Real-Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies
Thematic Evaluation Study
November 2016

Real-Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies

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Reference Number: SES: REG 2016-18
Independent Evaluation: TS-9
The guidelines formally adopted by the Independent Evaluation Department on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of the Independent Evaluation Department, there were no conflicts of interest of the persons preparing, reviewing, or approving this report. The lead consultant on the environment worked on three one-month assignments for ADB over 2002–2011; two in countries not assessed here, and the other advising on the Safeguard Policy Statement in 2007. The lead consultant on involuntary resettlement was an ADB staff member involved in safeguards until 2003 and worked for ADB as a consultant on social analysis and on resettlement training intermittently between 2007 and 2010.

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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AMDAL</td>
<td>analisis mengenai dampak lingkungan (environmental impact assessment)</td>
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<td>BCR</td>
<td>benefit–cost ratio</td>
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<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation</td>
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<td>country safeguard systems</td>
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<td>MDB</td>
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Acknowledgements

This real-time evaluation is a product of the Independent Evaluation Department (IED) of the Asian Development Bank (ADB). It was prepared under the guidance of Vinod Thomas, Director General, until August 2016, and his successor Marvin Taylor-Dormond, Director General from October 2016; Véronique Salze-Lozac'h, Deputy Director General; and Walter Kolkma, Director IED1. The evaluation team within IED was led by Tomoo Ueda, members were Eunkyung Kwon, Andrew Brubaker, Garrett Kilroy, Ari Perdana, Ma. Juana Dimayuga, Mary Grace Agapito, and Myrna Fortu. Jose Antonio Tan III, Hyun Son, Jiro Tominaga, and several other IED staff also contributed in some way.

Three lead international consultants provided the main technical expertise: Colin Rees (environment), Susanna Price (involuntary resettlement), and Marian delos Angeles (benefit–cost analysis). Colin Rees is an ecologist and environment assessment specialist with over 45 years of relevant experience, including many years of managing the application of environmental safeguards in ADB, World Bank, and the Inter-American Development Bank. He has also lectured on the topic at major universities around the world. Susanna Price is a lecturer in anthropology at the Australian National University in Canberra with prior experience as a project officer in AusAID, a social development specialist at ADB (1996–2003) tasked with implementing the involuntary resettlement policy, and a consultant and author on social development and resettlement in Asia. Marian S. Delos Angeles is an environmental economist who has worked at the University of the Philippines, the World Agroforestry Center, and other agencies. She served for eight years as senior environmental economist at the World Bank where, among other things, she helped initiate the Wealth Accounting and the Valuation of Ecosystem Services Global Partnership Program. Recently she led a major project on biodiversity for the Philippines.

The following in-country national consultants supported the country and project case study work: Shiranee Yasaratne, Nayana Godamunne, and Sujith Jayasooriya for the Sri Lanka case study; Budi Prati, Jeffry Anwar, and Martin Daniel Siyaranamual for the Indonesia case study; Aikokul Arzieva and Sergey Aleksandrovich Krivoruchko for the Kyrgyz Republic case study. Four legal experts provided an equivalence assessment for environmental and involuntary resettlement safeguards in Indonesia. The work was led by Mohammed A. Bekhechi, a former chief legal counsel of the World Bank who was involved in assessments connected with the piloting of the use of country safeguards systems up to 2013. Indonesian lawyers Muhammed Faiz Aziz, Giri Taufik, and Gita Damayana were also involved. Additional technical inputs were provided by headquarters consultants: Lizandro Racoma, Rommella Denopol, Cecilia Gomez, and Sheryl Reyes.

The report acknowledges the feedback and insights provided by the external peer reviewers: John Andrew Carter (environment), Warren Albert Van Wicklin (involuntary resettlement), and John Alexander Dixon (benefit–cost analysis). Internal comments were provided by peer reviewers Joanne Asquith and Yuji Ono of IED. Jennifer Francis of the Office of the Special Project Facilitator joined an Indonesia mission as an observer and we are grateful for her observations.

The team extends its appreciation to ADB staff in headquarters and in resident missions for providing us with relevant documents, time for interviews, and written and verbal comments at the stage of interdepartmental circulation of drafts. The team also wishes to thank the officials and staff of the three country case studies governments, executing agencies, implementing agencies, and other stakeholders who made time for the interviews and meetings.

IED remains fully responsible for this report.
Foreword

Asia’s rapid economic growth in recent decades has had a positive impact on poverty reduction but this growth has often been at the expense of environmental concerns, leading in turn to serious public health and welfare problems. Pressures on the environment and regional natural resources continue to mount, especially with higher carbon emissions globally, including in ADB’s Developing Member Countries. Among the salient adverse effects of unbridled economic growth and climate change are those diminishing the quality of life in urban areas. Economic growth and the accompanying infrastructure development has also led to displacement of people, which if not carefully treated can lead to impoverishment and social upheaval. The impressive economic growth of the region combined with increasing environmental pressures and population will only exacerbate the complexities around the enforcement of environmental and social measures, which in turn will require more sophisticated and durable responses. More than ever is there a robust case for an improved understanding of environmental and social safeguards in development projects.

Balancing increased financing for development with better environmental and social protection is crucial for both established and new multilateral development banks (MDBs) to accomplish their development goals. While the expectation is that in the long run borrowers will use their own systems and take full responsibility for safeguards, MDBs remain accountable for the application of these in projects they finance. This interim evaluation provides feedback to ADB on the implementation of its 2009 safeguards policy, in preparation for the full-fledged evaluation of 2019. Three themes deserve attention.

First, this evaluation finds that ADB and governments have made significant progress in assessing environmental and social risks and designing safeguard measures for development projects. However, the evaluation recommends strengthening the actual implementation of these measures.

Second, the evidence presented makes the case for ADB to further strengthen the impact of SPS in countries at different phases of the project cycle. The pressure is rising to shift attention to safeguards from project preparation to implementation in view of a more constrained timeframe requiring ADB staff and executing agencies to economize on the needed assessments phase. This can however be particularly problematic for involuntary resettlement, since land acquisition and resettlement must, in the majority of cases, be completed early on during implementation. An appropriate balance between upfront and downstream work needs to be assured and adequate resources must be assigned to these phases.

Finally, this evaluation supports the enhancement of local capabilities through project interventions, and investing in strengthening country systems through technical assistance. The case studies in this evaluation have found that few country and agency systems are ready to be completely relied upon in ADB supported projects. The SPS has mandated ADB to develop rigorous and transparent methodologies for assessing the equivalence and acceptability of country systems for their use in projects, and the implementation of a strategic and systematic approach for using these methodologies. Opportunities to implement such an approach may include piloting the use of country systems selectively in projects and advanced agencies, phasing it well, and on such basis strategically deploying gap-filling action plans.

We trust that by providing extensive granularity in our assessment, resulting from the case study approach used in this exercise, this real-time evaluation effectively helps ADB management to identify areas for immediate attention and further exploration and work in order to anticipate potential issues and ultimately improve the application of the 2009 SPS.

Marvin Taylor-Dormond
Director General, Independent Evaluation
Executive Summary

This evaluation examines the value added by the environmental and involuntary resettlement safeguards policies of ADB, and identifies what remains to be done to ensure their effective application. The evaluation uses a case study approach to assess the application of ADB’s safeguards in 12 projects in three countries, Indonesia, the Kyrgyz Republic, and Sri Lanka. These countries were considered to be around the median in terms of the environmental and involuntary resettlement sensitivity of their roads, energy and water projects. The evaluation shows that while ADB’s safeguard framework is seen as a benchmark there are areas that need strengthening in matters of design and especially implementation. It indicates both the progress and remaining gaps in both country safeguard systems and implementation of the safeguard policy for application to ADB-supported projects. A seminal benefit-cost analysis (BCA) concludes that safeguards implementation creates a positive net value, which tends to be higher for ADB’s standards. The evaluation specifies that strong caution must continue to be exercised in moving to the use of country safeguard systems for ADB supported projects. An assessment of Indonesia’s safeguard system shows that concerning involuntary resettlement, there are legal and regulatory differences with the ADB policy and these need to be addressed. Further, in all countries visited there were gaps in local implementation capacities within the relevant agencies. At the same time, the evaluation points out that ADB’s program to promote the use of country safeguard systems in ADB supported projects should be more strategic and systematic, as indicated by the Safeguard Policy Statement (2009).

Sustained poverty and inequality reduction depends on growth that is environmentally sustainable and inclusive. In 2009, the Asian Development Bank adopted the Safeguard Policy Statement (SPS) to manage the environmental and social risks arising from the projects it supports, having updated three previous safeguard policies on the environment, involuntary resettlement, and indigenous peoples.

This evaluation examines how ADB’s environmental and involuntary resettlement safeguards add value in three different country contexts, and identifies what remains to be done by ADB to ensure effective application of the SPS in such contexts. It analyzes work in progress in line with other midterm studies of programs or policies that have provided suggestions for new directions or mid-course improvements. It builds on IED’s Safeguards Operational Review: ADB Processes, Portfolio, Country Systems, and Financial Intermediaries report of 2014, which examined the progress in applying procedures and processes following the adoption of the SPS.

This exercise is designed to prepare ADB for the more in-depth analysis of the effectiveness of the SPS, planned for delivery in 2019. It provides a real-time assessment of the application of ADB’s environmental and involuntary resettlement safeguards in selected projects in Indonesia, the Kyrgyz Republic, and Sri Lanka. These countries are in three different regions (handled by different ADB departments) and the projects selected have encountered environmentally and socially challenging issues. Each country shows progress as well as issues that need to be addressed. Indonesia has requested the use of its country safeguard system (CSS) in ADB-supported projects, and ADB is now assessing its equivalence to the SPS and whether to accept Indonesia’s request.

The evaluation uses data and field visits from 12 projects, largely in advanced implementation and
mostly still ongoing at the time of the visits during 2016. It also examines progress made in the three CSSs, how they correspond to SPS standards, and the gaps between their provisions and those of the ADB. The case study approach provides depth and country-level details and will shed light on the broader breadth and comprehensive review of the implementation of the SPS across all ADB members scheduled for 2018.

**Environmental Safeguards and Gaps at the Country Level**

The evaluation finds that ADB’s framework for environmental safeguards is appropriate for application to ADB-funded projects. Both the SPS and country systems are grounded in the internationally accepted practice of environmental impact assessments (EIAs). The three countries have environmental safeguards that in substance and legal provisions are close to those of the SPS; the main challenge remains with enforcement, and in building the capacity in relevant agencies to apply the CSS. For ADB, the evaluation finds that the quality of preparation and attention to environmental safeguards at appraisal in the case study projects is largely procedurally compliant. However, substantive aspects of implementation can be improved with targeted support. Incentives and systems need to be strengthened to ensure more effective supervision, monitoring, evaluation, and follow-up.

**In general, ADB’s screening and scoping in the 12 project case studies adequately identified environmental concerns.** Improvements can be made in initial environmental examinations (IEEs), EIAs, and environmental management plans (EMPs) including being more accurately tailored to local conditions. In some cases, a strategic environmental assessment (SEA) would have added value. In the three countries examined, there is a need to improve the stipulation of environmental performance indicators as monitoring protocols tend to rely solely on visual inspection, resulting in monitoring becoming a box-ticking exercise and compromising the rigor of monitoring and reporting. Visual inspection is important but it can limit the assessment of progress in implementing mitigation measures, especially when it is done in isolation, especially if it is not done by qualified environmental specialists.

There were instances that analysis of institutional arrangements and the readiness of agencies was insufficiently rigorous for ADB-supported projects in the three countries examined. ADB has been providing technical assistance (TA) to strengthen the capacity of local agencies but the outcomes have been mixed. On the positive side, for a number of years the support given by ADB to strengthen the Road Development Authority in Sri Lanka—which helps project management units implement and monitor environmental management plans (EMPs)—has produced good results and should be continued.

The case studies showed lapses in the application of safeguards during the implementation phase. For example, in Indonesia’s Regional Roads Development Project, the evaluation team noted a case of a compliance lapse leading to pollution. This example emphasized the need for due diligence in implementation monitoring and supervision and the consequences of inadequate field presence by agencies and ADB.

**The cases indicate that safeguard implementation capacity is still limited by institutional, human, and financial constraints.** In the recent past, environmental specialists from ADB and governments often had limited involvement in project review missions, especially in category B projects. The number of regular safeguard staff in resident missions was also insufficient and, barring some exceptions, executing agencies and contractors had few qualified staff to monitor and address environmental impacts and risks. These factors contribute to a limited appreciation of and follow-up on environmental issues during project review missions.

The evaluation found that monitoring reports often failed to provide sufficient site-specific information on environmental issues and use of appropriate environmental performance ratings. Monitoring reports for the cases reviewed demonstrated inconsistencies and often concluded that matters were satisfactory when the analysis and findings in the reports clearly
showed the contrary. Environmental specialists reported to the team that many government monitoring reports lack rigor and fall short of providing ADB management with information on significant issues or suggestions for their resolution. ADB’s portfolio monitoring system reports only clear breaches of legal covenants, and only after the breach is a fact.

Involuntary Resettlement Safeguards and Gaps at the Country Level

The three countries have made progress in developing and applying involuntary resettlement safeguards over the years. In reviewing the enhancements to legal and regulatory frameworks, significant shifts were found to have occurred over time in key documents which reflect enhanced knowledge of and attitudes toward involuntary resettlement. This is manifested in a narrowing of the gaps between the CSS and the SPS as reported in resettlement plans over time. The countries have deepened their understanding of key principles such as compensation at market rates plus additional elements to meet replacement costs, compensation for non-physical as well as physical losses, and grievance redress mechanisms for affected people. In spite of some resistance to assisting non-legal land users, there were positive steps toward this principle over time, especially in the Indonesia and Sri Lanka legal frameworks, where significant new legal instruments have emerged.

The narrowing gap between CSS and ADB’s SPS is in part due to ADB’s sustained technical assistance. ADB has carried out numerous workshops, supported the formulation of country policy and legal frameworks, and worked with countries to rebuild their resettlement capacities. The strengthening of CSS may also be helped by the SPS itself, which has more clearly defined the scope and triggers for involuntary resettlement; sharpened the concept of meaningful consultations; and emphasized gender-inclusive consultation, including requirements for all involuntary resettlement category A and B projects to have a gender-responsive grievance redress mechanism. The SPS has codified higher standards for livelihood restoration of affected people. The earlier requirement for efforts to assist the poor and vulnerable to improve their status in the Involuntary Resettlement Policy (1995) was tightened and the goal is now to improve the standards of living of the displaced poor and other vulnerable groups, including women, to national minimum standards.

Significant progress can be seen when comparing projects approved under the earlier Involuntary Resettlement Policy and those approved under the SPS. Several projects that were approved before the adoption of the SPS have updated their resettlement plans to meet SPS standards.

The evaluation found a gradual improvement in the application of SPS principles by the ADB social safeguard staff as well as by project officers. Of the 12 projects selected, six were Category A; five Category B; and one Category C for involuntary resettlement. Nine out of 10 projects with resettlement had prepared a resettlement instrument before appraisal; the 10th case prepared and implemented a resettlement plan during implementation. These resettlement plans clearly added value, as in most countries they are not mandatory. Forced resettlement or eviction, common until the late 1990s in some countries and still occurring in some nationally funded projects, does not occur in ADB-supported projects. Disputes over compensation or delayed payments in nationally funded projects are less frequent.

