

145. **Extent of Public Consultation.** ADB promotes extensive consultation processes. This is desirable, but there is a need to appropriately distinguish among (i) the authority of the government regarding investment decisions, (ii) ADB's own responsibility to decide on financing or not, and (iii) the need for public consultation to make sure that adverse impacts are identified and mitigated, and improvements are made that enhance the impact for vulnerable groups. ADB needs to have greater clarity concerning the definition of broad community support among APs for project interventions.

146. **Due Diligence on Resettlement Issues Caused by Prior Public Investments.** A complex issue is the extent to which ADB should be held responsible for resettlement conducted by governments prior to the approval of ADB financing to support a project. Clients do not always understand why ADB regards due diligence checks as necessary for prior resettlement operations in which ADB was not involved. The current approach is that ADB checks whether outstanding grievances and claims with prior operations are legitimate and can affect the implementation of the project. This should be straightforward. However, ADB may also need to consider reputational risks arising out of involvement in projects that include components completed before ADB involvement. RSDD's review of the policy should explore how to consider these risks, whether due diligence checks should become mandatory, whether an element of proportionality can be applied, whether time limits for such retroactive compliance can be given, and whether other rules can be formulated that can guide staff.

147. **Limits of ADB's Involvement in the Project.** Current ADB IR policy, like that of the World Bank, applies to the whole project, for which ADB may contribute only a portion of the funding. ADB sometimes funds only some components while others are fully funded by the government or other financiers. The need for compliance with ADB's IR policy for the whole project is often perceived as inappropriate by DMCs, and can lead to problems if other funding agencies have different IR procedures. Special problems may occur if ADB attempts to apply the policy to program loans with investment components. OED would recommend exploring the possibility of developing procedures for applying the principle of proportionality in the assessment of ADB's responsibility.

148. **The IR Policy Applied to Private Sector Projects and Credit Line Projects.** The policy does not clearly define the boundaries with respect to resettlement needed within the context of private sector projects and credit line projects. The Private Sector Operations Department in ADB does not have any social safeguards specialist. In some cases, the government, rather than the private sector sponsor, is responsible for resettlement.

## VI. ASSESSMENT AND RECOMMENDATIONS

149. In this final chapter, OED assesses the relevance of the IR policy to ADB operations, the efficiency of inputs and systems, the effectiveness of outcomes for APs and DMC capacity, and the sustainability of the IR approach. OED uses a scale of four possible ratings for each criterion—for example highly relevant, relevant, partly relevant, and irrelevant.<sup>83</sup> 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

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<sup>83</sup> Likewise, the ratings can be (i) highly efficient, efficient, less efficient, and inefficient; (ii) highly effective, effective, less effective, and ineffective; and (iii) most likely sustainable, sustainable, less likely sustainable, and unsustainable.

assessment of effectiveness is mainly based on analysis of the 16 case studies selected from a portfolio of a few hundred completed and ongoing projects approved since 1994, complemented by information from 62 PCRs and relevant OED evaluation reports. It could be argued that a definitive statement of the effectiveness of ADB IR practices should rely on large surveys of a statistically significant number of APs associated with completed projects and control groups to assess the impact on APs. This evaluation was not designed to be a rigorous impact evaluation. The SES rather raises a number of questions as to possible clarifications and changes to IR principles and procedures based on the analysis and case studies undertaken. The chapter concludes with recommendations related to the planned update of the IR policy and its implementation.

## **A. Assessment of the Involuntary Resettlement Policy**

150. The change in goalposts of the IR policy make it difficult to rate the overall success of resettlement operations since 1995. There was an extensive transition period during which ADB staff and EAs tried to come to grips with the 1995 Policy, the 1998 Handbook, and the 2003 OM F2 section. With growing experience and more international concern for resettlement operations, OESD and later RSES enforced the principles and procedures ever more systematically and strictly. Overall, this study found that the older resettlement operations in the sample of projects studied offered poorer deals to APs and were accompanied by less due diligence. Some projects, particularly in the PRC, benefited from rapid economic growth and job creation that absorbed the labor resources of the APs, thus helping to improve their livelihoods.

