

Asia, where group vulnerabilities differ from those that ADB identifies with IP. ADB has also done relatively little in the area of law and policy development related to IP. IP issues have been more systematically addressed in project preparatory TAs since the turn of the century.

VI. IMPACTS, TRANSACTION COSTS, AND ISSUES

147. This chapter supplements earlier findings from IPDPs and PCRs by presenting some relevant features of seven projects with IPDPs that were visited by the operations evaluation mission in the period March–April 2006. Local consultants prepared the case studies mostly for the SES on IR safeguards, but paid special attention to IP issues. The projects were at various stages of implementation or operation: four were ongoing at the time of field work for this SES, while three others had been completed (Table 8). The findings serve to illustrate the variety of processes and outcomes connected with IPDPs and to validate findings from other sources. Details are given in Appendix 17 and highlights are summarized below. The case study findings confirm positive outcomes but also highlight the transaction costs of sector projects.

Table 8: Seven Project Case Studies Conducted

Country	Loan No.	Approval Date	Project Title	Estimated Cost (\$ million)	Loan Amount (\$ million)	Project Status
PHI	1421/ 1422	Jan-96	Cordillera Highland Agricultural Resource Management	41.4	19.0	Completed
PRC	1626	Aug-98	Guizhou–Shuibai Railway	381.0	140.0	Completed
PHI	1668	Dec-98	Southern Philippines Irrigation Sector	102.0	60.0	Ongoing
PRC	1691	Jun-99	Southern Yunnan Road Development	770.3	250.0	Completed
VIE	1855	Nov-01	Second Red River Basin Sector	156.2	70.0	Ongoing
VIE	1888	Dec-01	Provincial Roads Improvement Sector	100.0	70.0	Ongoing
IND	2018	Nov-03	Rural Roads Sector I	571.0	400.0	Ongoing

IND = India, PHI = Philippines, PRC = People's Republic of China, VIE = Viet Nam.

Sources: Asian Development Bank databases.

A. Findings from Case Studies

148. **Positive Outcomes for IP, Limited Value Added of IPDPs.** In most of the non-sector projects studied, the primary adverse impact observed was related to land and livelihood loss and resettlement. Such impacts were generally mitigated by the application of the IR and environmental policies, rather than the IP policy. In many cases, external developments compensated for the negative impact of projects on IP. For example, for the Philippines' Cordillera Highland Agricultural Resource Management Project, which did not require land acquisition or resettlement, the effect on IP was positive because of the support for the legalization of six ancestral domains of IP of considerable size, following the approval of the national enabling legislation. This was mainly the result of proactive project management rather than the IPDP for the project, which had not anticipated the approval of the 1998 Indigenous People's Rights Act.

149. The Guizhou–Shuibai Railway project in the PRC also showed that most of the risk mitigation measures addressing IP concerns would have taken place even without the IPDP. The Government's own minorities peoples programs and to some extent the RP had mitigated

some major potentially adverse impacts of railway construction on IP livelihoods. The project impact zone benefited from national policies, offering tax advantages for autonomous areas, leading to relatively larger local government budgets. The project area also benefited from special opportunities offered for the education of ethnic minorities. Local governments provided compensation for land loss and assisted with the resettlement of Hans and ethnic minorities where needed, to an extent that, as a survey bore out, did not disadvantage the groups seriously as compared with others that were not affected. This was in spite of the fact that many more households lost land and needed to resettle than was anticipated. Although the IPDP did not reflect agreements on this, the railway company had hired more IP staff in the operation and maintenance crews. This move had mitigated the effect of coal mines and related services hiring proportionately more Hans than ethnic minorities, although other factors may have played a role as well—notably the possible greater affinity of IP with farming rather than other more industrial or mining-oriented activities. The development of the mines made possible by the railway transport provided by the project led to more investments in the area, which both benefited IP and Han. More important for risk mitigation was the significant rise in incomes for both Hans and ethnic minorities as a result of economic growth in the area and in the country over the period of project implementation. Labor migration had become a more important source of income for the area as a result. On aggregate basis, it provided for over half of the income of both Hans and ethnic minorities. The experience of the Guizhou-Shuibai Railway Project shows that government programs that are appropriately funded and well-implemented can be far more effective than any project-level mitigation measures, and often compensate for the lack of these.

150. The completed Southern Yunnan Road Development Project corroborated the findings of the Guizhou–Shuibai railway case: although not everything had gone well, special government programs, the RPs, and economic growth in the project area had mostly cushioned the negative impacts of road construction on both IP and non-IP populations. The IPDP added little to what the project RP and environmental plan already offered.