There is still scope to improve the implementation of ADB’s resettlement safeguards in the three countries. There are gaps in planning and budgeting, consultation and grievance redress mechanisms, inclusion of people who lack formal title to land, livelihood measures, special attention for the affected poor and vulnerable, and monitoring and evaluation of impacts and outcomes.

The drive to speed up ADB project preparation processes has meant that in practice little time and few resources are available to prepare implementation-ready resettlement plans before project approval. This was pointed out by several safeguard specialists during discussions for this evaluation. ADB’s business process is such that many infrastructure projects are approved before
the detailed technical designs for infrastructure works have started; the detailed design being financed by the loan. However, the hurried atmosphere after project approval makes it difficult to allocate sufficient time to update the resettlement plans according to detailed measurement surveys; to disclose key information, and for meaningful consultation in time for compensation prior to civil works; and to begin livelihood measures, as is required by the SPS. The land acquisition must move ahead of the procurement timeline, otherwise projects risk not implementing the resettlement plan properly, or delaying the civil works and therefore invoking penalties. Legal processes for land acquisition in several countries follow so many steps that this process must start well before project approval. By the time of award of civil works contracts, land acquisition must generally be complete.

Resettlement plans in the case study projects were not widely understood. Many of the government officials at subnational and local levels and national consultants and contractors who will be responsible for the bulk of the work were unfamiliar with the SPS. As a result, there was limited capacity for preparing and implementing appropriate plans.

In several of the projects examined, it was not evident that the affected people had seen the resettlement plan, or a summary of it or that consultation had been based on meaningful information on entitlements and resettlement options, as the SPS requires. The SPS requires meaningful public consultation, information disclosure, and grievance redress mechanisms. More intensive consultation on livelihood and poverty reduction measures in particular could help to generate more effective programs.

Entitlements as set out in the pre-appraisal resettlement plan did not translate into action during implementation in the cases examined. All 10 projects with resettlement impacted some people through loss of housing or loss of more than 10% of their productive assets, or impacted upon the poor and vulnerable. Sri Lanka added livelihood training to compensation packages for a highway project and the evaluation team met with several training recipients who had successfully launched new businesses as a result. However, the overall program was discontinued early. In Indonesia, several resettlement plans proposed that livelihood measures be developed in close consultation with affected people, but neither consultations nor livelihood measures occurred during implementation (IED understands that government budgeting rules prevented the additional livelihood measures from being carried out on top of asset compensation). One private sector road project offered a positive example of a supplementary livelihood program being implemented as an additional grant operation to make up for the lack of full compensation to people who had lost land and other assets in the government-managed land acquisition process. This showed that if there is good targeting and delivery, livelihood support can add value both for project returns and affected people.

Most of the projects that were visited have not monitored the effects on poor and vulnerable affected people and/or offered a package of measures in line with the relevant SPS policy principles (3, 5, 12). None reported back on implementing these principles. The Sri Lanka projects made the most effort to carry out poverty and vulnerability reducing measures and three out of the four projects seen offered a cash grant of Rs15,000 ($117) per household. The projects in the Kyrgyz Republic offered a minimum allowance for one month.

Policy principle 12 on monitoring and assessment of resettlement outcomes was poorly implemented in the case study projects. More rigorous implementation should help to bring positive outcomes, focusing resources at two key points. First, it can act as a check on compliance before civil works begins. Projects in Sri Lanka and the Kyrgyz Republic kept records of compensation payments, and several Sri Lanka projects offered valuable external monitoring reports that helped in the delivery of entitlements. Second, monitoring of impacts and outcomes, especially of livelihoods and living standards, was not evident in any of the projects selected. Such monitoring is essential to understanding whether the project achieved livelihood restoration and living standard improvement. Such monitoring could also help to build the knowledge base for resettlement by
answering such key questions on which livelihood and relocation strategies work best and which are most cost-effective in different circumstances, or how can projects enhance consultation strategies to be more meaningful.

Use of Country Safeguard Systems in Indonesia

Using a CSS equivalent or almost equivalent to the SPS and acceptable to ADB to manage environmental and social risks in ADB-supported projects can enhance country ownership and development impacts. Since the 2009 SPS, ADB allows this practice under certain circumstances.

In 2013, Indonesia asked ADB to begin assessments that would help decide on the use of the Indonesian CSS in ADB projects in four major sectors: roads, energy, water resources, and urban planning. These assessments, funded through an ADB TA, look into the significance of Indonesia’s achievement in securing parliamentary approval for a land acquisition law. The assessments are substantially complete and while drafts were made available to the evaluation team, the process is still ongoing at the time of issuing this report. A draft of the report should be out for public consultation soon.

IED has conducted its own legal equivalence assessments in Indonesia for environment and involuntary resettlement safeguards. The environmental assessment indicates that Indonesia’s environmental laws, policies and regulations are equivalent or virtually equivalent to the objectives, policy principles, scope and triggers in ADB’s SPS (the SPS does not ask for equivalence with the entire SPS process and procedures). The IED’s assessment reports five ambivalences that would need to be addressed when granting use of CSS in any ADB supported project.

IED’s resettlement equivalence assessment for Indonesia reports four equivalence gaps and three partial gaps (among 12 policy principles with some 50 policy elements). Resolving these outstanding disparities is important (e.g., on the need for special attention for poor and vulnerable affected people). The acceptability gap in involuntary resettlement safeguards is surely wider than the gap in the environmental safeguards. Involuntary resettlement deals with more complex social and political issues.

The evaluation indicates important concerns with the in-country implementation capacity in the agencies managing the examined case study projects. The staff and institutional framework for the Indonesia electricity company safeguard arrangements for the Java–Bali 500 KV Transmission Crossing project were assessed to be weak. In other sectors, some of the provincial and local agencies visited by the evaluation team, especially those in remote locations, were found to have limited capacity to conduct environmental assessments effectively, or to ensure satisfactory implementation of the EMPs and resettlement plans. The evaluation also noted that land acquisition committees at various levels differ in their capacity to provide for compensation at a replacement rate and a livelihood program as would be required under the SPS.

Benefit–Cost Analysis

The evaluation estimated the economic benefits and costs of implementing environmental and involuntary safeguards using a road rehabilitation project in Sri Lanka. To date, multilateral banks have made limited attempts to assess the relationship between the costs and benefits of safeguards implementation. The results of the estimates made for this evaluation coincide with those obtained through the stylized approach used by the World Bank Independent Evaluation Group in 2010.

Benefits from environmental safeguards varied across the five road segments because of their different environmental conditions; in the aggregate they exceeded the costs. The greatest benefit was derived from the conservation and enhancement of wildlife and biodiversity. While many migratory animals and birds cross these roads from their sanctuaries to sources of water and food, the benefit–cost analysis focused on the Sri Lanka elephant, which has great spiritual and socioeconomic significance. The benefits to
elephants and other wildlife and to biodiversity are derived from the increase in forest cover and from safeguards such as the road bumps, better road signs, recently lowered speed limits (25 kph at elephant crossing sections), and the relocation of electric fences. As a result of these measures, elephant deaths (and human deaths) will be much reduced on these roads. The measures contributed to other benefits as well, particularly those related to recreation and tourism.

The benefits and costs of involuntary resettlement were computed based on the returns from 4% of the compensation paid on lost assets that is assumed to be set aside for investments by 40% of the affected people. This amount was expected to grow by 2% annually in real terms. The conditions for such investment behavior are present for people affected by the National Highway Sector Project. While the global experience of involuntary resettlement compensation is full of cases of unfair compensation and lower quality of life of resettled persons in developing countries, there have been recent cases in South Asia where compensation has been used for savings or investments by resettled persons. These examples, together with the high economic growth during the country’s post-conflict period, make it reasonable to assume that part of the compensation will be used for investments.

Conclusions and Recommendations

Although there are demands for development organizations to shorten their project cycle (including the time needed to establish safeguards), this evaluation underlines the vital net benefits of well-executed safeguards. Drawing on ADB’s experience in three countries, it brings out the crucial added value ADB can bring to clients in a crowded field of external financing. But, shortcomings in design and implementation suggest that actions need to be taken to strengthen the application of the SPS and its results on the ground.

Environmental safeguards: Concerning preparation, this evaluation concludes that, based on our sample of projects, environmental impacts and risks have generally been adequately identified. With respect to project implementation, it can be concluded that environmental lapses in compliance have mostly been avoided due to the environmental plans. But they remain a risk due to insufficient government supervision and monitoring, and also insufficient monitoring by ADB. Government monitoring and reporting must be improved and government staff must be trained better.

Involuntary Resettlement safeguards: With respect to preparation, the sample suggests that there is significant variation in addressing the key issues at the country level. As for project implementation, the sample indicates insufficiencies in recording and more importantly in actually delivering compensation, resulting in potential non-compliance in some cases. Attention for livelihood restoration programs and for the poor and vulnerable is mostly missing from monitoring reports and was not witnessed during field visits.

Benefit-Cost Analysis (BCA) shows that, overall, safeguard implementation adds value and that this tends to be higher for ADB’s standards. Increasing pressures on the environment and society makes it useful to conduct analysis like BCA which demands the careful collection of needed data.

The evaluation offers ADB the following four recommendations, the details of which are provided in the final chapter of this report:

(1) Integrate safeguard work early in the project preparation and provide adequate time and resources to this task. Good safeguard measures need to start early and it takes time to obtain a good understanding of the borrower project, procurement and budget cycles, and safeguard management capacities and responsibilities.

(2) Step up safeguard implementation support internally and in country agencies to fully achieve the safeguard policy objectives. Close supervision and monitoring is needed and this will be facilitated by deploying the necessary staff in headquarters and resident missions.

(3) Continue to exercise strong caution in proceeding with use of CSS, ensuring that the
high ADB standards and its reputation are properly safeguarded; and systematically strengthen the CSS through dedicated technical assistance, especially the local implementation capacities, to pave the way toward its use in ADB supported projects. ADB’s TA work is very suitable in building tangible capacity to promote legal and technical changes in CSS to lift standards and provide capacity development to improve agencies.

(4) Determine whether (a) the disclosure arrangements for involuntary resettlement plans, and (b) the definition and functioning of grievance redress mechanisms deserve more attention, and take appropriate actions. Rigorous assessment of GRMs regarding accessibility, transparency, fairness, and protection in projects is needed.

Issues to be addressed in the Next Evaluation

Some of the issues to be considered in the full evaluation of the ADB SPS in 2018–2019 include: (i) development effectiveness of the SPS; (ii) implementation of SPS’ fundamental principles and provisions; (iii) progress in the use of country systems by ADB; (iv) gap-filling action plans that may underpin CSS pilots in selected subsectors and/or agencies; and (v) cost benefits/efficiency of SPS measures in different country contexts. The final chapter has a more elaborate discussion on this.
On 6 December 2016, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of the Management:

I. General Comments

1. We appreciate the Thematic Evaluation Study (TES) on the application of ADB's Safeguard Policy Statement (SPS) for 12 projects in three countries. Overall, we welcome the recommendations of the TES and reaffirm our commitment to sound safeguards preparation and implementation. The TES is an interim study undertaken between the IED Safeguards Operational Review (December 2014) and the proposed full evaluation of the SPS, which is planned in 2018–2019. The TES was prepared with limited time and resources, and is based on a small number of purposively selected case studies. Half of the case studies were approved before the SPS became effective in January 2010, and three projects had not commenced civil works at the time of the study. Therefore, the findings and recommendations of the study include those that (i) can be addressed immediately, (ii) require further study, and (iii) can be reviewed further once the full evaluation of SPS is completed. We have previously provided extensive and detailed comments to IED on the findings of the report, which will not be repeated in this document.

II. Comments on Recommendations

2. Recommendation (1): Integrate safeguard work early in the project preparation and provide adequate time and resources to this task. This recommendation includes several elements: (i) ensuring safeguard readiness and early establishment of grievance redress mechanisms (GRMs); (ii) integration of poverty, gender, and social analysis in safeguards planning; (iii) linking environmental management and resettlement plans to civil works through loan covenants; and (iv) use of safeguards as an entry point to enhance the transformational impact of projects.

3. Management agrees on the need for safeguards to be adequately resourced and initiated early in the project cycle. In fact, this approach is embodied in the SPS and ADB's operational manual, which requires that screening, meaningful consultation, and assessments are initiated as early as possible. There are opportunities to further ensure that this takes place such as: (i) reviewing current quality at entry processes with respect to safeguards, including peer review of category B projects; (ii) preparing updates to the safeguards sourcebooks to reflect good practices, covering environmental management planning, resettlement planning, GRMs, and the better integration of poverty, gender, and social analyses with safeguards; and (iii) supporting additional training and knowledge sharing on good practices. The more aspirational objectives related to transformational impact will be pursued where opportunities present themselves in specific projects.

4. With respect to linking environment and resettlement plans to the timing of civil works, we would like to highlight that ADB's standard model loan covenants already explicitly require civil works contracts to be awarded only after the completion and integration of relevant safeguards. Additional notes:

1. The three countries are Indonesia, Kyrgyz Republic, and Sri Lanka. The TES considers environmental and involuntary resettlement safeguards. Indigenous people's safeguards were not considered.
2. Recommendations on GRMs are further detailed under recommendation 4. Please see this recommendation for Management's consolidated response.
covenants are also used, when necessary, for projects with specific risks. Changes to the model covenants are, therefore, not considered necessary at this time.

5. **Recommendation (2): Step up safeguard implementation support internally and in country agencies to fully achieve the safeguard policy objectives.** This recommendation includes several elements: (i) facilitating supervision and monitoring through deploying necessary staff in headquarters (HQ) and resident missions (RMs); (ii) ensuring support for affected poor and vulnerable people and implementation of livelihood programs; (iii) improving ADB and government monitoring systems; (iv) nurturing partnerships with appropriate implementers; and (v) strengthening training and creating a pool of safeguard consultants involved in safeguard monitoring.

6. Management agrees on the need to ensure effective monitoring and supervision. Safeguards supervision and monitoring are undertaken by the executing agency, supervision consultants, ADB staff, and third parties. To strengthen these arrangements, we plan to: (i) undertake a study to review the optimal deployment of safeguard specialists at HQ and RMs; and (ii) review current arrangements and identify opportunities for improved monitoring of projects with safeguard risks. In addition, options to strengthen monitoring of livelihood programs and support for the poor and vulnerable will be further reviewed, looking at case studies and good practices to be included in sourcebooks. On training, ADB will continue its support for safeguard learning centers and enhance capacity development efforts for staff, consultants, executing agency staff, and civil society organizations in coordination with a range of partners.

7. **Recommendation (3): Continue to exercise strong caution in proceeding with use of country safeguard systems (CSS), ensuring that high ADB standards and its reputation are properly safeguarded; and systematically strengthen the CSS through dedicated technical assistance (TA), especially the local implementation capacities, to pave the way toward its use in ADB supported projects.** This recommendation includes several elements: (i) a strategic approach on CSS, (ii) regular assessments, (iii) appropriate staff knowledge, (iv) capacity development, and (v) a focus on countries and agencies with basic equivalence and institutional capacities.