### **1. Relevance of the Policy and its Procedures**

151. The IR Policy was issued prior to ADB's 1999 decision to adopt poverty reduction as its overarching objective through the Poverty Reduction Strategy. The increasing emphasis on resettlement and livelihood restoration after 2000 may have been linked to this focus on poverty reduction, as most APs are poor. Although ADB's infrastructure projects have many positive impacts, the mitigation of adverse impact on APs can be taken as a key marker to assess ADB's seriousness in fighting poverty. The relevance of the policy to ADB's poverty reduction agenda is in principle high, as is the relevance to ADB's more recent reaffirmation of infrastructure development as a major area of operations in the MTS II. Other relevant aspects are the use of the Policy in making sure that the due diligence aspects of ADB-supported projects are receiving attention during loan processing, land is acquired more speedily, and social unrest is prevented.

152. This study questions whether the current version of the policy, as embodied in OM F2/BP as well as the OP section, has expanded the scope beyond what the Board intended when the 1995 IR Policy was approved. An RP now needs to be prepared for any project in which a possible adverse impact of greater than 10% of the livelihood of one or more APs can be identified. For example, water vendors may be required to be assisted, given that they may lose business opportunities from the provision of piped water supply to households; the businesses of shop owners may be affected by highways that bypass an older road; moneylenders may lose from projects introduce microcredit; charcoal producers lose income from electrification projects; and fish farmers in waters around wastewater treatment plants may see their yields decline. These categories of APs may refer to the OM, demand compliance with the requirements set out (although the OM states it is "for ADB staff and not necessarily a complete treatment of the subject," it is on the ADB website and "subject to compliance review"), and demand to be included in an RP. Adverse social impacts need to be assessed and may need to be mitigated. However, OED questions whether the most appropriate means is through

an IR policy. Given that there is a wide range of such impacts, it may be more appropriate for them to be addressed through a social development action plan or ad hoc project-specific plan.

153. The label “IR policy” has become a misnomer. Although the emphasis of the 1995 Policy was clearly on significant physical dislocation and resettlement, later developments have focused on mitigating all potentially negative social effects from projects, including nonland effects and livelihood restoration. While the latter must be seen as positive in terms of contributing to ADB’s overarching objective, the label of “IR” on the policy seems at odds with this broader objective and places mitigation activities in the wrong framework of RPs. This has caused, and continues to cause, confusion among borrowers and EAs.

154. The procedures do not differentiate sufficiently between the responsibilities of ADB and those of EAs. It is acknowledged that ADB’s role is different from that of EAs. ADB cannot be held responsible for all of the EAs’ choices, nor can ADB penalize EAs for all violations when some of them are due to inexperience or to *force majeure*. ADB can promote the provision of training, microcredit, etc. to APs, sufficient to provide the opportunity to restore their livelihood and improve their quality of life. The goal of rehabilitating the livelihoods of 100% of APs is one to be aspired to, and on the same order as, for example, ADB’s projects planning to lift beneficiary populations out of poverty. A principle of “no one will be worse off” which the policy enshrines, while highly desirable, will be exceedingly difficult to meet in every circumstance when thousands of APs are involved. Not achieving this goal or principle should not by itself be a compliance issue, unless the agreed upon inputs, activities, or outputs, which were largely under the control of ADB, were not realized. All parties—APs, NGOs, EAs, and ADB—would agree that the lives of APs should not be adversely affected because of an ADB financed project. However, ADB has failed to distinguish adequately between goals (hope-to-meet) and obligations (must-meet) in the IR policy and related business practices.

155. In view of these considerations, this study assesses the IR policy and procedures as relevant to ADB’s operations, but on the borderline of partly relevant. If a number of the “design” issues of the policy had been addressed earlier, this study would have assessed the IR policy as highly relevant.

## **2. Effectiveness of Outcomes for APs and for DMC/EA Capacity**

156. By the letter of ADB’s IR procedures and by the current standards enforced, the projects in the sample regularly did not comply with all requirements. Many of these were approved before the latest procedures were made official, so perhaps this should not be a surprise. But in several cases studied in the PRC, India, and the Philippines, the original Policy’s principle of fully restoring livelihoods, especially those of the vulnerable ones, was unlikely to be achieved for all of the displaced persons within a reasonable time period. This was confirmed by feedback from NGOs on projects in other countries, which identified some projects in which adverse impacts on APs, were not successfully mitigated. Nevertheless, the PCR data and the case studies undertaken also indicated that most APs were not dissatisfied and resentful. The housing situation and related quality of life standards had often improved significantly. Many believed that the deal they got was relatively good in comparison with the average treatment APs received in their countries in similar operations. Especially for projects in India, and to some extent in the Philippines, there was dissatisfaction with some aspects of the deal or the process, due to different perceptions of what was fair. More recent resettlement operations were better prepared than earlier ones, with more explicit agreements between EAs and ADB. EA project directors and ADB staff confirmed these observations in questionnaire surveys. Where acquisition of privately owned land was involved, the policy’s principle of providing