151. **Inconsistent Enforcement of IP Requirements in Sector Projects.** Of the four ongoing roads and irrigation sector projects studied, particularly the Provincial Roads Improvement Sector Project in Viet Nam showed that considerable incremental costs may be involved in IP planning for potentially dozens of subprojects when it is done fully in accordance with the provisions of the OM Section F3. IPDPs were required for 40 of the 90 roads to be improved, mainly on the strength of this being the number of stretches with more than 25% of the beneficiaries constituting IP. This was in addition to 79 RPs being required, and 90 initial environmental examinations. Incremental costs may be particularly high when projects with mainly positive impacts on IP status, such as those relating to rural road rehabilitation, also need to trigger the preparation of an IPDP. The IPDPs argued that, although road rehabilitation mainly has positive impacts, there are also some risks specific to IP. An example given was more outside middlemen and other outside migrants coming into the area, which might dilute IP culture and cause marginalization. The risk mitigation measures were, however, concentrated on HIV/AIDS risks and education, already subjects of sizeable national IP programs in Viet Nam. The IPDPs were also constrained by a prior agreement that the Government would set aside \$1.5 million equivalent for them; on average \$35,000 for each. Other sector projects, such as Rural Roads Sector I in India, showed that ADB's approach may be inconsistent across similar projects across countries. The Indian project did not require the same level of detail of IPDPs for individual (or district-wise) road stretches as was required for the project in Viet

Nam.¹²⁰ Further, RP-specific actions, such as providing affected households of scheduled tribes with an additional lump-sum compensation of Rs2,000 beyond the legal compensation for land losses, were not complied with by the Government (the OED mission and consultant regarded the lump-sum provision itself as questionable). Likewise, the Southern Philippines Irrigation Sector project also avoided the requirement to prepare detailed subproject IPDPs, with some justification in the view of this SES. The need for clear goals for IP development within country programs and perhaps within ADB as a whole was demonstrated by the Second Red River Basin Sector Project in Viet Nam. After loan approval, the project could not identify any economically viable upland irrigation system so that the upland component was canceled and IP did not benefit from productive investment. The experience shows the difficulties in weighing social and economic returns in the case of poverty reduction and IP-oriented projects.

152. Difficulty in Determining Cultural Displacement. The World Bank 2003 IP evaluation (footnote 69, para 3.5) found that World Bank assistance had supported changes in the way of life and livelihoods of IP. Projects had changed diets, supported greater reliance on markets, encouraged the adoption of modern attire, created a need for cash incomes and migration, and reduced the use of traditional resources and knowledge. The evaluation, however, found no consensus among IP on whether these results were “culturally compatible.” Some IP stakeholders wanted to benefit from the development process, while others wished to preserve their traditional ways. The field assessments and surveys undertaken for this SES corroborate these findings. IP themselves noted differences in outlook between IP men and women and across generations. In the surveys, IP often wanted and endorsed change. However, people interviewed for the Cordillera Highlands Agriculture and Resource Management Project argued that one could not put a price on cultural displacement. In their view, the IP policy’s prescription to compensate for cultural losses (other than those related to livelihoods) or “loss of culture” could not be calculated with any precision. Neither could it be always established easily whether what replaced the culture lost was on balance worth it or not, as it often involved comparing advantages in one area against disadvantages in another. More generally, the question can be asked what would happen if there were no area development project that concerned itself with promoting the well-being of IP, or if there were no national development, as sometimes fueled by key extractive industries, hydropower or road investments, with the same ultimate goal. In the absence of a clear IP country development strategy, the IP safeguard policy seems to be predicated on the perception that a project creates a disturbance in an otherwise static, and perhaps even idyllic, IP existence. However, IP situations are rarely static or idyllic. Often, poverty is pervasive, access to health and education is limited, and IP are cut off from the mainstream, even if they aspire to be part of the mainstream. Short-term disruption can precede long-term improvement, and vice versa. The safeguard policy review should provide greater clarity to guide ADB staff in this difficult area. The differing views among IP identified during the fieldwork undertaken for this evaluation underscores the need for good consultative and participatory approaches that are well documented.

B. Wider Positive Impacts of the IP Policy

153. Like the IR policy, ADB’s IP policy (as has been the case in other multilateral development banks) has had some wider positive impacts. The policy, as implemented by these agencies, has raised public attention for government-funded projects that involve IP, and has set standards for their treatment that have influenced government and public opinion.

¹²⁰ This was the case at least at the time of the field visit; the project was still under implementation.

The problems created for governments have indirectly led to greater acceptance of special hearings, which are now more common. Other wider impacts have been capacity development in EAs and some policy and law development impacts, notably in the PRC and the Philippines, and perhaps in the near future in India, among the four case study countries. An interesting recent sign of the impact of the performance standards of international financial institutions such as ADB is demonstrated by the adoption of the Equator Principles¹²¹ regarding environmental and social safeguards by 43 large private sector companies as of end 2006.

C. Incremental Costs and Transaction Costs: Some Notes

154. Although many wider impacts may be positive from the perspective of benefits for people directly affected by ADB-supported projects, they need to be weighed against the cost of preparing and implementing IPDPs. As with all other investments, there is an opportunity cost of investment with special attention to IP. Alternative uses of funds may provide greater benefits. There are various kinds of costs: direct financial costs, “additional” expenses resulting from the application of ADB assistance rules, and indirect costs from delays due to confusion in implementation, related to a lack of specificity in ADB’s procedures, lack of capacity to implement, and other transaction costs.