8. Management agrees. The SPS requires a cautious approach by allowing the use of country systems only under two very strict conditions: (i) the CSS is equivalent to ADB's SPS; and (ii) the borrower has acceptable capacity and commitment to implement its CSS. It also requires ADB to undertake its own due diligence and review of safeguards even where the CSS is used in lieu of the SPS. ADB will complete preliminary mapping of CSS equivalence assessments for all developing member countries (DMCs), and use the diagnostics to inform dialogue with DMCs on strengthening and use of CSS in the context of country partnership strategy preparation and related country dialogue. This will provide a basis for targeting capacity support and undertaking more rigorous assessments of equivalence and acceptability for countries, sectors, or agencies with convergent systems. The ongoing capacity development efforts on CSS will also continue, building on the $38 million in TA support approved so far. With respect to Indonesia's CSS, the TES findings have been noted, and IED's preliminary observations will be further reviewed and verified through the ongoing detailed assessments and consultations.

9. **Recommendation (4): Determine whether (a) the disclosure arrangements for involuntary resettlement plans, and (b) the definition and functioning of grievance redress mechanisms, deserve more attention and take appropriate actions.** This recommendation includes the need for a review of GRM implementation experiences and models, and reviewing effective means of disclosure of resettlement plans to affected people.

10. We agree to undertake a study on GRM implementation experience and good practices, update the safeguard sourcebooks, and provide additional staff training and knowledge sharing. With respect to disclosure, we welcome IED's proposal to further review disclosure arrangements and practices for involuntary resettlement during the full SPS evaluation in 2018–2019. Management also notes that
ADB’s Public Communication Policy is under review, and this includes issues surrounding disclosure of information.

III. Issues to be addressed in the Next Evaluation

11. The forthcoming full evaluation of the effectiveness of the SPS will be an important study. We urge IED to ensure that the study benefits from adequate resources, an appropriate time frame, and suitable staff capacity to deliver a robust report. Appropriate country, sector and lending modality coverage, and sufficient sample size should be ensured. We also caution IED not to rely too heavily on consultants to drive the findings and recommendations. In addition to the initial ideas on the scope of the evaluation outlined in the TES, it would be useful for IED to consider: (i) effective models for safeguard delivery, including comparison of procedural approaches to safeguards with performance-based models; and (ii) good practice approaches for enhancing client capacity, accountability, and ownership through use of borrower safeguards systems. A review of overall issues related to safeguard staffing and roles, as well as alternative mechanisms for augmenting safeguards capacity, should be subjected to more in-depth analysis.
Chair’s Summary: Development Effectiveness Committee

The Development Effectiveness Committee considered the Independent Evaluation Department report, Thematic Evaluation Study - Real Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies (IN. 455-16) on 14 December 2016. The following is the Chair’s summary of the Committee discussion:

1. **Real Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies (Thematic Evaluation Study)**

   1. The Development Effectiveness Committee (DEC) discussed the Real Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies (Indonesia, Kyrgyz Republic and Sri Lanka). The study aimed to: (i) evaluate the value addition of ADB safeguards’ intervention, (ii) evaluate the efforts to strengthen the country support systems through benefit-cost analysis and (iii) prepare ADB for the next evaluation on the effectiveness of ADB’s safeguard policy statement (SPS). The report provided the Board members an interim assessment of safeguard implementation which will be a useful input to the next full evaluation in 2019. While there are three safeguard areas (environment, involuntary resettlement and indigenous people), this report only covered the first two.

   2. **Report Recommendations.** According to Director General (DG) Independent Evaluation, ADB has invested in safeguards for more than 40 years to find balance between business growth and sustainability. He listed the main recommendations as follows:

      a. Safeguards have to be continuously improved and integrated early in order to increase its net benefit for society. ADB needs to set up safeguard implementation support internally within ADB and in country agencies.

      b. Supervision and implementation also needs to improve but without sacrificing the quality of design and planning. This is a more serious need in the area of involuntary settlement than in the area of environment. Implementation of safeguards also has to be allocated adequate time and resources.

      c. ADB is to exercise strong caution in the use of country systems but at the same time it needs to be proactive, systematic and strategic in strengthening systems and local capabilities that would facilitate the use of country safeguards systems.

   DG IED concluded by saying that the above recommendations apply to both private and public sectors and reminded the committee that IED’s overall objective in doing evaluations is to inspire management to act on the recommendations to improve operations. All DEC members expressed their full support to the three main recommendations made.

   3. **Environmental safeguards.** IED shared that the three countries had virtually equivalent legal frameworks close to the safeguard statement and to internationally-accepted environmental impact assessment practices. As such, the environmental concerns were well identified in 12 projects.
However, implementation lapses still abound in the field. This included spillage, leakage of tars and asphalts, etc. There were also discrepancies in the governments’ and the consultants’ monitoring reports.

4. **Involuntary resettlement (IR) safeguards.** IED shared that the three countries had improved regulatory frameworks partly due to the ongoing ADB technical assistance. However, there had been consistent shortfalls in the area of disclosure arrangements for involuntary resettlement plans and in the grievance redress mechanism in terms of its definition and function. These implementation gaps were due to insufficient consultations, time and resources. The fact that IR dealt with more socially complex and politically-sensitive issues also added to the gaps.

The deputy director general (DDG) of the Southeast Asia department (SERD) responded that the three resettlement plans included in their area were not yet final because the designs were still being finalized and this partly explained the gaps. However, she assured that SERD is giving increasing attention to consultations in the field.

IED shared that the results of the benefit-cost analysis for one project investigated showed that the difference between benefit and cost was greater under the safeguard scenario than under national practice which does not optimize safeguard arrangements.

5. **Comparison of safeguard policies.** A DEC member shared that the World Bank had revised its safeguard policy in 2016. He was also of the opinion that the safeguard policy was one of the main differences between ADB and the Asian Infrastructure Investment Bank (AIIB). DDG SDCC mentioned that both the new World Bank and AIIB safeguard policies allow for a considerable amount of safeguard planning to be done after Board approval whereas ADB’s policy requires a lot more upfront work before putting it for Board approval. The other major difference was that both the World Bank and AIIB had more flexible approaches to the use of country systems. The DEC chair agreed to this statement and added that when she participated in the establishment of AIIB, the understanding was that the safeguards policy was to be made more flexible to enable faster implementation of projects.

Another DEC member opined that there were certain issues that were better left to the member countries concerned. Case in point was the part of the study that talked about including illegal encroachers under the involuntary resettlement safeguards. The DEC member believed that this would promote illegal occupation of land. As such, he called for the safeguards policy to be amended to also address this type of issue.

DDG SDCC informed the DEC that the reason why most safeguard policies of multilateral development banks (MDBs), including AIIB, have these provisions is because those who might be encroachers on public land are often poor and marginal and highly vulnerable. The intent is to ensure that projects financed by ADB or other MDBs do not result in people being impoverished and hence the need to raise the bar. He agreed that the SPS has to be looked at but they need to wait for the completion of the full evaluation of the safeguards policy by IED before they can revise it.

IED further clarified that their intent was to assess implementation and not question the policy while the DEC member’s point seemed to imply a criticism of the SPS itself and this was not part of the evaluation’s objective. IED however also agreed that it could be the subject of the next evaluation.

Another DEC member requested for an informal Board seminar (IBS) for a more comprehensive discussion and comparison of the safeguard policies of the different MDBs. IED confirmed that it will work with SDCC to how best to respond to the request, as SDCC might need to lead this.
6. **On resources.** In line with the second recommendation that required providing adequate time and resources, a DEC member raised how the report emphasized the importance of the role of the resident missions (RMs) in safeguard work. He believed that RMs should have permanent safeguard staff and not consultants to strengthen the Bank’s own expertise and capacity to meet the safeguard policy obligations and help our developing member countries (DMCs) build solid country systems. This was supported by several DEC members.

Another DEC member mentioned knowing about management’s plan to review the optimal deployment of safeguard specialists at each RM. He encouraged management to continue the deployment and asked if management already had a timeline for this.

DDG SDCC shared that ADB has around 110 safeguard specialists in the Bank majority of which are in the operations departments. A third of these safeguard staff are in resident missions and this number has been increasing. He however cautioned that this was not the only model and that some departments have adopted a hybrid model. This model involves having a pool of safeguard specialists who can be deployed where needed and across a variety of circumstances.

Managing Director General (MDG) however cautioned that ADB will not be getting as many resources for safeguards as before. ADB will continue to leverage consultants and local staff and are ready even to convert an IS position into 2 national officer positions if needed.

7. **On strengthening country safeguard systems (CSS).** A couple of DEC members reiterated the importance of country ownership and capacity building which were core principles of the Accra Agenda for Action. In line with this, they inquired what has been done in the last 7 years towards achieving this.

In response, DDG SDCC said that they have mapped out country systems region-wide and completed the mapping exercise for environment. They are also currently mapping the involuntary resettlement safeguards region-wide but are a little bit behind on the mapping of Indigenous People’s issues partly because it was not a major concern for several countries. The mapping will feed into the country partnership strategy dialogue so that one can be alerted to opportunities to actually use the country systems in the context of ADB projects. He also added that ADB is working closely with other entities (World Bank, JICA, DFAT, etc.) to achieve convergence with international best practice.

Advisor and Head, Portfolio, Results and Quality Control Unit, South Asia department (SARD) shared that the government of India had requested SARD to undertake an assessment so that India can move to use country safeguard systems for environmental and social safeguards in ADB funded projects. In 2017, they will ask for Board approval for the agency level use of country systems for the Power Grid company using Power Grid’s own environmental and social policy and procedures and an agreed action plan. SARD had also initiated a similar equivalence assessment at the national level. Lastly, SARD informed DEC about a publication that they recently launched that shared knowledge experiences about involuntary resettlement. The publication is based on one of SARD’s largest projects in Sri Lanka, the Southern Transport Development project.

Another DEC member emphasized the need to look closely at the equivalence and accessibility assessments if a country is interested in using the CSS in ADB funded projects. A DEC member called for Management to draw up a timetable to implement the use of CSS. The DEC chair also inquired about the appropriate way to communicate to countries, whether directly or through Management. DDG SERD mentioned that in the case of Indonesia, it would have been more useful if the IED team had been able to brief the government about their findings at the end of the mission to give them an opportunity to provide direct feedback. However, they had advised IED that they would not share
the earlier draft with the government as it had (in their view) errors that could affect ADB’s relationship with the government.

8. **On the use of benefit-cost analysis.** The team leader from IED shared that the benefit-cost analysis was a unique feature of the report and no other MDB has done it yet. IED employed different approaches to measure this in each of the safeguard areas that they evaluated and found out that the benefits do outweigh the costs. A DEC member commended IED for using this method and added that this should be highlighted more in future proposals and projects. DG IED mentioned that they were able to do this because management has kept a good record of information. Another DEC member though cautioned that the decline in Category A projects over the last 10 years could also mean that the safeguards are seen as obstacles to project development. IED admitted that they couldn’t fully explain the reasons for the trend but it may be something to investigate in the next evaluation.

9. **Next steps.** A board member requested for a follow-up meeting in 2017 to discuss the safeguards more since two out of the three case study countries belonged to his constituency. Another Board member supported the idea and requested to discuss the appropriate communication channels and required consultation with the authorities. DG IED responded that IED would be happy to follow-up, and offered to visit Jakarta and explain the main findings further.

II. **DEC Work Program for 2017**

10. The DEC discussed its work program for 2017. Some DEC members inquired why there were two separate meetings to discuss the Annual Evaluation Review – one with the whole Board and another with just DEC to discuss the Management Action Record System (MARS). IED clarified that this was due to the request of the previous DEC chair in 2015. All DEC members agreed to the topics in the proposed work program. They also agreed that the dates remain flexible and may be revisited in 2017.
1. Environmentally sustainable growth and inclusive economic growth are two of the main strategic agendas of Strategy 2020 of the Asian Development Bank (ADB). ADB’s safeguard policy is contained in its Safeguard Policy Statement (SPS), which is a cornerstone of ADB’s efforts to pursue these two agendas. It aims to protect the environment and the poor and vulnerable from any adverse impacts that may arise in the course of implementing development projects.

2. The objectives of ADB’s safeguards as described in the SPS are to:
   (i) avoid adverse impacts of projects on the environment and affected people, where possible;
   (ii) minimize, mitigate, and/or compensate for adverse project impacts on the environment and affected people when avoidance is not possible; and
   (iii) help borrowers and clients to strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

3. These objectives are very similar to those of the three earlier policies on which the SPS rested, the Involuntary Resettlement Policy (1995), the Policy on Indigenous Peoples (1998), and the Environment Policy (2002). ADB works with borrowers to put the SPS principles and requirements into practice through project review and supervision, and capacity development support. The SPS also provides a platform for participation by affected people and other stakeholders in project design and implementation.

4. The SPS made the Independent Evaluation Department (IED) responsible for two reviews, one 3 years after it started, called the safeguard operational review, and the second at 5 years after it started, which would review the effectiveness of the SPS. IED completed the first review in 2014. This assessed safeguard processes within ADB, and trends in the portfolio of projects categorized as having environmental and/or social risks. It paid special attention to advances made in strengthening of country safeguard systems (CSS) through technical assistance (TA), the use of CSS in ADB-supported projects, and the application of safeguards to financial intermediary projects. It conducted only limited field work in the area of financial intermediaries, and focused on internal ADB issues, for instance the quality at entry of safeguard documentation. Project supervision, implementation, and results on the ground were to be a focus of the SPS effectiveness evaluation.

5. Upon receipt of the evaluation in November 2014, ADB Management suggested postponing the evaluation of the effectiveness of the SPS for a few years to allow the portfolio of projects approved under the SPS to mature, providing more evidence on the results of safeguard

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implementation to be considered. After consultations with the departments concerned, Board members, and the President, it was agreed to postpone the SPS effectiveness evaluation to 2019.

6. The Board approved IED’s 2016 work plan, which included the current intermediate real-time review on the implementation of safeguards in specific country contexts. This is intended to build on the operational review, address the added value of ADB’s safeguards against that of country systems, and help with questions for the full SPS effectiveness evaluation. Consultations provided some suggestions for this review. The Development Effectiveness Committee chair suggested that the review should consider whether member countries can afford ADB standards. He warned against setting the bar too high, possibly discouraging countries to engage with ADB. ADB Management emphasized the value addition of having sound safeguards. How ADB safeguards compared with national safeguard systems, and the benefits and costs associated with each, are important questions as projects are negotiated with governments and clients, and issues often arise on the interpretations of safeguard policies.

7. Safeguard systems are under international scrutiny. On the one hand, the Sustainable Development Goals (SDGs) and the United Nations Climate Change Conference in Paris (COP21) conclusions implicitly welcomed them as a response to the environmental degradation and resettlement issues associated with large-scale infrastructure projects of the past. On the other, there is pressure to revise the current approach, which relies on the safeguard policies of multilateral development banks (MDBs), given that many countries now have greater capacity to address safeguard concerns themselves. The World Bank is entering a new phase characterized by support for flexibility and the use of country systems, and new players, such as the Asian Infrastructure Investment Bank and the New Development Bank, will have their own policies.

A. Objectives of the Evaluation

8. This is an intermediate real-time evaluation of the implementation of safeguards in specific country contexts. It builds on the operational review, compares the value added by ADB’s safeguards and country systems, and is intended to assist ADB Management to identify and correct potential issues before the full evaluation of the Safeguard Policy Statement in 2018–2019.

