in a plan that calls for the construction of 30 major, 135 medium and 3,000 minor ventures over the next half century.

Central to the scheme are a 455-foot dam and a main canal 280 miles (450km) long. With a total of 47,000 miles [75,000 km] of branch canals and distributaries, and a capacity of 40,000 cubic feet per second, this is the largest irrigation scheme in the world. At least 240,00 people will be affected by the projects, 100,000 by the submergence of their villages and 140,000 by the canal. Upon completion, the dam would submerge some or all of the lands of 245 villages in Gujarat, Madhya Pradesh, and Maharashtra.

The principal deficiencies cited in the review concern the failure of the dam's resettlement and rehabilitation program to insure that the standard of living of the affected people be improved, or at least maintained, after their relocation, and the subordination of environmental concerns to engineering and construction demands.

"The Bank and India both failed to carry out adequate assessments of human impacts of the Sardar Sarovar Projects," states the review. This meant that the Bank was not in a position to assess the measures designed to protect those who would be displaced. In fact, the review notes that the policies now being applied in two of the three states do not meet the needs of a very large proportion of those who are intended to be resettled. Many of them are tribal people, who live by a mix of farming, gathering and fishing. They face the possibility of losing their one secure source of livelihood: land. Mr. Berger said, "Lack of adequate appraisal and failure to take account of people's tribal characteristics have combined to cause fundamental resettlement problems."

The review also raises serious questions about the environmental consequences of the Sardar Sarovar projects, noting that "measures to anticipate and mitigate environmental impacts were not properly considered." Among the review's chief concerns: that the Bank's environmental policies and guidelines have not been respected, that the terms of the environmental clearance in India have been largely ignored, and that significant impacts upstream and downstream of the dam and in the area to be irrigated have been overlooked. The report also notes that construction is already leading to the spread of malaria. The review attributes many of these problems to the fact that studies have been conducted "pari passu" or simultaneously with construction. The review notes, "We believe

that the "pari passu" policy greatly undermines the prospects for achieving environmental protection - it offends any acceptable notion of ecological or resettlement planning."

"The Bank deserves high credit for its bold and creative decision to convene an independent group to assess the effectiveness of the resettlement and rehabilitation of the affected people, and of the measures to ameliorate the environment impacts of the Projects," Morse said.

"The Bank's policies, directives and guidelines are the most advanced of any international lending institution," Morse continued, "and the environmental regulations which India has adopted reflect exemplary standards. The basic problem is that there has not been sufficient data to insure that appropriate human and environmental standards would be met. The result has been a failure to implement adequately the resettlement and rehabilitation measures and take steps necessary to guard against severe environmental damage."

The 400-page report provides a detailed assessment of many of the human and environmental implications of the Sardar Sarovar Project. After reviewing the history of the Bank's involvement, the document examines how each of the three states concerned implements resettlement and rehabilitation, while analyzing the impacts of the canal, the hydrological basis for the scheme, and the measures that have been taken to mitigate environmental impacts. In each area of activity, the report finds weaknesses of policy or lapses in compliance.

Overall, the report concludes that this vast project was never properly appraised. In a final chapter, the findings are set out and a broad recommendation is made: "Implementation requires that the Bank take a step back. Otherwise the possibility of making sound decisions will be further compromised."

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## **PRESS RELEASE**

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### **EDF and IRN Call For the Creation of a Permanent Independent Appeals Mechanism to Investigate World Bank Projects**

#### **World Bank Still Financing Environmentally Destructive Projects**

Washington, D.C. -- On the eve of the release of an unprecedented independent review of the controversial World Bank Sardar Sarovar Dam Project on the Narmada River in India, the Environmental Defense Fund (EDF) and International Rivers Network (IRN) are calling for the creation of a permanent independent appeals mechanism to monitor and investigate destructive World Bank projects and receive complaints from people directly affected by Bank projects in developing countries.

"At the Earth Summit, the World Bank was suggested as a major funding vehicle for cleaning up the world's environment, yet the Bank is causing environmental and social destruction through its own projects. We are pleased there is an independent review of the Sardar Sarovar dam project, but there are many other projects with adverse impacts which need to be investigated as well," said Lori Udall, Staff Attorney at Environmental Defense Fund. "In India alone, the World Bank is financing over 20 projects which are forcibly displacing over 800,000 people. Many of these people have already been rendered homeless and often have no place to appeal for help. A permanent appeals mechanism is needed to investigate such problems," said Udall.

"We are convinced that on its own, the Bank is institutionally incapable of properly monitoring, evaluating or taking measures necessary to mitigate the excessive environmental and social disruption caused by its own projects," said IRN Executive Director Owen Lammers. "A permanent independent appeals mechanism would be one way to make the institution more accountable to the taxpayer and to the people whose lives are affected."

Since 1985, when the World Bank loaned \$450 million for the Sardar Sarovar dam in India, the project has been riddled with controversy because of its forcible displacement of over 100,000 rural poor and tribal people due to construction of the dam. A comprehensive resettlement plan for the affected population has never been completed. Indian organizations working with the affected people now oppose the project based on inadequate environmental and



resettlement planning, human rights violations, lack of public participation and information, and faulty economic planning.

The Sardar Sarovar Project has been highlighted by non-government organizations in India as a symbol of "destructive development." A majority of the people being displaced by the dam are refusing to move from their villages and have taken a vow to "drown and die" in their homes.

"This project is not an isolated case," charged Lammers, "It is indicative of problems in World Bank dam projects all over the World such as Upper Krishna, Subernarekha and Gujarat Medium II in India, Pak Mun in Thailand, Kedung Ombo in Indonesia and Yacyreta in Argentina. Local communities have no access to information about projects and they are rarely consulted in the planning process," said Lammers.

In 1987, the World Bank created a central environment department and four regional environmental units, partly in response to the growing worldwide criticism of the Bank's dismal environmental record and the negative impacts of its projects on rural poor and indigenous people.

"While there have been some positive changes inside the Bank such as new policies on forestry and environmental impact assessments, there is still a huge gap between Bank policies and the reality on the ground" concluded Udall.

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**The Environmental Defense Fund**, a leading national, NY-based non-profit organization with over 200,000 members, links science, economics, and law to create innovative, economically viable solutions to today's environmental problems.

**International Rivers Network** provides technical expertise, current information, and analysis of fresh water projects worldwide. IRN works with grassroots organizations worldwide, many of them opposing the construction of large dams. IRN publishes **World Rivers Review and BankCheck Quarterly**.