compensation at replacement cost could sometimes be seen as promoting faster resolution of land-related delays and thereby project progress. The study findings suggest that currently planned and ongoing resettlement operations may achieve a higher and more consistent level of effectiveness. For these reasons, the study tentatively assesses the current IR policy as effective in terms of outcomes for APs, though for the completed projects reviewed was rated as effective but on the borderline of being partly effective due to a number of cases observed where there were shortcomings. Further country studies, project studies, and wider consultations with other stakeholders should be undertaken during RSDD's review of the IR policy to test the robustness of this conclusion.

157. The impression of effectiveness of more recent practices on balance is enhanced by the experience of ADB's IR TAs. Such TAs have often had high value in terms of policy development and capacity building. Due in part to ADB operations, the efforts of other financiers and domestic agencies, and ADB's TA, some DMCs have either approved new policies and adapted relevant legislation, or at least paid more attention to IR than they would have in the absence of the activities of ADB, other funding agencies and NGOs. Half of the EA project directors felt that the increase in experience with resettlement safeguards within their organization was one of the main benefits of ADB involvement in the project.

### **3. Efficiency of Inputs, Processes, and Systems**

158. Much progress has been made since 2000 with systems instituted, the categorization of resettlement impacts, and the comprehensiveness and usability of entitlement matrixes. Experience has grown, and the number of resettlement experts has increased, which has made many aspects of the preparation and handling of resettlement operations more efficient. However, given the many requirements of the currently more strictly applied policy, two additional findings of the evaluation regarding the efficiency of inputs are (i) a continuing lack of specialized staff for IR in some departments and divisions; and (ii) the mismatch between staff resources used for IR during loan preparation and during project implementation and, sometimes, in the post-construction phase. Similar findings were also reported by an OED resettlement study in 2000. These two problems have not been effectively addressed during the past 5 years. OED assesses that they are not likely to be redressed by any changes to the IR policy, as the mismatch is large. Even if a more limited scope of the IR policy were endorsed, nonland and secondary impacts of projects would still need to be addressed in some way through poverty and social assessment, and possibly social development action plans.

159. OED assesses the efficiency of the OM of 2003 as an instrument guiding operations as less than optimal, as it is not fully in line with the 1995 Policy. In addition, although it clarifies many issues, it sets the bar higher, and yet does not resolve all the issues that ADB staff and EAs face, while also creating new issues due to its greater inclusiveness. In combination with the lack of staff, the fear of rejection of draft RPs by RSES, and the fear of exposure to the compliance review mechanism if too liberal interpretations are made, the confusion that staff have about the OM has sometimes led to tense interactions with clients. In a number of cases, earlier agreements have had to be revisited due to the more inclusive concept of IR held by ADB. This was not always welcome by EAs. The second main goal of the policy, to foster learning and to create IR capacity in DMCs, has been limited by a policing mentality among some ADB staff to prevent "violations" of the many procedures. Infrequent and irregular missions have contributed to this as well. This is alienating some DMC clients. Civil society and NGOs have identified instances in which APs have been adversely affected because mitigation measures were not effectively implemented or adequately designed. Lack of ADB loan administration efforts has sometimes resulted in ADB being slow to take action to try to resolve

problems. In this sense the implementation of the policy has been inefficient and difficult. Furthermore, the emphasis on front-end compliance has led to the project preparation stage taking up far more time than before. Given finite resources, some ADB staff and many EAs see this as being to the detriment of other important aspects of project design.

160. In ADB's zeal to cover all potential adverse effects of a project and to ensure that mitigation actions are agreed upon before loan approval, detailed resettlement planning is often carried out at too early a stage for some types of projects (particularly road projects). This adds to duplication of effort and perverse effects later. For example, it may invite more squatters to move into the project area in hopes of being compensated. In other projects, such planning is appropriate at the time of loan preparation, but the planning exercise is regarded by some EAs as done mainly to satisfy ADB's internal requirements.