9. The evaluation assesses three areas: (i) the value addition from implementing ADB safeguards, based on project case studies, with a focus on environmental risk avoidance and mitigation, and involuntary resettlement risk avoidance, mitigation and compensation; (ii) ADB’s efforts to strengthen CSS in three selected countries and its move toward supporting the use of CSS in ADB-supported projects; and (iii) the likely costs and benefits of implementing ADB’s safeguards based on a specific example. The purpose is to generate a series of useful findings and recommendations for ADB that will shed light on issues that need to be addressed during the full SPS evaluation.

10. The evaluation focuses on the following questions:

   (i) How well are environmental and involuntary resettlement safeguards being applied and what lessons can be distilled from selected projects? What are the benefits and costs? What value addition do safeguards bring to project preparation, implementation, and outcomes in actual country situations?

   (ii) Based on selected country results, how are ADB’s safeguards interacting with country systems and to what extent has ADB been able to strengthen the safeguard systems of executing agencies and other clients, increasing their readiness to manage environmental and social risks?

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7 The evaluation interprets value addition to be the environmental and social benefits obtained from including safeguard measures.
(iii) How can ADB and governments increase the net benefits of safeguard implementation, based on the evidence from a number of country and project case studies?

11. The evaluation focuses on the environment and involuntary resettlement safeguards. It does not cover safeguards related to indigenous peoples, which are also covered by the SPS. The evaluation assesses regular category A and B projects and does not cover highly complex and sensitive cases. Initially, the evaluation tried to compare national and other donor-implemented finance projects, but ADB resident missions advised the evaluation team against looking at nationally funded projects due to sensitivity issues. However, a few projects funded by the World Bank, the Islamic Development Bank, and bilateral agencies that permitted access were visited. As a result, the evaluation placed more emphasis to assessing CSS broadly and comparing it with SPS policy principles.

B. Scope and Method

12. This evaluation draws on five sources: (i) analysis of ADB and government documents, (ii) country case studies, (iii) portfolio analysis of approved projects in 2007–2015, (iv) benefit–cost analysis, and (v) interviews with ADB staff and stakeholders. The country case studies provide a real-time assessment of ADB’s safeguard implementation in Indonesia, the Kyrgyz Republic, and Sri Lanka. These countries were selected because of (i) their significance in major ADB regions; (ii) the availability of documents to assess CSS; (iii) the mix of projects in ADB’s primary investment sectors (transport, energy, and water) with environment and social safeguard categories A and B; and (iv) implementation of projects at central and local levels.

13. Country-specific factors were also considered. Indonesia was the first country to ask ADB to use its CSS in ADB-funded projects. The Kyrgyz Republic reflects the conditions of countries that became independent from the former Soviet Union relatively recently and which have very different land systems from those elsewhere in the region. It also has a biosphere reserve with an ADB-supported project, which provides an interesting case for this evaluation. Sri Lanka has benefited from ADB’s long-standing support in strengthening its CSS and is an excellent source of experience gained, particularly in the transport sector.

14. A case study approach at both country and project levels—as opposed to a portfolio approach—was undertaken. Expert observation and judgment were relied upon to derive practical lessons and recommendations from the assessment. Linked Document 1 (see Appendix) provides information on the safeguard professionals and peer reviewers who worked with IED in this assessment. The evaluation findings have been combined with earlier evaluation work to generate the recommendations. The evaluation also complements earlier evaluations in its attempt to draw out some issues for more detailed review in the full SPS effectiveness evaluation.

15. The case studies include brief reviews comparing the CSS to the SPS in the three countries. It then reviews their safeguard implementation capacity. For Indonesia, special attention is paid to the assessment of the equivalence of the CSS to the SPS and the acceptability of CSS implementation capacity. Equivalence means the extent to which the CSS adheres to the scope, triggers, and applicable environmental and social policy principles of the SPS. Acceptability encompasses implementation practices, track record, and the capacity of the government or agency in implementing its safeguards. ADB requires the CSS to be almost equivalent to the SPS principles for it to be used in ADB-funded projects, particularly with regard to environmental management plans (EMPs) and resettlement plans. If

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8 The effectiveness of safeguards governing indigenous peoples will be evaluated in the full SPS evaluation.
9 There were only two such cases among the ongoing projects and these were not located in the three case study countries.
10 This was so in Indonesia and Sri Lanka; in Kyrgyz Republic, most infrastructure projects are foreign-financed.
ADB’s safeguards can compensate for what is missing in the country system, then clearly it provides added value. As ADB’s equivalence and acceptability assessments in Indonesia were carried out when a decision on the use of CSS was evolving, this report makes only limited observations. However, it raises issues that need to be resolved before a decision is made on the use of CSS in ADB-supported projects.

16. The case studies involved field-based reviews of how environmental and involuntary resettlement safeguards were prepared and implemented in four projects each in Indonesia, the Kyrgyz Republic, and Sri Lanka. Much reliance was placed on a close reading of project safeguard monitoring reports. The 12 projects were selected according to the following criteria: (i) a safeguard category A or B in any of the two safeguard areas (environment and/or involuntary resettlement), and demonstrating the use of ADB safeguards in the project (not simply temporary impacts such as noise and dust during construction, but issues with the potential to have substantial impact beyond the ADB intervention period); (ii) some degree of sectoral diversity; (iii) the availability of a good set of data; (iv) a variety of safeguard experiences, whether negative or positive, and (v) with one or two exceptions, a significant portion of the ADB financing (50% or more) already disbursed.

17. Approval of a project under the SPS (effective January 2010) was not a major criterion for selection as this is not an evaluation of SPS but of experiences with safeguard application more broadly. If a selected project was approved before adoption of the SPS, the evaluation is against the safeguards policy applicable at that time, unless the safeguard plans or monitoring reports were updated under the SPS. Ten of the 12 projects were approved under the SPS or could be treated as such (Table 1). The equivalence and acceptability of the three country systems was assessed against the SPS.

18. Of the 12 projects in Table 1, five are environmental category A and six category B. Six are involuntary resettlement category A and five category B. Four were also categorized as having indigenous peoples risks, one category A and three category B. The longer list of 108 projects from which they were chosen is in Linked Document 2 (see Appendix).

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12 Two projects in Indonesia were replaced following discussions with the country director. Departments were consulted on the selection of projects.

13 The exceptions were projects with less than 50% disbursement at the time of visit, but which had made good progress nevertheless and contained interesting features that enabled useful comparisons to be made with government systems.

14 Various projects approved before 2009 updated their plans to 2009 SPS standard.

15 Data from the Office of Cofinancing Operations show that seven of the 12 projects evaluated had official cofinancing. Of these, two had collaborative parallel cofinancing: an Islamic Development Bank loan of $65 million for the Regional Roads Development Project in Indonesia (2817-INO) and a Eurasian Development Bank loan cofinancing of $60 million for Central Asia Regional Economic Cooperation Corridor 3 (Bishkek-Osh Road) Improvement Project, Phase 4 (3056-KGZ).
Table 1: List of Projects in Sri Lanka, Indonesia, and the Kyrgyz Republic

<table>
<thead>
<tr>
<th>Country/Year</th>
<th>Executing Agency</th>
<th>Project Name (Status)</th>
<th>Sector</th>
<th>ADB Financing ($ million)</th>
<th>ENV</th>
<th>IR</th>
<th>IP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td></td>
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<tr>
<td>2005</td>
<td>Road Development Authority</td>
<td>National Highway Sector(b) (Active)</td>
<td>Transport</td>
<td>243</td>
<td>A(c)</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>2008</td>
<td>National Water Supply and Drainage Board</td>
<td>Dry Zone Urban Water and Sanitation(a)(Active)</td>
<td>Water</td>
<td>85</td>
<td>A(d)</td>
<td>A</td>
<td>C</td>
</tr>
<tr>
<td>2009</td>
<td>Ministry of Power and Renewable Energy/ Ceylon Electricity Board</td>
<td>Clean Energy and Access Improvement(d) (Active)</td>
<td>Energy</td>
<td>168</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>2010</td>
<td>Road Development Authority</td>
<td>Northern Road Connectivity(f) (Active)</td>
<td>Transport</td>
<td>154</td>
<td>B(g)</td>
<td>B</td>
<td>C</td>
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<td>Indonesia</td>
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<td>2009</td>
<td>Indonesian Infrastructure Financing Facility</td>
<td>Indonesia Infrastructure Financing Facility Company(h) (Closed December 2014)</td>
<td>Finance</td>
<td>140</td>
<td>F</td>
<td>A</td>
<td>A</td>
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<td>2011</td>
<td>Directorate General of Highways, Bina Marga</td>
<td>Regional Roads Development(i) (Active)</td>
<td>Transport</td>
<td>180</td>
<td>B</td>
<td>A</td>
<td>B</td>
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<tr>
<td>2013</td>
<td>PLN (National Electricity Company)</td>
<td>Java-Bali 500-Kilovolt Power Transmission Crossing(j) (Active)</td>
<td>Energy</td>
<td>249</td>
<td>A</td>
<td>A</td>
<td>C</td>
</tr>
<tr>
<td>2014</td>
<td>Ministry of Public Works and Housing, Directorate General of Human Settlement</td>
<td>Metropolitan Sanitation Management Investment(k) (Active)</td>
<td>Water</td>
<td>120</td>
<td>B</td>
<td>B</td>
<td>C</td>
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<tr>
<td>Kyrgyz Republic</td>
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<tr>
<td>2008</td>
<td>Ministry of Transport and Communications</td>
<td>CAREC Transport Corridor 1 (Bishkek–Torugart Road)(l) (Closed March 2013)</td>
<td>Transport</td>
<td>20</td>
<td>B</td>
<td>B</td>
<td>C</td>
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<td>2009</td>
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<td>Transport</td>
<td>55</td>
<td>A</td>
<td>B(o)</td>
<td>C</td>
</tr>
<tr>
<td>2013</td>
<td>Ministry of Transport and Communications</td>
<td>Central Asia Regional Economic Cooperation Corridor 3 (Bishkek-Osh Road) Improvement Phase 4(p) (Active)</td>
<td>Transport</td>
<td>100</td>
<td>B</td>
<td>A(q)</td>
<td>C</td>
</tr>
</tbody>
</table>

CAREC = Central Asia Regional Economic Cooperation, ENV = environment, IR = involuntary resettlement, IP = indigenous peoples, SPS = Safeguard Policy Statement.

\(a\) Includes cofinancing; \(b\) approved pre-SPS but safeguard plans were updated or monitored based on SPS; \(c\) categorized as B on environment on additional financing component; \(d\) recategorized as A on environment in 2012; \(e\) subject to 1995 IR Policy for IR, and to SPS for environment; \(f\) approved under SPS; \(g\) categorized as A on environment on additional financing component; \(h\) subject to 1995 IR Policy and 2002 Environment Policy; \(i\) recategorized as B on involuntary resettlement based on SDCC’s 2010–2015 recategorization matrix as of 9 June 2016; \(j\) CWRD reclassified the IR category to A (this was after IED’s mission to Bishkek).

Source: Asian Development Bank database.

19. The in-country research method for the 12 projects encompassed extensive document reviews, expert observations on environmental safeguards in the field, semi-structured interviews with key stakeholders, including with affected people. Detailed descriptions were made of each project from the perspective of environment and resettlement safeguards and these were shared with the relevant operations departments. Stratified random sample surveys of around 200 affected households and control groups were conducted in both Sri Lanka and Indonesia. In Sri Lanka, the IED team made presentations on the CSS and the selected projects, and integrated the valuable comments raised to this report. Key participants from all the agencies reviewed attended, as well as ADB staff at the resident mission.
20. The benefit–cost analysis of safeguard implementation was applied to one project in Indonesia and another in Sri Lanka. Only the Sri Lanka project is discussed in the main text. The methodology had the following features:

(i) It extended the original economic internal rate of return (EIRR) analysis to include a valuation of environmental and social outcomes. Estimates of the benefits, or the damage avoided through social and environmental safeguards, were made.

(ii) Benefits and costs that extend to environmental and social outcomes were valued foremost in terms of the direct use values of provisioning services from the affected ecosystem and previous settlements that may have been omitted in the standard economic analysis, e.g., clean air and water, fuel-wood, and recreation. Indirect values from regulations, support activities that can be triggered, and cultural services from the ecosystem were also analyzed using local information where available. Benefit transfers from similar sites were analyzed when feasible. Where willingness-to-pay estimates were generated, no additional valuation was conducted. Rather, actual versus planned tariffs were examined, to look into improvements in the capture of consumers’ surplus.

C. Overall Portfolio: Trends in Category A and B Projects

21. This section sets the context for the discussion of the country case studies and project cases. It discusses how ADB’s portfolio has evolved over time and across regions in terms of the severity of environmental and social risks and shows how the 12 project cases fit in this larger picture. More details on the project and TA portfolio are provided in Linked Document 3 of the Appendix.

22. The share of ADB projects classified as environmental safeguard categories A and B increased in the overall portfolio during 2005–2015. Overall, the proportion increased by 11 percentage points from 56% of all projects immediately before adoption of the SPS (2005–2009) to 67% after adoption of the SPS (2010–2015). Figures 1 and 2 show that this was mainly due to the 15% growth in category B projects, which expanded from 39% to 54% of the total portfolio, while the proportion of category A projects declined from 17% to 13%. Although there are now fewer projects with significant environmental risks, there are certainly more projects overall with some risks, although the latter may be due to a more systematic implementation of the policy at ADB over the period. While it was conceivable in the past that an infrastructure project might not be rated as environmental category A or B, this is now highly unlikely—this was also a finding of the Safeguard Operational Review (footnote 6). This suggests that there is now stronger procedural compliance.

16 Details of the categories are in para. 50 of the SPS. Environmental category A projects would probably have significant adverse impacts that are irreversible, diverse, or unprecedented. Environmental category B projects would have less potentially adverse impacts than those of category A projects, be site-specific, have few if any irreversible impacts, and have mitigation measures that can be designed more readily than for category A. Environmental category C projects are likely to have minimal or no adverse impacts. A category FI is assigned if a project involves investment of ADB funds to or through a financial intermediary. Before the SPS (i.e., until 2009), ADB had an “environmental B-sensitive” category. This applied to projects that were (i) near environmentally sensitive areas; and involved (ii) deforestation or loss of biodiversity; (iii) involuntary resettlement issues; (iv) processing, handling and disposal of toxic and hazardous substances; or (vi) other environmentally sensitive activities that also may be of concern to a wider group of external stakeholders.
The situation is somewhat different for projects categorized as carrying risks in terms of involuntary resettlement (Figures 3 and 4). The proportion of projects rated category A or B for involuntary resettlement was almost the same before and after the adoption of the SPS. However, as with environmental safeguards, the proportion of projects categorized as A, with significant involuntary resettlement risks, declined significantly, from 25% to 16%, indicating in this case an apparent trend toward a less risk-prone set of projects for ADB after the SPS. This is also reflected in the set of ongoing projects available for case studies in the three countries selected. Figure 5 shows that the trend to fewer involuntary resettlement category A projects occurs in almost all regions, and is also a feature of the three country case studies. Whether this is a result of less challenging project proposals being offered by governments or clients for development by ADB, or of risk aversion by ADB project team leaders, or of successful mitigation of risks in challenging projects by ADB staff, could not be definitively settled. While government staff interviewed often raised the issue of differences between ADB and country systems, and the effect this had on the speed of project implementation, the evidence on whether this led to fewer challenging projects being offered for funding remained anecdotal.
24. There were some regional implications to the distribution of projects with environmental safeguard issues. The East Asia region (with two countries) had and still has the greatest proportion of category A projects in ADB because of the portfolio in the People’s Republic of China (PRC). All other regions have significantly fewer such projects and are closer to the ADB average. The figures show that in all regions a trend toward fewer sovereign environmental category A projects over time is visible, along with, in most cases, an increase in category B projects, showing that country-specific differences in trends have been subordinate to this more important general trend, and that the trends in the three countries chosen for case studies are by and large not different from the overall trend (Figure 5).

