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Press Information

March 2003

Dam Right! WWF's Dams Initiative

SUMMARY

Dams are among the most destructive developments that impact on rivers and ecosystems around the world, threatening both wildlife and people. Dams can also bring substantial benefits by providing water for irrigation, electricity from hydropower or flood protection. Their benefits were acknowledged in a recent announcement by the World Bank that it intended to increase its involvement in dam projects. However, as the authoritative World Commission on Dams (WCD) showed in its *Dams and Development: A New Framework for Decision-Making* report in 2000, the benefits of dams are often exaggerated, while the social and environmental costs are nearly always underestimated.

According to the WCD, the direct adverse impacts of dams have fallen disproportionately on rural dwellers, subsistence farmers, indigenous peoples, ethnic minorities, and women. There is far greater scope for using alternative ways of meeting people's needs, including renewable energy, recycling, better irrigation, and reducing water losses. Investors in dam projects - whether governments, multilateral banks, export credit agencies or commercial banks - should have a major interest in putting into practice the principles of the WCD. Comprehensive needs and options assessments and full stakeholders' involvement will reap major benefits in terms of reduced financial and reputational risk.

The world's needs for water and energy are rising fast but unless these needs are met sustainably, the economic, social and environmental costs will be huge. WWF's new initiative, *Dam Right!* is contributing to a new approach to decision-making by suggesting alternatives to dam-building and by providing investors with *The Investor's Guide to Dams*, a detailed overview of the benefits, costs, and risks to be taken into account when considering investments in dams. *Dam Right!* is challenging financial institutions to apply the WCD's recommendations and fund sustainable energy and water supply options that meet the needs of people and protect our rivers.

THE TRUTH ABOUT DAMS

Dams have played an important role in development for centuries, if not millennia. The socio-economic benefits of dams typically include power, irrigation, municipal and industrial water supply, improved navigation, flood control, recreation and fisheries. In this sense, dams have facilitated economic development and job creation in many parts of the world. These benefits are the reasons why dams have been built for centuries – and in some regions even for millennia.

However, dams cost a great deal of capital up-front – in some cases, significant in relation to the GDP of the countries that promote them. Once constructed, they tend to last a long time: many dams over a hundred years old are still functioning. Mistakes therefore tend to be extremely costly and long lasting, causing severe stress on the economy, on society, and on the environment.

Evidence has been mounting that the financial, social and environmental costs of dams are often underestimated, while the benefits are generally exaggerated, making dams a risky investment. Because they serve smaller irrigation areas than envisaged or crops are sold for lower than expected prices, the actual benefits of dam-associated irrigation tend to be less than projected. Additionally, geological instability can incur far higher expenditures than expected. Indeed any over optimistic forecast can cause significant delays during construction and thus, invariably, higher costs. A recent review of World Bank funded hydropower projects showed an average schedule slippage of 28% (Bacon and Besant Jones, 1998). Not only can maintenance costs turn out to be much higher than expected – especially for ageing dams – financial and economic analyses of dams often entirely overlook decommissioning costs.

Large dams can have widespread environmental and social impacts. However, the costs related to the displacement of people, inundated lands and businesses, loss of biodiversity and fisheries are generally underestimated, or not accounted



for at all. Other effects, such as the alteration of natural river dynamics, changes in downstream sediment patterns and alteration of riverbanks can have serious consequences but are seldom fully taken into account at the project appraisal stage.

THE WORLD COMMISSION ON DAMS

These impacts have meant that many large dam projects are subject to substantial local opposition and international pressure on investors from non-governmental organisations. Responding to this controversy, the World Bank and IUCN (The World Conservation Union) set up the World Commission on Dams (WCD) in May 1998. Following consultations with a wide range of stakeholders, this body carried out a comprehensive review of the world's large dams, looking at the performance and impacts of large dams¹, at alternatives and at a range of issues relating to all stages of dam projects. The Commission's twelve members included people from government, NGOs and the private sector, with emphasis on both a geographical and professional balance. A WCD forum with 68 institutions from 36 countries provided a "sounding board" for the Commission's members.

The WCD's report *Dams and Development: A New Framework for Decision-Making* of November 2000 concluded that while dams have indeed contributed to human development and provided considerable benefits, this has been achieved at a high price, especially in terms of the social disruption of those displaced and the damage to the natural environment of downstream communities.

The WCD made a number of recommendations aimed at improving decision-making, including the promotion of public acceptance, benefit sharing, comprehensive assessment of all options and a river basin approach to maintaining affected ecosystems.

WHAT NEEDS TO BE DONE

WWF believes that the WCD's recommendations provide a framework for better decision-making on dams and that they must be built into the planning process of every project.

The World Bank's recent announcement that it cannot meet the needs of the world's poor without becoming involved in the kind of large-scale schemes which have been criticised in the past, places a major responsibility for them to make wise investments in the future.

WWF is convinced that a more responsible approach to investment, based on the WCD's recommendations, can lead to more sustainable energy and water supply options that meet the needs of people and protect our rivers.

WWF recognises that there has been too little consultation with financial institutions on how they can interpret the WCD's recommendations. Clear benefits, in terms of financial as well as reputational risk, would accrue if the new WCD-recommended approach were utilised by financial sector players. WWF invites leading financiers and financial institutions to discuss its suggested agenda for application of the WCD Policy Framework in the financial domain.

Dam Right! WWF's Dams Initiative, launched in March 2003, will:

- Engage with financial institutions involved in dams financing to promote the application of the WCD's recommendations.
- Promote sustainable alternatives to environmentally destructive dam projects.

For further information:

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The following papers are also available from the Dams Initiative website:

- An Investor's Guide to Dams
- WWF's Challenge to Financial Institutions

¹ According to the International Commission on Large Dams, a large dam is 15 m or more high. Dams between 5 and 15 metres with a reservoir volume of more than 3 million cubic metres are also classified as large dams.