161. The social development/IR specialists in many, though not all, divisions have become more efficient over the years. One positive result has been that more RPs are now endorsed and owned by EAs. This is a change from past practice, in which many RPs were produced by consultants with minimal EA or even AP input, leading to little ownership later. Given the current policy mandates, more ADB specialists are needed, unless a pool of semipermanent staff consultants can be built up that is given the authority to take over part of the supervision of RP preparation and implementation tasks. EAs in India used the World Bank, with its substantial numbers of contracted specialist staff in their country office, as a good example for ADB to consider. Sufficient numbers of ADB staff located in RMs, well versed in resettlement implementation and able to proactively solve problems, can address daily problems encountered in implementing the IR policy. Possibilities for outsourcing part of the capacity development tasks now conducted by ADB specialists could also be investigated, but authority problems would have to be overcome. The mismatch between processing and implementation resources within ADB is not confined to resettlement.

162. RSES and the SPCM have helped raise the profile of resettlement in ADB's operations. However, RSES lacks the capacity to be fully efficient in its role of quality assurance. In addition, some of the mechanisms used are not credible in the present situation. The last signature on the SPCM is provided by the CCO, whose staff rely on information submitted by the ODs. RSES does not have enough staff or time to independently verify the quality of the information. In a zero ADB staff growth environment, the Accountability Mechanism has, in effect, provided strong incentives to transfer staff resources from prevention and problem solving to procedural compliance review during project processing. In view of these considerations, this study assesses the inputs, processes, and systems to implement the IR policy as less efficient.

#### **4. Sustainability of the Policy's Approach**

163. ADB's emerging inclusive approach towards adverse effects of projects through the IR policy has created incremental costs and transaction costs that diminish the positive impacts and that raise questions about its sustainability. Incremental costs include high consultant cost, cost of socioeconomic surveys to determine levels of vulnerability and need for rehabilitation, additional costs borne by some governments due to award of replacement value for land and structures when it is not the legal standard, compensation for structures and assets lost of non-titleholders (if this was not mandatory in the DMC), and assistance to the poor and vulnerable when the law of the land does not provide a treatment as generous. Transaction costs are apparent in longer preparation times for projects, which EAs resent, delays in implementation due to special arrangements different from the usual country system arrangements, extra costs

due to contract extensions when this happens, and higher commitment charges for OCR loans. Ultimately, these translate into lower economic and financial returns of projects, although the social returns may be higher.

164. Part of the transaction costs may have been a transitional problem, as the policy's approach was being experimented with. However, the application of the current procedures in sector projects and in cases of indirect impacts is a disincentive for some clients. On occasion, ADB and the EA have agreed that ADB should not be involved in contentious cases, and even sometimes in cases that are not contentious but involve significant resettlement and/or livelihood restoration. The SES, for instance, found that covenants are currently added in some sector loan agreements that discourage the inclusion of subprojects that would be categorized as A (significant), since these are likely to need too much time to prepare to fit the implementation schedule. In other cases, DMC clients no longer ask ADB to support projects with significant resettlement impacts, as ADB involvement is perceived to add too many costs and delays. Safeguards add significantly to the loan preparation time, and many clients feel it has become too long. The consequence of raising the bar much higher than the country standard is that there are incentives for both EAs and ADB staff to avoid ADB involvement in projects with significant resettlement. This is most prevalent in countries in which alternative sources of financing are available. Two other consequences flow from this perverse development: (i) ADB is having less aggregate influence on DMC IR processes, and (ii) APs are likely to be less well off than they would have been if ADB were involved in the project. A policy that will not be adopted for projects financed by clients without support from ADB cannot be called sustainable or at least replicable. Ways need to be identified to reduce such transaction costs. Although receiving considerable feedback during the evaluation on the increased transaction costs associated with the IR policy, OED recognizes that there would also be costs associated with the absence of such a policy. Examples of such costs would include long delays in acquiring the land required for the projects, potential social unrest, adverse impacts on APs, and reputational risks for ADB. A larger process to which ADB contributes mainly through policy dialogue, policy TA, capacity-building TA, and to some extent through "model" resettlement operations, may in the longer term have some effect on increasing the acceptability and thereby the replicability of ADB's policy approach in contexts other than ADB supported projects. OED assesses the policy as less likely to be sustainable.