![Figure 5: Projects Approved by Region and Three Case Study Countries, Environment Safeguard Categories A and B, 2005-2015](image)

PSOD = Private Sector Operations Department.
Note: This does not include 2005–2006 grants.
Source: Loan approvals from 2005–2013; data from the Regional and Sustainable Development Division, Environment and Safeguards Division (RSD-D), grant approvals from 2005–2013 from the grant and information system (GIS), and project approvals from 2014–2015 from the loan financial information system (LFIS), and lotus notes database (LTAA). The safeguard categories were sourced from the Asian Development Bank Operations Dashboard and project data sheet (ADB website).

25. The trend toward fewer involuntary resettlement category A projects can be seen in most regional departments, although PSOD posted an increase in the proportion of projects in this category. What stands out again is the different position of the East Asia region, which is dominated by PRC, where the proportion of category A projects has remained much higher (42%) than in any other region, although it has declined slightly in recent years. The South Asia region, with 18% of the projects since adoption of the SPS in category A, is the region with the second highest proportion. The trend in the proportion of involuntary resettlement category B projects is also more variable than the more uniform trend toward more environmental category B projects. This is reflected in developments in the involuntary resettlement category A in the three countries (Figure 6).

26. The case studies include six transport projects, three water supply and sanitation projects, two energy projects, and one finance sector project. The sectors covered by the 12 case study projects more or less reflect the concentration of safeguard risks in the ADB portfolio. Figures 7 and 8 compare the sector programs in ADB with the portfolios containing most safeguard category A and B projects. They show that the transport portfolio contains by far the largest number of projects with safeguard risks and of category A projects, followed by the energy and water portfolios. The growth in the overall portfolio after 2009 is notable, which has also led to greater numbers of category A projects in most sectors, although, as shown by Figures 7 and 8, this growth has not been proportional.
**Introduction**

Figure 6: Projects Approved by Region and Three Case Study Countries, Involuntary Resettlement Safeguard Categories A and B, 2005-2015

*Category A* — *Category B*

PSOD = Private Sector Operations Department.

Note: This does not include 2005–2006 grants.

Source: Loan approvals from 2005–2013 sourced from the Regional and Sustainable Development Department, Environment and Safeguards Division (RSGD-RS) database (now SDCC), grant approvals from 2005–2013 from the grant and information system (GFIS), and project approvals from 2014-2015 from the loan financial information system (LFIS), and lotus notes database (LTAA). The safeguard categories were sourced from the Asian Development Bank Operations Dashboard and project data sheet (ADB website).

Figure 7: Number of Projects Approved by Sector, Environmental Categories A and B, 2005-2014

*Central and West Asia, South Asia, and Southeast Asia Combined*

Note: This does not include 2005–2006 grants.

Source: Loan approvals from 2005–2013 sourced from the Regional and Sustainable Development Department, Environment and Safeguards Division (RSGD-RS) database (now SDCC), grant approvals from 2005–2013 from the grant and information system (GFIS), and project approvals from 2014-2015 from the loan financial information system (LFIS), and lotus notes database (LTAA). The safeguard categories were sourced from the Asian Development Bank Operations Dashboard and project data sheet (ADB website).
D. Structure of the Report

27. Chapter 2 details the findings on environmental safeguards. As the environmental assessment process is similar in the three countries, each country assessment begins with a review of the projects before considering the country system. Chapter 3 details the findings on involuntary resettlement safeguards. However, as involuntary resettlement safeguards are much more influenced by national laws and systems, the involuntary resettlement chapter begins with assessments of the CSS in each country and then discusses the projects. Chapter 4 presents the findings of the benefit–cost analysis for five sections of the Sri Lanka National Highways Sector Project. The Java–Bali 500-Kilovolt Power Transmission Crossing Project is elaborated in a Linked Document. Chapter 5 presents conclusions and recommendations.
ADB Environmental Safeguards and Gaps at the Country Level

28. To maximize positive outcomes and minimize the adverse effects on the environment of ADB projects, ADB applies a set of 11 policy principles for environmental safeguards. They cover the screening process, environmental assessment, examination of alternatives, environmental planning and management, meaningful consultation, disclosure, implementation and monitoring, critical habitats, pollution prevention and control technologies, safe and healthy working conditions for workers, and conservation of physical and cultural resources. They must be complied with during both project preparation and implementation by ADB and the Borrower and constitute the basis for assessments of the value addition of safeguards to the ADB-supported projects in Sri Lanka, Indonesia, and the Kyrgyz Republic. The chapter also highlights areas in the laws and regulations in the three countries that differ from the SPS provisions and comments on implementation capacity. For Indonesia, an additional assessment on the equivalence and acceptability of the CSS is provided, in light of current discussions on the possible use of CSS in ADB-supported projects. Lessons are summarized at the end of the chapter.

A. Sri Lanka Case Study

29. **Country context.** Sri Lanka is one of the most biologically diverse countries in Asia and is recognized as a biodiversity hotspot of global and national importance. Its varied climate and topographical conditions have given rise to rich species diversity, believed to be the highest in Asia in terms of unit land area. Many of the species are endemic, a reflection of the island’s separation from the Indian subcontinent since the late Mesozoic period. Mammals, amphibians, reptiles, and flowering plants are distributed over a wide range of ecosystems in a host of habitats and species.

30. **Its wealth of natural resources is Sri Lanka’s greatest asset and contributor to the country’s growth.** But the use of these resources has led to a number of environmental issues: deforestation, soil erosion, wildlife populations threatened by poaching and urbanization, coastal degradation from mining activities, and increasing pollution (including freshwater resources from industrial wastes and sewage runoff, waste disposal), and air pollution in Colombo. These pressures on the environment are exacerbated by climate change. While it is a minimal contributor to global climate change, Sri Lanka is highly vulnerable to its impacts. Weather-related risks include increases in the frequency and intensity of droughts, floods and landslides, variable rainfall patterns, increases in temperature, and sea level rise. These vulnerabilities will affect ecosystems and biodiversity, cut across many development sectors, and threaten many of the gains achieved in recent years.

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17 Listed in Section V of the SPS, p. 16 (footnote 2).
18 The presentation in this chapter is in the order of the field visits made to the countries.
31. Both the government\(^{21}\) and ADB recognize that environmental protection and biodiversity conservation are an integral part of the development process and any breakdown in environmental stability would have serious implications for the long-term development of the country. ADB and country safeguards play a critical role in protecting the environment and resource base while infrastructure investment is pursued. They introduce policy principles and mandatory procedures to avoid or mitigate the negative environmental impacts of projects and enhance positive outcomes.

1. Environmental Safeguard Management through the Project Cycle

32. Project case studies. The evaluation reviewed ADB’s support to key government partners and its assistance in the application of environmental safeguards in four projects in Sri Lanka (Table 2).

<table>
<thead>
<tr>
<th>Project</th>
<th>Objective</th>
<th>Initial Category</th>
<th>Environmental Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Highway Sector Project</td>
<td>Upgrade about 223 km of highways with an additional 62 km from supplementary financing</td>
<td>A</td>
<td>The project was categorized A as a portion of the Puttalam-Anuradhapura subproject passed through Karuwalagaswewa (Tabbowa) Wildlife Sanctuary.</td>
</tr>
<tr>
<td>Northern Road Connectivity Project</td>
<td>Rehabilitate 140 km of provincial and 170 km of national roads in the Northern Province with additional financing for 117 km, which were damaged and neglected during nearly three decades of civil war</td>
<td>B (then A)</td>
<td>As the project was largely rehabilitation, in most areas there were no serious environmental concerns and the project was categorized B. Additional financing was categorized A because of sensitivities arising from the need to minimize impacts on the ecology in and around the Jaffna Lagoon which is vulnerable to environmental degradation including loss of fisheries.</td>
</tr>
<tr>
<td>Dry Zone Urban Water and Sanitation Project</td>
<td>Rehabilitate, expand, and develop water and sanitation infrastructure for towns in the northwestern dry zone</td>
<td>B (then A)</td>
<td>Initially categorized as B, a major subcomponent warranting safeguards attention concerned the construction of an earth bund across an intermittent river to impound water in an area of 215 ha for the Vavuniya water supply scheme. More in-depth environmental assessment studies revealed significant impacts on a jungle corridor, and threats to endangered species from inundation and changing stream flow patterns. As a result, the project was recategorized A.</td>
</tr>
<tr>
<td>Clean Energy and Access Improvement Project</td>
<td>Stronger transmission and distribution network</td>
<td>B</td>
<td>The project had low-level environmental impacts (tree cutting and some land take). Most of the lines crossed paddy fields, village gardens and some semi-natural habitats; no permanent access roads were to be built. However, the project operated near or along two national parks.</td>
</tr>
</tbody>
</table>


33. The sample road projects are typical examples of category B projects with no potentially significant environmental concerns. Activities were confined to the right of way (ROW). Most roads crossed agricultural and rural landscapes with secondary forest growth along some portions. No endangered flora or fauna were reported in the project areas. Most of the projects’ impacts were predicted to occur during the construction phase and were considered temporary in nature and mitigated by proven measures. Similarly, most of the risks associated with the Clean Energy and Access Improvement Project were readily mitigated by known remedial measures. In the road projects, the few sections considered to have potential category A impacts were adjacent to or near environmentally sensitive areas. The Dry Zone Urban Water and Sanitation Project, however, raised more serious concerns as the project generates broader longer-term impacts on the local and regional ecology and agricultural landscapes.

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34. **Preparation of the case study projects was generally satisfactory in identifying environmental concerns.** Identifying and prescribing mitigation measures, particularly around critical habitats and associated biodiversity, proved a challenge for ADB and the government, given time and financial constraints and the difficulty of working in a war zone. However, the Northern Road Connectivity and Dry Zone Urban Water and Sanitation projects provide instances where these constraints were overcome through further studies or the application of the precautionary principle.\(^{22}\) Institutional and capacity assessments were limited given the experience of some of the agencies, although there was a general recognition that their capacity should be strengthened. In the case of the Clean Energy and Access Improvement Project, a suggestion made at the design stage by the central safeguards unit in ADB to the project team to strengthen the safeguard capacity of the relevant agency was not adopted.

35. **During screening and scoping, environmental safeguard specialists were effective in identifying environmental sensitivities.** The specialists sometimes withheld final judgment on categorization until they received additional information, and they helped to develop initial environmental examinations (IEEs) or environmental impact assessments (EIAs) and loan covenants. They also examined development alternatives to minimize environmental impacts. During the review of the IEE for the Clean Energy and Access Improvement Project in 2008, ADB’s environment specialist requested additional information from the operations department and a discussion on the assignment of category B. This led to a reconsideration of alternative transmission line alignments and resulted in a line deviating from the existing corridor to minimize the traverse through a forest and to avoid crossing national parks. This illustrates the value of having a central safeguards unit in ADB, or at least of having significant peer review of all proposed projects to address safeguard concerns.

36. ** Portions of the Northern Road Connectivity Project and the Dry Zone Urban Water and Sanitation Project were located in conflict areas so information was limited, as was access to the project sites.** Further studies identified serious issues and drew attention to the need for substantive mitigation measures under reformulated environmental management plans (EMPs). For road projects with multiple subprojects, it would have been appropriate if a sectoral or regional environmental assessment had been conducted prior to project preparation to capture widespread indirect and cumulative impacts and better evaluate institutional needs. This would also have given greater clarity to applying the precautionary principle. More guidance on preparing projects in conflict-affected situations would have been helpful, to assure the appropriate application of ADB safeguards and make adequate provisions for training and follow up.\(^{24}\)

37. **The Dry Zone Urban Water and Sanitation Project provides a good example of the benefits of comprehensive baseline studies in response to the ADB safeguard process.** Originally a category B project, in response to loan covenants and more comprehensive field visits, more in-depth environmental assessment and supportive studies were undertaken in 2011–2012 on the proposed construction of a reservoir at Per Aru. These analyses revealed that the project would have significant impacts upon a jungle corridor for elephants, threaten endangered species by inundation, and change stream flow patterns, making the reservoir the only component of the project warranting more substantial assessment. Consequently, the project was correctly recategorized the project as category

\(^{22}\) United Nations. Rio Declaration 1992: “In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.” The principle is also reflected in the SPS policy principle 8 (footnote 2, page 16).

\(^{23}\) Regional executing agencies draw boundaries to capture the area of influence of widespread project interventions, as in the Sri Lanka roads projects. They allow cumulative impacts to be assessed and institutional arrangements to be addressed.

\(^{24}\) Guidance is needed on how to locate land owners who have migrated or who have no legal documents due to loss during war and displacement, women who have lost husbands in war but have no death certificates as evidence of death, and other cases.
A. In the road projects, a more precautionary approach for applying a category A for the roads that pass through sensitive areas might have led to the inclusion of benefits such as strengthening park protection and management, e.g., better signage, upgrading of the entrance track, and speed controls.

38. The potential benefits of a sectoral or regional environmental assessment can be seen from ADB’s support for projects that rehabilitated different road segments across a region. An IEE was undertaken for each road subproject, but it was unfortunate that the many IEEs were not integrated into one substantive document (a summary assessment did not achieve this objective). Isolating the issues into separate IEEs does not capture cumulative impacts and foregoes opportunities to address the root causes of institutional weakness or to adopt more substantive measures to strengthen performance. The constant additions or changes to subcomponents required updating of IEEs and this may also have affected the cohesive and consistent management of environmental impacts and risks.

39. The environmental management plans (EMPs) for the case study projects were adequate in providing standard mitigation measures. Although there was some recognition of local conditions (e.g., passage through protected areas and elephant crossings, and siting of crushing and asphalt plants), the EMPs could have paid more attention to the wider landscape to ensure good practice and sustain longer-term gains. Often this would need to be done after the detailed design and engineering. In the case of the roads projects, as mentioned above, the lack of integration of the IEEs failed to capture likely cumulative impacts and consequently meant that the associated EMPs addressed “local” issues and not those at a regional scale (e.g., stream bed disturbance from new/modified culverting and gravel extraction, and disruption of elephant migration corridors).

40. All projects in the sample would have benefited from more specific environmental performance indicators. Such indicators guide monitoring activities and enable progress in sustaining compliance to be determined. Most projects relied on visual inspections which, if not done by specialists, run the risk of becoming a box-ticking exercise. An indicator measuring impacts on fauna and flora would have been appropriate for the road and energy projects, especially in view of available baseline survey data from the environmental assessments. Both visual inspection and tracking of specific indicators are desirable. Further suggestions for environmental performance indicators are made in Linked Document 4 of the Appendix.

