

**BOARD OF DIRECTORS
DEVELOPMENT EFFECTIVENESS COMMITTEE**

**CHAIR'S SUMMARY OF THE COMMITTEE DISCUSSION
ON 9 OCTOBER 2006**

Independent Evaluations of ADB's Safeguard Policies

1. In November 2005, in the process of reviewing the proposed work program of the Operations Evaluation Department (OED) for 2006–2008, the Development Effectiveness Committee (DEC) recommended that an independent evaluation by OED precede Management's planned review of ADB's safeguard policies. OED had originally proposed evaluation of the safeguard policies in 2008, after updates of the policies had been considered by the Board in 2006. DEC argued that the value and impact of independent evaluation would be greater *before* rather than after Management review of the policies. The findings of the evaluations could thus be fed into the Management review and the Board's consideration of updated or revised policies. Accordingly, the evaluations were advanced to 2006.

2. Furthermore, DEC recommended that sufficient time be allowed between completion of the evaluations and preparation of the Board W-paper (the working paper to be discussed by the Board, after being posted on the ADB website for public consultation for a 90 day period, and before a final policy paper with Management's recommendations, or R-paper, is considered by the Board). This way an effective feedback process involving further consultation could take place. It was likely that some fundamental issues would be identified in the consultation process and through the evaluation, that would require more than a "fine tuning" of the policies. At the same time, Board consideration of Management proposals for safeguard policy revisions should not be delayed beyond 2007 given their importance to ADB operations.

3. Management agreed with DEC's recommended approach and process. Consequently, OED has completed its evaluations of the safeguard policies for the environment and involuntary resettlement. Given their potentially contentious nature and that various stakeholders are known to have differing views on the policies, DEC decided to discuss the evaluations individually at separate meetings. The goal set by DEC members for themselves was to identify the most central issues and to try to narrow differences of views through an objective consideration of the issues.

Special Evaluation Study on Involuntary Resettlement Safeguards

4. On 9 October 2006, DEC discussed OED's independent assessment of the effectiveness of ADB's 1995 Policy on Involuntary Resettlement (IR). On 5 October, Management had given its response to the evaluation. The evaluation has identified issues and made recommendations for consideration in the proposed update of the IR safeguard policy. Based on its review of the report, DEC considers that, as in the case of the environmental safeguards policy, the process it had recommended—allowing time for an independent evaluation to feed into Management's review of the policy—has yielded useful results.

5. At the outset, DEC made it clear that it considers the stretch of 11–12 years before a formal policy review is submitted to the Board for consideration to be excessive and failing to comply with the requirements in the original policy. The 1995 IR Policy, as approved by the

Board, required annual progress reports for the Board and a policy review, including recommended modifications, after 2 years. While progress reports on policy implementation were submitted by Management in 1997 and 1999, which included reporting of significant expansion of the requirements of implementation of the 1995 policy, no policy review with recommended policy modifications was submitted to the Board for approval, even when ADB reorganized its business processes in 2002. DEC considers this a lapse in internal good governance in relation to the IR policy. Such lapse is further highlighted by the highly controversial perceptions among stakeholders—including affected persons—surrounding ADB IR policy implementation. In this light, the upcoming policy review Board paper is expected to clearly specify the changes proposed in reference to the 1995 policy, the reason and purpose for each proposed change, and the resource implications.

6. As in the case of environment policy implementation, the key issue facing IR policy implementation is that of binding constraints in ADB, the staff resource constraint in particular. The policy review needs to address this issue fully and realistically.

7. The three areas specified in paragraph 8 in reference to the environment safeguard policy, which require further discussion in the DEC before some consensus can be reached, similarly hold in the case of IR safeguard policy. However, there appears to be significantly less divergence of view on engaging affected persons and civil society persons to assist in IR monitoring in addition to consultants.

8. Specific to IR considerations, DEC members share a view that while the policy should correctly set high standards, its application in country and project specific contexts involves a complicated social process that requires time and common sense, and by which standards and results may be achievable only in a progressive manner. This means that the policy is not necessarily compromised by an approach that explicitly follows a roadmap with progressive milestones that, in the medium term, leads to satisfactory results for affected persons. While DEC is concerned about the transaction costs of policy implementation, it is also concerned about the opportunity costs of countries and ADB shying away from good projects that involve IR and the marginal costs of “reaching the last affected person” in implementing the policy. Some DEC members propose replacing the “no one worse off” requirement with a less onerous provision.

9. DEC generally endorses the directions set out in the recommendations of the evaluation report. In particular, DEC recommends that the revised policy paper:

- (i) recast the IR policy in a comprehensive results framework covering both the country-level safeguard system and the impact on affected persons at project level, clearly defining what ADB wants to achieve and how this is envisioned to be achieved;
- (ii) within such a framework, provide clear guidelines on the principles, degree, and approaches by which flexibility may be exercised in application of the policy. Such guidelines should in particular address the issue of how results of the “no person worse off” aspiration are to be measured in practice or replace this provision with a more workable undertaking that advances the broad intent of the policy less rigidly;
- (iii) given the evaluation’s finding that ADB technical assistance (TA) may have found a niche in IR policy development and capacity building in client countries, enhance the role of TA as a matter of good practice by defining a framework for such TA in the country partnership strategy (CPS) ;

- (iv) provide an agreed policy and practical guidelines on squatter rights, incorporating a small number of widely agreed basic principles with sufficient flexibility to allow local regulations and provisions to apply in the majority of cases; and
- (v) specify how ADB will assist in the transaction costs incurred by countries to implement the IR policy.

10. The review of the IR policy, to which the independent evaluation report feeds into, should be undertaken by ADB as a delayed but nonetheless prime opportunity to make further headway toward better results on this highly charged development issue. DEC believes that a necessary condition for effective use of this window for improvement is to carry out a reasonable process of open and inclusive dialogue involving *all* stakeholders particularly on issues that are not clear cut. Management is encouraged to ensure such a dialogue, which may require an iterative process exceeding ADB's conventional consultation activities.

Comments of NGO Forum on ADB

11. After the DEC meetings, on 3 November 2006, committee members received and, by this Chair's Summary, publicly acknowledge the comments of the NGO Forum on ADB on the two evaluation reports, respectively entitled "Safeguarding Safeguards" and "Stocktaking ADB's Role in Displacement". These stakeholder comments have been forwarded to the staff directly involved in the policy review and, with the agreement of the NGO Forum, have also been publicly posted on the ADB website, accompanying the evaluation reports.

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22 December 2006