## **B. Recommendations for the Update of the Safeguard Policies**

165. The team in RSDD working on the policy update should consider the recommendations made below and expand the evidence base as needed, in order to arrive at a strengthened assessment of past experience, and a well-justified proposal for policy update.

166. **Management and the Board need to reconcile the differences between the 1995 Policy and the currently applied policy**, as laid down in the OM F2 section. The current OM F2/BP and even F2/OP incorporate new policy elements. In OED's view, the three key principles of the policy remain valid, but ADB needs to decide whether to endorse the greater inclusiveness of the IR policy and procedures, or return the current OM and IR practice back to greater focus on displacement of APs. In either case, the policy requires an update. It may be unrealistic to expect that the IR policy be brought back to a significantly more limited scope than currently applied in practice, so the scope of the original Policy could be somewhat extended. The new policy could then be renamed as the Land Acquisition and Involuntary Resettlement Policy, also covering, for instance, impacts of partial loss of access to land. More secondary adverse impacts of projects could then be addressed through a more specific social

development strategy or social protection strategy. If a significantly more inclusive concept is endorsed, the new policy could perhaps be labeled the Social Safeguard Policy.

167. Whatever the nature of the policy adopted, **it should have a results based framework—distinguishing desired impact, outcomes, outputs, activities, and inputs both at macro (country) and micro (project) level.** At the macro level, the policy should aim for a country system in place that ensures involuntary resettlement of people is avoided or minimized, and that people affected by public and private sector infrastructure development have been treated fairly and equitably, and can fully restore their livelihoods. The country system should set itself such standards and obligations that the imposition of separate safeguards by ADB would be superfluous. The outcome of ADB's IR policy should be convergence between country system and ADB policy and procedures, as visible in country policy frameworks and growing country and agency capacity. The outputs of the ADB IR policy would then be APs properly treated and given the means and opportunities necessary to restore their livelihoods. At the micro level of an individual project, application of the IR policy should have the desired impact of avoidance of adverse effects from projects, minimization of disruption to livelihood of those unavoidably affected, restoration of their livelihoods, and improvement in their standards of living. The outcome of the policy would be opportunities seized by APs, necessary for realizing the desired impact. The outputs of the policy would be compensation and assistance provided by the project. Activities would have to be specified for ADB and EAs and other agencies involved. Among the activities to be conducted by the EA would be the achievement of broad agreement among borrowers, EAs, and APs regarding procedures and assistance packages through a well-documented process. For APs living below the national poverty line, the desired impact should be to lift them above the poverty line. As in ADB's design and monitoring frameworks for projects, ADB and EA can only contribute to the desired impacts and outcomes. EAs are fully responsible for outputs, and ADB and EAs for an agreed set of activities and inputs.

168. **The updated policy should highlight a set of performance standards.** It should set standards for ADB and EA in terms of vulnerability assessment, public consultation, disclosure of information, reporting, monitoring, and grievance redress.

169. **The updated policy should elaborate on the objective of greater reliance on country EA systems for land acquisition and resettlement safeguards.** The common objective should be for ADB's operations to rely more on country systems for IR. This would need to be accompanied by certifications, preferably by ADB working jointly with other aid agencies, of sufficient convergence with the IR policy and effective implementation capacity. Partial use of country systems could be piloted. Rules to define the vulnerable among the APs may need to be established by country, to reduce the costly socioeconomic surveys that in many cases generate unreliable data. While the greater use of country systems is desirable, this would require much greater support by ADB during implementation than is currently the case in order to avoid negative impacts on APs. Movement toward the use of country systems would have to recognize that the IR policy, the legal and regulatory framework, and the implementation capacity vary significantly from country to country and within sectors in the same country. Thus, progress in adopting systems would be faster in some countries than in others. Indeed, for some, it may remain a distant goal.

170. **The updated policy should have clearer guidelines and procedures regarding the identification of resettlement operations needed,** such as those on project alternatives, retroactive compliance with the policy, different types of operations and lending modalities, the

minimum number of APs, and resettlement frameworks. The issues and recommendations regarding the triggering of resettlement planning are listed in Box 3.

### **Box 3: Guidelines and Procedures Related to Resettlement Planning**

**Project alternatives.** The RRP needs to be more explicit about the project alternatives it considered to avoid or minimize resettlement and their costs and benefits.