41. The EMP for the Dry Zone Urban Water and Sanitation Project provides a positive example of innovative management of conservation needs. This plan included relocation of endangered species, development of catchment management plans, removal of vegetation in the inundated area, and the phasing of compensatory tree and ground cover planting in areas where this was likely to lead to ecological benefits (e.g., watershed protection and elephant habitats).

42. The projects reviewed in Sri Lanka confirm earlier assessments that more attention to environmental safeguards enforcement may be needed during project implementation (footnote 6). Reviews of back-to-office reports indicate that the involvement of an ADB environment specialist in project review missions fluctuated (i.e., a safeguards specialist did not join the site visits during the review missions although it would have been good), especially in the early stages (Linked Document 3c of the Appendix). However, evaluation acknowledges that the situation may be improving as the operations department has been expanding the number of its safeguard specialists in recent years.

25 The evaluation team reviewed the data on flows and judged that the assessment contained insufficient data to ensure downstream flow regimes complement seasonal variations, particularly during the dry season when there is no flow.

26 The resultant disaggregation denied systemic attention to such impacts (e.g., soil erosion, soil contamination, silting of waterways, flooding of local areas due to channelization of waterways intersected by roads, river bed extraction, changes to ecosystems and flora and fauna).
43. **The quality of the government monitoring reports on EMP implementation also needs to be improved.** This was particularly the case for the National Highway Sector Project. Reports submitted to the Road Development Authority (RDA) and ADB paid inadequate attention to significant issues, and frequently cited delays in taking corrective actions and delivery of reports. Some monitoring reports were delayed during the construction period and were not produced. Again, the experience of the Dry Zone Urban Water and Sanitation Project was better than that of other projects, as EMPs included useful monitoring indicators, e.g., maintenance of natural habitats, offsets, and/or ecological restoration and effectiveness of measures implemented to avoid or minimize disruption of wildlife movements. This produced increasingly rigorous monitoring reports. The team learned of good practice in asphalt plant management and drainage (Figure 9).

![Figure 9: Environmental Safeguard Examples Observed in Sri Lanka](image)

(a) Bunds to contain any oil spills properly. (b) Roadside drainage protects adjacent land.

Source: Independent Evaluation at the Asian Development Bank. Photos taken during the field visit.

44. **The implementation of environmental safeguards was sometimes enhanced by the borrower.** Impacts on protected areas and natural habitats were regarded with concern by all parties and safeguards were applied satisfactorily. In the Dry Zone Urban Water and Sanitation Project, the phasing of tree and ground cover planting in selected areas is likely to lead to ecological benefits. With roads, extra attention was consistently paid to schools and other public buildings, which were provided with extra safety features, such as walls and barriers to shield pedestrians from the road. Similarly, efforts were also made to protect cultural heritage sites such as sacred trees and to provide wildlife with waterholes (Figure 10). This was true value addition through safeguard enforcement. However, there were opportunities for further improvement especially in road projects. Field visits revealed a need for the RDA to increase signage for traffic calming and to place luminous poles indicating elephant crossings. Practices for borrow pits management could also be improved as restoration is seldom done appropriately.

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27 Views are based on detailed review of monitoring reports and discussions with RDA staff, including its Environment Consultant.

28 The poor restoration was a particular concern of the RDA environment staff, who were interviewed at RDA headquarters and in the field offices.
2. Country Environmental Safeguards System

45. Environmental safeguards in Sri Lanka. ADB recognizes the advantages of an eventual shift to the use of CSS in ADB-supported projects. Such a move would boost country ownership, reduce transaction costs, and extend development benefits over the longer term to a wider range of projects. ADB’s support, through TA and investment projects, has helped strengthen government institutions at policy, programmatic, and project levels, which has helped them to understand and apply environmental safeguards. The application of safeguards has demonstrated their value in protecting the natural environment and in sustaining the resource base as well as helping to give voice to stakeholders, including local communities. The RDA, in particular its Environment and Social and Sustainable Development (ESSD) office, may be a good candidate for use of country systems in ADB-supported projects in the medium term.

46. Comparison between the CSS and ADB’s safeguard policy. From a procedural perspective, environmental safeguards in Sri Lanka are largely covered by the EIA process mandated in the National Environmental Act, 1988, along with some ancillary laws and regulations. The procedures in the act mandate an EIA only for “prescribed” projects that need to be cleared by designated “project approving agencies” (PAAs) led by the Central Environmental Authority. The PAAs are EIA administrative agencies responsible for guiding the preparation of an EIA or IEE for projects falling under their purview. Each PAA is responsible for approving or rejecting EIA proposals and for all other associated decisions.

47. Identifying the gaps between Sri Lanka’s laws and regulations and the ADB SPS is important not only to assess the potential for eventual use of CSS in ADB-supported projects but also to prepare appropriate EMPs for projects implemented under the SPS. Gaps identified by this evaluation include the scope of the screening process, assessment of alternatives, environmental management planning and monitoring, consultation, and disclosure (Box 1). Despite these gaps, and despite capacity issues, the mainstreaming of the EIA process in Sri Lanka has clearly lifted standards and served a useful

30 ADB’s Public Communication Policy (PCP) mandates the designation of a project focal point (PCP para. 47) and this could be the source of information for affected people. This SPS requirement overlaps with that of the PCP and is often a bone of contention with civil society organizations.
ADB Environmental Safeguards and Gaps at the Country Level

Purpose in the country’s development planning process. It has brought a degree of sustainability, transparency, and public participation to nationally important development initiatives.

48. ADB has made an important contribution to strengthening safeguard capacity development in a key sector agency, the RDA, which has benefited from TA over at least a decade and now has experience of a series of investment projects, giving it an incentive to mainstream safeguards into the institution and its processes. The recurrent costs for the RDA office covering safeguards, the ESSD, are now integrated into the RDA budget. Additional ADB support to RDA would continue the good implementation of SPS principles and could ultimately help the CSS to be used in ADB-supported RDA projects, if Sri Lanka would like to go that way.

49. Safeguard implementation capacity. Safeguard implementation capacity in Sri Lanka is limited by institutional, human, and financial resource constraints. Elements of the main constraints are discussed below.

50. PAAs have limited staffing capacity and suffer from institutional weakness, inadequate commitment, conflicts of interest, and over-reliance on the Central Environmental Authority. All these are major constraints on using environmental safeguards fully and effectively. At present, the Central Environmental Authority is the only project-approving agency with trained staff and resources dedicated exclusively to EIA support. For the most part, PAAs tend to lack an appreciation of the environmental requirements for project appraisal. Retaining technical capacity is a persistent problem.

51. This lack of staff capacity has resulted in a minimal application of safeguards in sectoral and development plans. Funding and staff resources for capacity strengthening for the application of safeguards have declined and the consequent lack of preparedness provides an incentive for the PAAs to increase their reliance upon an already burdened Central Environmental Authority. Training programs have been carried out over the years but in an inconsistent way and they are not targeted according to need. Budget limitations and the high costs of training have meant there has been little capacity development in PAAs and few opportunities for career advancement in environmental safeguards. Despite regulations stipulating that a PAA cannot act as a project proponent, conflicts of interest arise in some instances where a PAA plays the role of sector developer and safeguards regulator.
52. **These findings are consistent with a number of studies that point to the need to strengthen the quality of environmental assessments.** One of these studies cites as key factors the lack of funding, shortage of time, deficiencies in research, lack of data (and difficulties of access as there is no central repository of data where consultants can review datasets), absence of guidelines for EIA practitioners, and weak analysis and identification of impacts.\(^{31}\) Another concern is the lack of technically qualified and experienced EIA professionals. Further, pressures on regulatory agencies from project proponents to fast-track EIAs have resulted in poor quality reports being accepted rather than an insistence on maintaining required standards.

53. **PAAs are required to conduct scoping, yet interviews indicated it is not undertaken in all cases.** It is not clear whether scoping committees, chaired by the PAA, make reasonable attempts to include relevant stakeholders. Scoping itself is often informal and excludes the systematic collection of data on environmental sensitivities, including the concerns of affected people. Most terms of reference under scoping are similar to the generic terms of reference issued by the Central Environmental Authority and thus lack site specificity. Consequently, many EIA reports contain information that has limited relevance to the decision maker.

54. **Monitoring of impacts by government agencies is noted by all accounts to be the most inadequate phase in the EIA process of the case study projects.** The agreed measures between the PAA and project proponent to mitigate impacts of the project are rarely monitored, unless there is a complaint made by the public or media against the project. Although EMPs are not mentioned in the National Environmental Act, they are a statutory requirement. However, they often lack specific details and, in some cases, the EMP is not included in the EIA report. The result is that the Central Environmental Authority and PAAs are often unable to implement an effective monitoring plan.

55. **Sri Lanka has relatively advanced laws and institutions, but the readiness of agencies to apply environmental safeguards rigorously was limited in the case study projects.** Hence, nationally implemented projects are unable to mitigate environmental risks satisfactorily except perhaps in the case of the RDA. Consequently, supervision by ADB staff remains necessary for all ADB-funded projects and is an important part of the value addition ADB brings to Sri Lankan projects.

### B. Indonesia Case Study

56. **Country context.** Indonesia is the largest archipelago in the world and has the fourth largest population, estimated to be 254 million in 2014.\(^{32}\) It is also one of the world’s richest countries in terms of natural resources and biodiversity. But the country’s growing population and economy are placing increasing pressure on these resources and are threatening its environmental and economic sustainability and precious biodiversity. In 2009, forests covered about 60% of the land area, which supports rich biodiversity and provides a wide range of ecosystem services, including water supply, flood control, tourism, and livelihoods. However, from 1990 to 2008 forest cover decreased by 7.5%. This land conversion significantly degrades these services, especially on peatland, and is the biggest source of greenhouse gas emissions in Indonesia. In 2006 alone about 816,000 hectares of forest area in Central Kalimantan were released for palm oil development. The country is losing critical habitats.

57. **Indonesia’s extensive coastline harbors ecosystems with a very rich biodiversity, including coral reefs and mangrove forests.** Direct exploitation and riverine discharges of sediment and pollutants from industry and agriculture are degrading these ecosystems. Inland, the unsustainable exploitation of

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freshwater resources, including groundwater, has diminished water quality. Urban pollution also impacts on water resources and urban air pollution is a significant issue in major cities. Extreme natural hazards include earthquakes, volcanic eruptions, flooding, mudslides, and forest fires. Climate change is likely to be one of the most acute development challenges for Indonesia in the 21st century; natural hazards, extreme weather events, and water stress are being exacerbated by climate change, with consequent damage to agricultural production, forest degradation, and increasing health risks. Indonesia’s extensive coastline is also particularly vulnerable to sea level rise.

58. Since 2000, Indonesia has devolved many environment and natural resource management responsibilities to provincial, district, and local governments. However, deficits in local capacity pose a significant challenge for the enforcement of environmental legislation. In response, the government has committed itself to greener growth and ADB has supported Indonesia by dedicating one of the two strategic pillars of its country partnership strategy (CPS) for 2012–2014 (footnote 32) to environmental sustainability, including climate change mitigation and adaptation. 34

1. Environmental Safeguard Management through the Project Cycle

59. Indonesia project case studies. The evaluation reviewed ADB’s support to key government partners and its assistance in applying environmental safeguards across several projects. The four projects that were reviewed and their objectives, categorization, and main environmental concerns are presented in Table 3. The projects include one category A project, two category B projects, and one category financial intermediary (FI). Three of the projects were approved after ADB’s adoption of the 2009 SPS. The Indonesia Infrastructure Financing Facility Company Project was approved before the SPS. Unfortunately, site visits and interviews with the client of the Indonesia Infrastructure Financing Facility LMS Cikampek-Palimanan Toll Road Project in West Java were not granted as the operations department had just held a review mission and it was felt that an IED visit would have been too many ADB missions in the same period.

<table>
<thead>
<tr>
<th>Project</th>
<th>Objective</th>
<th>Initial Environment Category</th>
<th>Environmental Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia Infrastructure Financing Facility Company Project</td>
<td>The project aims to finance commercially viable infrastructure and to provide advice on structuring development to the government and private sector developers.</td>
<td>FI</td>
<td>As of 2014, there were seven projects in the portfolio: four category A and three category B. All are identified as potentially having adverse impacts on the environment to varying degrees.</td>
</tr>
<tr>
<td>Regional Roads Development Project</td>
<td>The project aims to upgrade or construct about 476 kilometers (km) of strategic and national roads and improve bridges in East Java, Central Java, East Kalimantan, and West Kalimantan provinces.</td>
<td>B</td>
<td>Anticipated impacts include disruption of water courses, dust generation, stockpiling and dumping of material, operation of asphalt and processing plants, landslides, quarry and borrow pit management, flooding, siting of box culverts, storage of explosives, and contingency for oil spills.</td>
</tr>
<tr>
<td>Java-Bali 500-Kilovolt Power Transmission Crossing</td>
<td>The project aims to develop 220 km of a 500 kV transmission line, including a 2.68 km line across the Bali Strait between Watudodol and</td>
<td>A</td>
<td>Major impacts anticipated concern sections of the line passing through Bali Barat and Baluran National Parks (which have international conservation significance). Impacts generated by</td>
</tr>
</tbody>
</table>

33 The government’s second National Medium-Term Development Plan, 2010–2014 envisions an Indonesia that is prosperous, democratic, and just, supported by a four-track strategy of pro-poor, pro-job, pro-growth, and pro-environment development.
34 The interim country partnership strategy (I-CPS), 2015 for Indonesia extends the validity of the CPS, 2012–2014 for 1 year. This will allow the next CPS, 2016–2019 to be aligned with the government’s 5-year National Medium-Term Development Plan, 2015–2019. The I-CPS 2015 focused on (i) infrastructure development, (ii) human development, and (iii) enabling economic policies. I-CPS 2015 highlights climate change but is silent on environmental sustainability.
35 The SPS does not currently apply to the Indonesia Infrastructure Financing Facility as it was approved before the SPS came into force. Therefore, the $40 million equity investment and $100 million sovereign loan were subject to ADB’s Involuntary Resettlement Policy (1995), Policy on Indigenous Peoples (1998), and Environment Policy (2002), as well as to the Operations Manual, F1, F2 and F3 of September 2006.
Real-Time Evaluation of ADB's Safeguard Implementation Experience Based on Selected Case Studies

<table>
<thead>
<tr>
<th>Project</th>
<th>Objective</th>
<th>Initial Environment Category</th>
<th>Environmental Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segara Rupek; 500/150 kV and 150/20 kV substations in Java and Bali</td>
<td>the rest of the line and the siting of substations are of less concern.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Sanitation Management Investment Project</td>
<td>The project consists of four subprojects (Jambi, Pekan Baru, Palembang and Makassar) covering wastewater treatment plants, sewers, and institutional strengthening.</td>
<td>B</td>
<td>An initial environmental examination screened each subproject for potential impacts and risks, and concluded that the proposed subprojects could be implemented in an acceptable manner generating only minor environmental impacts that could readily be mitigated.</td>
</tr>
</tbody>
</table>

FI = financial intermediary, km = kilometer, kV = kilovolt, IEE = initial environmental examination.


60. The team’s review concluded that the mitigation measures were commensurate with the identified impacts and risks, indicating good ADB value addition. However, more can be done. For example, there was a notable lapse in the monitoring and supervision of the Regional Roads Development Project. This project and the Metropolitan Sanitation Management Investment Project were both category B interventions as it was correctly anticipated that most impacts would be temporary in nature and would take place during the construction phase.