155. **Incremental and Transaction Costs to ADB.** Incremental costs incurred by ADB when preparing IPPs under the policy arise from (i) larger surveys of affected people that also cover IP in a statistically significant way, as part of initial poverty and social assessments and for the purpose of determining the characteristics of vulnerable people; and (ii) more consultations and negotiations with IP than the government would have conducted to obtain their suggestions for the compensation and assistance mitigation packages. During loan administration, ADB needs to bear the cost of extra supervision, to make sure that the additional conditions imposed by the policy are met. Transaction costs to ADB are mainly related to EAs shying away from projects for which ADB demands more surveys, analysis and enhancement measures than the DMC country safeguard system requires, due to the nature of the IP policy, when another approach would be for ADB to focus the enhancement of the status of IP through a different program.

156. **Incremental Costs to Borrowers and Clients.** For borrowers and clients, the incremental costs beyond the country system result from (i) the preparation of IPDPs that are not prescribed under most national systems; (ii) the involvement of the agencies administering IP programs; (iii) compensation and assistance to vulnerable IP that exceed what is prescribed by the country’s law or policy; (iv) the time and resources needed for additional due diligence, monitoring, and reporting to ADB; and (v) the costs of “add-on components” that ADB sometimes promotes to deepen poverty reduction impacts or benefit IP. The question is whether the additional expenses allow the project to remain economically or financially viable. No general answer to this question can be given, other than that ADB is concerned with poverty reduction and that the preservation of culture and indigenous status must be seen as a way to achieve this goal.

157. **Transaction Costs for Borrowers and Clients.** Infrastructure development projects that address IP issues through special components require more coordination among agencies concerned than similar projects that do not involve IP. Single-sector projects handled by one or a few agencies often become multisector projects involving a multiplicity of implementing

¹²¹ Available: <http://www.equator-principles.com/>

agencies. This makes project design and implementation more complex, and sometimes requires EAs to build up expertise outside of their core business areas. Many EAs view this as a transaction cost, as they need to invest in IP-related capacity building solely for the project. However, without countrywide social safety nets or effective government programs in the area, ADB sometimes sees no alternative to this, and regards capacity building for mitigating IP-related risks in infrastructure agencies as an added long-term benefit. ADB also needs to take into account also (i) the reputational risks involved in not dealing carefully with IP issues, and (ii) the transfer of the social costs of not implementing safeguards to others in society, who then need to deal with the resulting impoverishment and cultural alienation at a later stage. When considering these factors, a good amount of attention to IP issues in project design and implementation is well worth pursuing.

VII. ASSESSMENT AND RECOMMENDATIONS

158. This chapter assesses the relevance of the IP policy to ADB operations, its effectiveness in terms of outcomes for IP and DMC capacity, the efficiency of inputs, processes and systems, and the sustainability of the policy's approach. The SES uses a scale of four possible ratings for each criterion.¹²² The assessments of relevance, efficiency, and sustainability are based on the analysis undertaken for this evaluation, complemented by the results of interviews and questionnaire surveys. The assessment of effectiveness is based on (i) analysis of the seven case studies selected from a portfolio of a few hundred projects approved since 1994, complemented by (ii) PCRs and other ADB reports, and (iii) NGO studies.

A. Assessment of the Indigenous Peoples Policy

159. As the policy was approved in 1998 and changes in its nature and enforcement have been made later, it is difficult to rate the overall on the ground impact of IP operations that have been informed by it. Very few such operations have been completed and are at a stage where a good evaluation can be done. When a somewhat longer time perspective is taken, starting from the year that the President issued instructions to ADB staff to follow World Bank guidelines on IP in 1994, it has to be concluded that the policy, like that of the World Bank, was inconsistently applied up to at least 2001. Only when a new safeguard compliance mechanism was created in 2002 was a more comprehensive and inclusive approach enforced. The IP policy and its current enforcement mechanisms, particularly the SPCM and in the background the threat of the compliance review mechanism, have helped raise the profile of IP issues in ADB's operations and in the development process. Much experience has been gained with the designation of groups as IP or non-IP, and with resettlement issues in particular. However, the policy was reinterpreted, and this led to IPDPs becoming mandatory even for projects that had only positive impacts. The SES questions the need for IPDPs when only positive impacts of projects on IP are anticipated. In cases where project objectives are not primarily oriented toward area development, where there are asymmetrical costs and benefits, and where there are clear risks, the stricter application of the policy can be considered a positive step for IP. Fortunately, there were only a few handfuls of such cases. In a number of other cases, the projects included major "added" components to implement national IP programs in specific areas (e.g., combining

¹²² The various factors assessed were rated as follows: (i) highly relevant, relevant, partly relevant, and irrelevant; (ii) highly efficient, efficient, less efficient, and inefficient; (iii) highly effective, effective, less effective, and ineffective; and (iv) most likely sustainable, sustainable, less likely sustainable, and unsustainable.