**Retroactive compliance with the policy.** More guidance should be given on cases where the government clears the land before ADB is requested to participate in the project, and compensates, assists, and/or resettles people using its own procedures prior to ADB involvement in the project.

**Different types of operations.** Guidelines and possibly procedures for some important sectors could be specified (e.g., dams, large urban renewal, slum eradication), along the lines of the subsector checklists in ADB's 1994 Handbook for Incorporation of Social Dimensions. ADB may need to prioritize the use of its modest resettlement expertise on projects with anticipated large effects, during both project formulation and implementation.

**Different lending modalities.** The implications of new lending modalities, particularly MFF, in the OM for improved resettlement planning should also be worked out, as should those of existing modalities such as sector and sector like loans, private sector loans, and credit line operations involving resettlement.

**Involuntary resettlement of communities beyond a certain scale.** Operations to resettle communities may need to be cast as separate projects, beyond a certain financial threshold. This would also allow a more focused assessment of associated costs and benefits of resettlement operations. Such resettlement projects should be 100% reimbursable through loans.

**Minimum number of 200 APs requiring preparation of a full RP.** More appropriate criteria should be defined that consider the characteristics of the country, sector, and project and the past track record of IR implementation. The 200 figure is not appropriate for all situations.

**The application of RFs.** Greater reliance on RFs can work only if (i) significantly more ADB resources are devoted to project administration as opposed to preparation; (ii) the project implementation period can be extended with fewer financial consequences for the DMC; and (iii) supplementary loans can be approved quickly and flexibly if needed, should resettlement costs turn out to be significantly higher than expected.

171. **The updated policy should also be clearer on guidelines and procedures regarding compensation and assistance within resettlement operations.** The issues and recommendations are summarized in Box 4.

#### **Box 4: Guidelines and Procedures for Compensation and Assistance**

**Procedures for ADB-financed acquisition of land.** Procedures need to be developed for the proper valuation of land and compensation of APs in case of compulsory acquisition of land financed by ADB. ADB's current procurement guidelines generally rely on competitive bidding, something that is not generally appropriate for land acquisition. ADB needs to work out ways to apply the principles of economy and efficiency in the use of loan proceeds for land acquisition.

**Use of the replacement cost method for the determination of compensation and assistance.** The new handbook under preparation should indicate by major region or country how the principle of replacement cost is to be applied in various situations, particularly in those where agricultural land is not a freely marketable good, and where assets of illegal dwellers are involved.

**ADB approaches in situations involving squatters.** The inconsistency in the treatment of squatters between the 1995 IR Policy and OM F2 needs to be addressed. Although the OM F2 sections provide some guidance, it does not help a systematic response in all instances involving squatters. For instance, what should be ADB's response in cases where squatters settle in an area after the cut-off date and are forcibly evicted by a government. There is a need to clarify whether the policy allows the offering of replacement rental housing for squatters, and how long a squatter needs to live in an area to be eligible for compensation.

**Definition of the period after which economic rehabilitation should be achieved.** This needs to be indicated so that an evaluation can be based on an agreed upon benchmark.

**Public consultation and disclosure requirements.** Beyond those points already addressed by the new Public Communications Policy, the principle of consultation with APs should be elaborated into a principle that emphasizes broad and documented community support for resettlement in case of community type dislocations, and establishment of majority support for assistance packages that the project provides. Hearings have proved to be valuable instruments for gaining broad community support in cases where resettlement operations deal with communities rather than scattered populations. The relation among censuses, surveys, focus group discussions, interviews with representatives, and hearings should be discussed in the policy, from the perspective of what constitutes adequate consultation and broad community support.

**External monitoring.** The procedures should elaborate under what conditions the project should employ external monitors. The procedures should refer to the need for country agreements regarding such conditions, the need for third party monitoring, and the role that can be played by NGOs in this area. The current frequent use of external monitoring, even in cases involving a few APs or minor effects, cannot be a substitute for more (resettlement-focused) field visits by ADB staff.