61. The Indonesia Infrastructure Financing Facility Company Project funds several subprojects ranging from a 180 megawatt hydropower project and a toll road (both category A) to air transportation infrastructure and a liquefied petroleum gas processing plant (both category B), all of which are consistent with the facility’s social and environmental management system. The Java–Bali 500-Kilovolt Power Transmission Crossing Project, for which the EMP is still being developed, was correctly classified as category A given that the alignment passed through two national parks and posed dangers to threatened species and their habitat.

62. Screening was conducted early in the project cycle for all selected projects and a due diligence process was followed. As part of this process, impacts and risks were identified. At appraisal, the Java–Bali 500-Kilovolt Power Transmission Crossing Project emphasized the need for the strict application of environmental safeguards. A comprehensive set of measures to mitigate and offset environmental impacts was developed to support biodiversity protection in two national parks. For the Regional Roads Development Project, a sector or regional impact assessment might have been considered in order to capture induced and cumulative impacts, and to allow a better assessment of institutional arrangements for supervision and monitoring, especially given the remote locations of some subprojects.

63. The concept report for the Regional Roads Development Project noted that there was a danger that illegal logging would be facilitated by the rehabilitated roads in Kalimantan. Illegal logging was not expected to increase as this was largely a road rehabilitation project and the new alignments were in an agricultural area. However, this does not change the IED assessment that the potential for illegal logging, due to improved access, is a reasonable concern which should have been more thoroughly assessed and/or monitored. Low-level risks were identified for the Metropolitan Sanitation Management Investment Project and its categorization as B was justified. Hydrological studies were conducted to examine the potential for flooding and cross-contamination of recipient water bodies.

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Footnote: There is a need for monitoring (given improved access) to check that the roads are not being used for illegal logging. That was the thrust of ADB’s environment specialist’s comment at the concept stage. The issue was raised during concept review, but not addressed in the IEE with respect to risk regarding mitigation measures and required monitoring. The monitoring protocol might have captured this wider concern.
Site location and designs were then selected on the basis of the findings, including avoidance of some gravesites.

64. **In the Java–Bali 500-Kilovolt Power Transmission Crossing Project**, the critical issues generated by transmission line towers and a main tower in the north west area of the Bali-Barat National Park are: potential impacts on threatened species and their habitats; activities in the wilderness zones; vegetation clearance in the right of way; and the ability of all parties to implement a habitat management plan and collaborative arrangements between the executing agency and the national parks to help offset permanent and cumulative impacts of the project. Implementation has not begun and it is appropriate that additional studies are being undertaken to assess potential impacts.

65. The Indonesia Infrastructure Financing Facility follows the International Finance Corporation’s performance standards. The facility conducts a gap analysis for each project with Indonesian environmental safeguards and produces a corrective action plan to address any perceived gaps through environmental and social due diligence. The environmental and social impact assessment undertaken for the Cikampek–Palimanan Toll Road Project in West Java covered the relevant issues in suitable depth along with an outline environmental and social management plan.

66. **In the Metropolitan Sanitation Management Investment Project**, water and downstream impacts were considered for each receiving body. However, potentially positive induced and cumulative impacts of the many subprojects could have been considered under an umbrella IEE or EIA which would have assessed the collective impacts of the project. A TA project addressed the need to improve public awareness of sanitation issues and to provide training in the operation of the sludge treatment of wastewater treatment plants. Capacity development TA supported the mitigation of hazardous waste contamination in urban areas. Options to treat and/or dispose of sludge were dropped and sludge remains a nation-wide issue.37

67. The use of an EIA for the Regional Roads Development Project might have led to a more thorough assessment of the institutional capacity to implement environmental safeguards, given that it was recognized that the Directorate General of Highway’s provincial agencies did not employ social and environmental staff to prepare and monitor safeguard issues of road projects.38 These agencies also possessed limited experience, resources, and equipment for environmental management and monitoring.39 Further, the ADB TA to support the implementation by the Directorate General of Highways did not lead to improved capacity and implementation and the TA completion report found that “delays resulted in the DGH staff not being available for training and so no capacity development occurred.” This highlights the complexities of developing capacity and the need for a more systemic and institutional approach.40

68. **Alternative alignments and siting alternatives were considered in all cases.** The Java–Bali 500-Kilovolt Power Transmission Crossing Project is still assessing the design and siting of the main tower in Bali. For the Regional Roads Development Project, alignments follow existing ROWs, except for a new road in Central Java, which follows an existing track and avoids villages and critical natural habitats.

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38 The issue was raised in the context of observations from the field that a cut and paste approach had been adopted. The poor conditions in Kalimantan were underappreciated and this led to problems. The assertion is based upon the IED team’s review of IEE/EA assessments of institutional capacity which found them to be very general (having drawn upon assessments from other allied projects), and lacking in acknowledgement of national and, more especially, local conditions of the implementing agencies’ experience and credentials.

39 The case for an A categorization could be argued, given the level of institutional risk (re effective implementation) along with the illegal logging issue.

40 On the basis of risk in institutional capacity (with weak, remote logging, and challenging landscape), caution might have suggested for an A category.

Hydrological and cultural issues led to the selection of alternatives under the Metropolitan Sanitation Management Investment Project. Consideration of environmentally feasible alternatives was in evidence in the Indonesia Infrastructure Financing Facility assessment.

69. The implementation of EMPs would have benefited, as in Sri Lanka, from more specific environmental performance indicators to guide monitoring activities and determine progress in attaining compliance. This is the case, even when EMPs for all projects provided adequate standard mitigation measures.

70. The EMP for the Regional Roads Development Project was particularly problematic. Environmental safeguard provisions were included in general specifications for the project and in an appendix on environmental management and monitoring. However, in the latter case it was left to the engineer to “define monitoring activities, environment issues and activity carried out to rectify environment issue.” This ambiguity contributed to the lapses in safeguard performance reported during project implementation and is discussed below.

71. More attention from ADB to the supervision of environmental safeguards during project implementation would have provided added value, particularly for the Regional Roads Development Project.

72. Implementation issues. Although implementation of the Java–Bali 500-Kilovolt Power Transmission Crossing Project has yet to begin and procurement is not yet completed, the IED team has concerns about the constant exceptional demands to be placed on the executing agency and national parks staff, as well as uncertainty about their commitment to carry out the numerous and complex mitigation measures related to the critical habitat or legally protected area. A portion of the release area of the Bali starling (a rare and endangered species) may be taken by the main tower support structure. ADB is to undertake external monitoring, but it is not clear how this will be executed.

73. Safeguard monitoring and reporting under the Metropolitan Sanitation Management Investment Project will be done by the central project management unit, with assistance from the national environmental advisor. However, environmental performance indicators rely mostly on visual indicators and reviews of contractors’ records. In addition to measuring water quality and noise levels, the downstream biota recovery could be also monitored along with control of health risks.

74. The weak quality of government supervision and monitoring of the Regional Roads Development Project is a concern, and reduces the value added of safeguards. The EMP’s inadequate incorporation of local conditions contributed to safeguard lapses during project implementation. Environment and health and safety specialists were deployed in the sites visited by the evaluation team, but they were behind schedule and seemed unprepared to apply environmental safeguards. The use of ADB environmental specialists was limited and this has contributed to significant lapses in environmental management, such as securing appropriate protection of stream flows, adequate dust suppression, control of tar and/or oil spills at asphalt plants, and safety of pedestrians, road workers, and processing site employees.

75. The evaluation team noted one instance of weak management practices that led to a lapse in compliance. This concerned the asphalt plant operations at several sites where excess oil and tar waste

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42 At the time of the project appraisal, there had not been any records of the Bali Starling in the project area, though there were release sites in the area. ADB and the EA is about to commence additional studies to assess the risks and identify appropriate measures and options to avoid or minimize impacts on this and other endangered species. The identified weaknesses of the Executing Agency and National Park management are being subjected to further study.
was left to gather near the facility, without an attempt to collect it or treat it via a collecting pond and/or separator (Figure 11).

76. At one site, oil and tar gathered in pools beneath the gravel mixing equipment and drained to a ditch adjoining a palm oil plantation (Figure 12). In addition, oil drums leaked directly to the soil and rubbish was not collected systematically. These observed spills from bitumen plants, hydrocarbon contamination, and poor solid waste management were clearly anticipated in the EMP, which proposed appropriate mitigation measures (Table 20 of the IEE). However, these measures were not implemented. Contractors had been informed by health and safety consultants that environmental management requirements were not complied with, but they did not take action. During the onsite visit, the mission was assured that appropriate actions would be taken with design and implementation of control measures, particularly concerning the containment and management of waste oil and tar draining from the gravel mixing plant. The IED team reviewed the design options to manage the oil and/or tar waste and the Indonesia resident mission later sent a letter requesting immediate rectification. Thus, at this juncture, the processes to respond and correct issues worked as intended. The lesson is the need for regular monitoring and sufficient level of ADB and executing agency supervision to ensure the EMP’s mitigation measures are in compliance.

77. In some instances, borrow pits and quarrying sites were being poorly managed with consequences to extensive erosion and siltation of streams. Again, closer monitoring by the project would have clear environmental value addition.
78. The Indonesia Infrastructure Financing Facility did much better and safeguards here added significant environmental value. The facility conducts semi-annual reviews for category A projects and annual reviews for category B projects to monitor progress, especially for greenfield projects. Annual social and environmental performance reports produced by the facility for 2012, 2013 and 2014 for all projects reviewed were in compliance with its social and environmental principles although some issues (e.g., a leak from an irrigation channel, major dust during the dry season, hazardous waste dumped in the open, weak road safety) were raised by the facility through the supervision activity, particularly for the Cikampek–Palimanan Toll Road Project. Staff of ADB’s Private Sector Operations Department visited operational sites along the toll road for the first time in February 2016, six months after the commercial operation date, and concluded that health and safety performance needs improvement, especially with regard to adherence to speed limits and driving protocols.

2. Potential for the Use of the Indonesia Country System in ADB Projects

79. This evaluation commissioned its own legal assessment of the potential for the use of environmental CSS in ADB-supported projects, comparing Indonesia’s legal and regulatory system with the SPS policy principles (page 16), as is required. It concludes that Indonesia’s CSS has a large measure of equivalence with the SPS policy principles, although it also finds there are significant ambiguities in Indonesia’s laws, regulations and guidelines that need to be investigated further and resolved: (i) the term “local surroundings” versus the more encompassing “area of influence” in the SPS, (ii) the term “consultation” which in Indonesia is undertaken through announcements and submissions, and in the SPS is connected with “meaningful consultation,” (iii) the term “cultural heritage” which in Indonesia needs to be declared, which is not necessary under the SPS, (iv) the Indonesian environmental impact assessment, analisis mengenai dampak lingkungan (AMDAL) requires an assessment of the impacts of the project on indigenous peoples but not on other vulnerable groups, as is required for the SPS, and (v) the submission of the EIA for mining exploration activities is not clearly defined.

3. Comparing Indonesia’s CSS with the SPS

80. Environmental safeguard legislation, regulations and guidelines. The evaluation team assessed whether there are gaps between the CSS and the current SPS as a whole (i.e., beyond the policy principles) that would inhibit the complete achievement of the SPS in ADB supported projects. Such gaps (and ambiguities) need to be routinely considered when conducting environmental assessments and formulating environmental management plans for projects not implemented using CSS but using the SPS. The evaluation team’s assessment overlaps with that of the legal team’s assessment for the use of CSS (previous paragraph), and is set out in Box 2.

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43 One of the Indonesia Infrastructure Financing Facility subprojects was the financing of the 117-km Cikampek–Palimanan Toll Road Project in West Java. Prior to ADB’s participation, a full international standard environmental and social impact assessment was undertaken. This was in addition to a government assessment produced earlier. The facility hired an international consulting firm to undertake its social and environmental due diligence, which produced a corrective action plan that became a loan covenant.
81. **Environmental safeguard implementation capacity.** The safeguards applied to the selected case studies generally complied with the ADB safeguard policy and there was considerable procedural compliance. However, the IED team found a number of concerns mostly to do with capacity, implementation, and monitoring. In particular, capacity among the agencies varied notably and remote regions seemed much less equipped to apply safeguards well.

82. **The IED case studies and its assessment of TA looked at transport (highways) and energy projects.** The transport project showed that the provincial highways agency was insufficiently resourced. It lacked experienced and specialized staff as well as the resources to supervise and monitor safeguards, shortcomings were manifest in the management of asphalt sites described above.

83. **In the context of the Java–Bali 500-Kilovolt Power Transmission Crossing Project, this evaluation reviewed the capacity of the unit responsible for this in the PLN, the National Electricity Company.** It found that staff in the project unit were junior and had limited relevant safeguard experience (they mostly had chemical and electrical engineering degrees) in the area of endangered species. The absence of experienced staff is problematic given that the transmission line passes through the Bali-Barat and Baluran National Parks and that the footprint of the main tower is located in the northwest corner of Bali-Barat.

84. **The treatment of induced and cumulative impacts was a key area where project proponents had difficulty following national requirements and seeking international finance.** The cumulative and induced impacts are typically only considered in sectoral, regional and strategic EIAs. Many of the projects that may have significant cumulative and/or induced impacts do not undertake these assessments. Interviews suggested that the quickening pace of project preparation, funding constraints and a lack of appreciation of the value of the tools mitigated against their adoption. In practice, the government needs to provide guidance or emphasis on potential vulnerability or harm which can be detected through the assessment of cumulative impacts.
85. If ADB does use the CSS for projects in some agencies in Indonesia in the future, the gap filling action plan should require that the implementation agencies set aside further human and financial resources to improve their implementation capacity, and consider actions to resolve the equivalence and acceptability gaps. ADB’s participation will also require substantial additional investment through projects and TA, as is already envisaged by the SPS provisions on use of CSS.

C. Kyrgyz Republic Case Study

86. Country context. Of the three case study countries, the Kyrgyz Republic has the lowest income per capita. It is landlocked by the PRC, Kazakhstan, Tajikistan, and Uzbekistan and mostly consists of mountainous terrain with about 90% of the area above 1,500 meters. The mountain ecosystems have unique biodiversity and are highly vulnerable as a result of the harsh environment and lack of environmental resource management. As a result of the topography, sparsely populated settlements are concentrated in the foothills, plains and valleys. While the Kyrgyz Republic did not have the large-scale industrial and cotton production that has caused environmental problems for other Central Asian countries, it faces concerns about the use and quality of water, agricultural practices, and increasing pressures on forest and other resources.

87. The Kyrgyz Republic is a transitional economy, which has struggled with dwindling economic activity, a weakening of traditional trade relations, disintegration of institutions, and deterioration of infrastructure. Its economic performance over the last decade has been volatile, reflecting external shocks as well as domestic turmoil.

88. Social and economic disruption, coupled with weak governance, has resulted in limited institutional capacity for implementing environmental safeguards. Much of the legislation establishes a framework, requiring the procedures and mechanisms for their enforcement to be specified by by-laws, the contents of which often contradict other legal norms. Following a government reorganization, the Ministry of Environment was downgraded to a state agency, which affects its capacity and authority.

1. Environmental Safeguards Management through the Project Cycle

89. Case studies. The evaluation reviewed ADB’s support to key government partners and assistance in the application of environmental safeguards in four projects in the Kyrgyz Republic (Table 4). The projects involve road rehabilitation and water supply. Two are category A and two are category B. The TA provided in several instances was also evaluated in terms of its support for the application of ADB’s safeguard policies.