### **C. Recommendations for Involuntary Resettlement Implementation**

172. ADB is facing a dilemma. The IR bar has been continuously raised. Staff dedicated to IR have increased, but not sufficiently. The policy is equivalent to that of the World Bank, but staff resources available for its enforcement are not. The SES shows that ADB is giving insufficient attention to supervising the administration of RPs and monitoring their implementation. Most specialists in ADB would agree that ADB needs more staff, particularly in the RMs, to ensure that the current policy is applied in a more hands-on, constructive way, and in a manner that the policy mandates. More direct collaboration with relevant units in EAs is required during and after implementation to ensure that RPs are appropriately updated and implemented, and that EAs follow through on commitments to assist vulnerable people. More direct collaboration is needed, for the increasing number of sector projects, to ensure that RPs for new subprojects are well prepared and implemented within the time frames dictated by loan schedules. Without training and continuous hands-on ADB involvement, capacity cannot be built. Irregular contact between

ADB and the EAs during implementation fosters defensive attitudes. Without close collaboration between ADB and EAs, especially through the RMs, confrontations over resettlement will continue. However, ADB shareholders have also made it clear that ADB staff numbers should not grow significantly. Management must find ways to balance the staff resources and the IR policy. Options include some combination of the following: (i) allocating more resettlement specialists either through reallocation of existing positions or creating more positions; (ii) identifying ways to focus ADB's scarce resettlement expertise in areas of greatest value added; and/or (iii) changing the policy in ways that will be less staff intensive for ADB. This may involve making greater use of country systems, as was recommended in the previous section. The current mismatch between the policy and staffing is likely to lead to continued confrontation with some DMCs, EAs, NGOs, and APs; some loss of business; reputational risks for ADB; more compliance reviews; and unmitigated adverse impacts on APs. It is also likely that opportunities will be lost for providing ADB's added value that comes with its emphasis on due diligence and added components for relocation, income, and rehabilitation assistance.

173. The following three recommendations are given:

- (i) **Formulate a time-sequenced implementation plan** to complement the IR safeguard policy update. This should fully identify the required resource requirements, staffing and organizational implications, perhaps based on benchmarking staffing against that of the World Bank for the implementation of its policy. Specialist expertise needs to be created in RMs located in countries with significant IR operations to improve day-to-day interaction with project authorities. This should be achievable through the recruitment of additional national officers in the RMs or training existing ones. In ADB headquarters, national officers or long-term local consultants, could be recruited/retained to do certain tasks or to take over tasks currently carried out by short-term consultants. The safeguard policy update should consider the organization of safeguard delivery and compliance as well. Consideration should be given to RSES becoming a quality assurance unit advising on safeguard compliance issues through comments on, and spot checks of the preparation and implementation of RPs. Under this option, the authority to approve RPs and sign safeguard compliance memoranda would be turned over to the ODs. Intermediate solutions may also be considered, such as delegating the approval of RPs for category B projects to ODs with senior resettlement specialists.
- (ii) **Improve IR monitoring.** Loan covenants regarding IR need to be more consistent across loan agreements. ADB monitoring of resettlement implementation, including post-resettlement rehabilitation, needs to improve, particularly during review missions, and reporting needs to be updated more regularly and made more detailed in project performance reports. Partnerships with NGOs and civil society organizations should be strengthened with a greater involvement in project monitoring arrangements. The relevant project administration instruction on the preparation of PCRs and the PPER guidelines should be amended to specify more clearly the reporting required on IR implementation and impact. ADB should develop a better system to follow up on actions recommended in PCRs.
- (iii) **Get more involved in building country systems and capacity.** ADB should accord higher priority to training programs for EA staff, as the payoff may be high in terms of improved resettlement operations. Perhaps such a program could be outsourced. The training program should be country specific and deal with both country systems and ADB systems, and address convergence and divergence

issues. A country review on safeguards should be undertaken as part of country planning, to assess which aspects of the procedures should be instituted over and above the country's own safeguard systems. ADB TA on country systems led by RSES could feed into this. Assessments of country systems should be undertaken jointly with the World Bank and possibly other aid agencies and cover the legal/regulatory framework, institutional capacity and implementation track record. The principles of the IR policy should remain—the move to country or EA systems should not be taken to mean a lowering of the desired impact of the IR policy. As ADB moves to country systems, it should do so in concert with other aid agencies as part of the harmonization agenda. A road map for use of country systems should be prepared for interested countries that would identify time bound, monitorable indicators of progress. Under the IR policy, ADB is required to build capacity for resettlement but only modest resources have been directed towards this area. A greater effort can be justified. Management needs to address this issue in terms of the competing uses for the scarce TA resources and in light of the policy of capping the number of new TA proposals in a year because of inadequate TA supervision.