<table>
<thead>
<tr>
<th>Project</th>
<th>Objective</th>
<th>Initial Category</th>
<th>Environmental Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAREC Transport Corridor I (Bishkek–Torugart Road)</td>
<td>Improve a 39-km road stretch (within Char Pass–Ak Beikt Pass section), including earthworks, pavement and drainage works, and reconstruction of one bridge</td>
<td>B</td>
<td>The project was not expected to generate significant environmental impacts, provided the mitigation measures outlined in the IEE and EMP were implemented. The IEE criteria concerning soil and permafrost were observed.</td>
</tr>
<tr>
<td>Issyk-Kul Sustainable Development Project</td>
<td>Improve urban basic service delivery (sewageage, sanitation, solid waste management, and water supply) in three cities: Balykchy, Cholpon-Ata, and Karakol</td>
<td>A</td>
<td>The project was classified as environmental category A as its subcomponents are located in the Issyk-Kul Biosphere Reserve, which includes several protected wetlands registered under the Ramsar Convention. The wastewater treatment plant and landfill components were dropped.</td>
</tr>
<tr>
<td>CAREC Corridor 1 (Biskek-Torugart Road) - Project 3</td>
<td>Repair, rehabilitate, or reconstruct 60 km of two-lane Bishkek–Torugart road (km 479–km 539)</td>
<td>A</td>
<td>The A classification for the environment is because about 35 km of road passes through the Karatal–Japaryk State Nature Reserve and is close to Chatyr Kul Lake, a Ramsar-protected wetland area. It introduced innovative ways to control spillage of hazardous materials and prevent their entry into the lake.</td>
</tr>
</tbody>
</table>
Overall, the expected environmental impacts were commensurate with the identified risks, which were sometimes modest and sometimes significant. The two category B road projects anticipated that most impacts would be temporary and would occur during the construction phase. Appropriate mitigation measures were detailed to control or reduce significant environmental impacts. The two category A projects, implemented in or around sensitive ecological areas, presented challenges and offered insights into the added value of safeguard application and enforcement. This section largely focuses on these two category A projects.

Environmental concerns were by and large appropriately identified during project preparation. In the Issyk-Kul Sustainable Development Project and CAREC Corridor 1 (Bishkek—Torugart Road), Project 3, screening was conducted early in project preparation and due diligence was applied to identify potential impacts and risks. The significance of potential impacts and risks was recognized, given the proximity of the projects’ activities to sensitive alpine lakes and wetlands with international conservation value and concerns about institutional functioning and capacity. Consequently, both projects were assigned category A.

The project document for the Bishkek—Torugart Road, Project 1 presented an EIRR for the rehabilitation of the entire road length as part of its rationale although the environmental assessment was limited to the Project 1 segment. While it would have been more expensive, an integrated environmental assessment for the entire length of the road at that early stage would have been preferable.

Risks and impacts were highlighted at the concept stage for the Issyk-Kul Sustainable Development Project. Project sites involving improvements to the water supply are located in the main urban centers of Karakol, Cholpon-Ata, and Balykchy close to Issyk-Kul Lake. The lake supports rare and endemic species and large flocks of migratory birds and was designated a United Nations Educational, Scientific and Cultural Organization (UNESCO) Biosphere Reserve in 2001. It also contains many wetlands designated as sites under the Convention on Wetlands of International Importance. As late as the 1980s, it supported a large fishery. The area has become a major tourist attraction and the industry employs many people.

A report by UNESCO on the Issyk-Kul Biosphere Reserve in 2012 states that a reduction in environmental management and monitoring capacity has greatly undermined conservation efforts (footnote 11). Riverine forests and shrubs and lakeside swamps, which are natural mechanisms for maintaining high water quality in the lake, have been largely erased, neighboring pastures have been overgrazed, and industrial and domestic wastes have polluted surface and ground waters. The UNESCO report suggests pragmatic technical and institutional measures to boost the recovery of the reserve’s ecological integrity, including tailored technologies for wastewater treatment, monitoring tasks, time-bound studies, and targeted research and education.
95. Risks identified included the commitment and ability of government staff to implement environmental management measures and the required monitoring plan. Because of the unique nature of the lake and its watershed and status as a biosphere reserve, the project would have provided a good case for a strategic environmental assessment; however, for various reasons this was not undertaken (Box 3).

96. The other category A project, CAREC Corridor 1 (Bishkek–Torugart), Project 3, reflected the passage of a 35-kilometer road through the Karatal-Japaryk State Nature Reserve, skirting the western and southern sides of Chatyr Kul Lake, a Ramsar-protected wetland area. This is one of the few habitats of the Pamir brown-headed gull, a breeding area for the bar-headed goose, and nine species of ducks, especially the ruddy shelduck (representing about 49% of the global population). The lake also possesses rare plankton and amphibians and has long been a subject of study by renowned limnologists and ornithologists. Through the EIA process and an assessment of potential impacts upon critical habitats required by the 2009 SPS, ADB environment specialists recognized that the main risk posed by the project was the possibility of hazardous materials spills entering Chatyr-Kul Lake, and those exceptional preventive measures had to be taken during implementation and continued during operation of the project.

**Box 3: The Potential of Strategic Environmental Assessments**

Although the Issyk-Kul Sustainable Development Project was driven in part by the need to protect unique and threatened habitats in and around Issyk-Kul Lake, an opportunity was missed to fully justify its claim to sustainable development or to apply a more systemic means of protecting the unique attributes of Issyk-Kul Lake and its watershed. It is understood that the Global Environment Facility resources were sought to enhance the biodiversity conservation of the biosphere reserve but, at the time, allocations for the Kyrgyz Republic had been drawn down. However, the project could have adopted a parallel environmental protection plan to assess development pressures, determine required mitigation and other protective measures, and define environmentally sustainable investment options for the future, as can be done with a strategic environmental assessment (SEA). An important aspect of the SEA is that it includes an assessment of induced and cumulative impacts and an assessment of alternatives, which would be important around Issyk-Kul Lake. The legal instruments of the government and the ADB Safeguard Policy Statement both support the use of SEAs and it is instructive that the country development strategy (2009–2011) emphasized environmental sustainability and the project (with its focus on protecting the lake), features as part of the strategy’s investment for the Issyk–Kul region. In February 2009, the “Concept of Sustainable Development of the Ecological and Economic System of Issyk–Kul” was passed by presidential decree.

SEA = strategic environmental assessment.
Note: The wastewater component was dropped as cofinancing evaporated and absence of government interest led ADB to drop the component.

97. In both projects, being classified category A helped reduce environmental risks a lot. It helped step up the extent and duration of environmental assessment, secure additional studies commensurate with impacts and risks, earmark resources for regular supervision by ADB, and provide support for qualified environment specialists to advise the project management units, and other project staff. In the case of the Issyk-Kul Sustainable Development Project, the EIA noted that the enforcement of environmental regulations was negligent and that the water quality and wildlife and fragile habitats at the lake were under severe threat. Project preparatory TA provided support for an EIA of all subcomponents. The assignment of category A to the CAREC road helped increase the extent and intensity of safeguard studies and the definition of unique defensive measures to protect a highly vulnerable conservation area. In effect, an adaptive management approach was developed that helped gain ownership of safeguards—a major lesson.

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44 Ramsar Treaty is a UN convention to protect wetlands.
98. **Environmental management plans.** The EMP for the CAREC Corridor 1 (Bishkek–Torugart) Project 3 included detailed mitigation measures at the design, construction, and operation stages, including specific institutional responsibilities, pollutant source control and monitoring, and receptor protection. The EMP consisted of a construction monitoring plan and an ecological response plan and they were monitored separately. The former dealt with construction-related activities, while the latter concerned the monitoring of the natural habitats in Chatyr-Kul under the jurisdiction of Karatal-Japyryk State National Reserve. Environmental performance indicators on the adequacy of mitigation measures to protect precious soil, fauna, and flora were well prepared and should prove critical in providing suitably-scaled environmental management reports in the future, e.g., signs of eutrophication, a reduction in abundance of indicator species, and population dynamics of selected mammal species.\(^{45}\)

99. **Project implementation and supervision.** For the CAREC Corridor 1 (Bishkek–Torugart), Project 3, the experiences with supervision and monitoring were mixed. An ADB environment specialist conducted supervision regularly, and provided informative accounts of progress in implementing environmental safeguards provisions. Earlier environmental monitoring reports provided by the executing agency gave a compelling account of progress in the implementation of mitigation measures. Lapses were noted, and time-bound action plans were identified concerning camp and construction site management, safety, dust suppression and spill containment, topsoil reuse, and recording of interactions on environment issues with the public. On occasion, the *satisfactory* rating was at variance with explanatory text that identified problems with environmental management, (e.g., camp housekeeping, health, and safety). A *less than satisfactory* rating might have been more appropriate. A more nuanced assessment, including a “traffic light rating” (red, amber and green), of safeguard implementation is contained in a departmental internal document. The project also conducted parallel monitoring for bird habitats through field surveys.

100. **Overall, there was significant added value in ADB’s involvement in the process and the hands-on role of the environmental specialist.** Environmental performance picked up following project delays in recruiting qualified environmental specialists, although some contractors performed poorly in implementing safeguard requirements and concerted actions had to be taken to address oversights. The December 2015 environmental monitoring report recorded inefficiencies in the collection and removal of waste from some construction camps.

101. **With respect to environmental support from ADB, the annual country safeguard review in the Kyrgyz Republic adds value to both ADB and the Borrower.** It allows for all the projects to be examined, share lessons and address systemic concerns. The review also complements regional TA for capacity development.\(^{46}\) This type of annual environmental country review was not undertaken in Sri Lanka and Indonesia. Regarding the grievance redress mechanism (GRM) process, the ADB Central and West Asia Department is the most active regional department, with a project complaint tracking system for the department. While ADB does not have its own environmental safeguard specialist at the resident mission, it began a regional TA project in 2014 (footnote 46) that provides a consultant and other capacity building activities to fill this role, with the intention that this work would prove so useful that a regular staff member would eventually be assigned.

102. **In the Issyk-Kul Sustainable Development Project, little progress was made on the solid waste management component as the main activity of providing new landfills was dropped.** Of the existing landfill sites visited, none were sanitary landfills and safeguard implementation was lax. There is a lack

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\(^{45}\) Under the Issyk-Kul Sustainable Development Project, mitigation measures were outlined in the environmental assessment report and further detailed in engineering designs along with EMPs and environmental monitoring reports for the sewage treatment plants, sanitary landfills, and transfer stations, and water and sewerage systems. Although the sewage treatment plant and landfill components were dropped, the EMP was revised and expanded during project implementation in 2012 to produce the project environmental management and monitoring plan. Several supplementary EMPs were undertaken for site-specific activities.

\(^{46}\) ADB. 2010. *Improving the Implementation of Environmental Safeguards in Central and West Asia.* Manila (TA 7548-REG).
of fences, compaction is poorly done, and vermin are free to roam the sites and surrounding areas. Clearly, this should be a priority for the government. The wastewater treatment plant component was dropped but is understood it will be included in phase two of the project.

103. The category B CAREC Transport Corridor I (Bishkek–Torugart Road) Project has been completed and the evaluation team observed that the road is quite well maintained and that the filled-in borrow pits are slowly regenerating, despite the harsh environment and vulnerability to erosion. One concern was the cracks in the road from the freezing and thawing of the soil under the road. To address this, additional drainage has been added to both sides of the road.

104. The CAREC Corridor 1 (Bishkek–Torugart), Project 3, a category A project, is required to have an independent external expert verify monitoring reports. The replacement of the initial external expert proved useful for promoting environmental safeguards. However, both the original expert and the replacement were not independent as they were assigned under the project and worked more as advisors to the ministry. Nevertheless, the second expert, the contractor and the project’s environmental consultant have worked well together to find practical solutions to the challenges faced. This partnership highlights the value of the external monitoring, and may ultimately have benefits for capacity development in the country system, as the value of the advisor’s work may be institutionalized.

105. Implementation of the Issyk-Kul Sustainable Development Project has been slow, making it difficult to assess outcomes. The environmental condition of the area has not improved and faces mounting pressures. Continued development has increased the challenges around waste water management, garbage disposal, and overall environmental protection. The project’s sustainable development objectives were not attained but phase 2 of the project will fund the rehabilitation of one or more of the major sewage plants. ADB can add value by helping the government assess development pressures on the lake and its watershed, determine required mitigation and other protective measures, and define investment options through a strategic environmental assessment.

106. ADB’s safeguard work in the two projects has added value. ADB’s environmental role will be further boosted by studies on the future of the Issyk-Kul Lake and the introduction of sustainable development within its watershed, e.g., wastewater treatment plant discharge can be linked to lake water quality assessment on regular basis.

2. Country Environmental Safeguard System

107. This review focuses on the Kyrgyz Republic’s EIA system as this embraces environmental safeguards. EIAs were first introduced in the Law on Environment No. 53, 1991 and subsequently amended several times, most recently through the Guidelines for the Assessment of Planned Activities on the EIA, 1997, mandated under the Law of Environmental Protection, Resolution of Issues of the Ministry of Environment, 1997 and registered with the Ministry of Justice and the Law on Environmental Protection (last amended on 4 May 2015).

108. The State Agency for Environmental Protection and Forestry (SAEPF) is responsible for the establishment and implementation of environmental policy in the Kyrgyz Republic along with regulation and coordination, expertise, and the issuance of licenses and permits. A new state organ was established in January 2012, the State Inspection on Ecological and Technical Safety. This incorporates the inspection and oversight functions of some state bodies and their agencies, the most important of them being environmental control and oversight of SAEPF.

109. Through its involvement in successive projects of ADB and other agencies, the government has gradually become more aware of environmental safeguards, but national environmental law still suffers from poor execution because of confusing interpretations and lax by-laws, resulting in major violations without due accountability. Budget constraints have reduced environmental oversight, monitoring, and scientific capability, especially for the protection of biodiversity.

110. Environmental safeguard legislation and regulations. Environmental safeguards are largely encompassed by the EIA process, which has served a useful purpose in the country’s development planning process. As in Indonesia and Sri Lanka, it has been able to bring an element of sustainability, transparency, and public participation to nationally important development initiatives. Environmental assessments, examination of alternatives, health and safety for workers, and physical cultural resources are fully comparable with ADB’s policy. The evaluation judged that the gaps that remain between the Kyrgyz Republic CSS and ADB’s SPS are primarily in EMP implementation and monitoring, critical habitats, and pollution prevention and control (Box 4).

111. Environmental safeguard implementation capacity. At the end of the 1990s, the Ministry of Environment was downgraded to a state agency and there followed a period when state committees were also weakened and various other state agencies now have overlapping authority. Capable professionals and experts have not been retained. Environmental conditions in sensitive locations have deteriorated and development has been insufficiently controlled. The State Agency for Environmental Protection and Forestry enjoys a slightly higher status than the State Inspection for Ecological and Technical Security but constrained budgets and high staff turnover have weakened both agencies.

112. There are important gaps in the design and operation of the Kyrgyz Republic’s environmental compliance system, when this is compared to ADB’s policy. An organizational restructuring of SAEPF was undertaken without a vision of how priority objectives would be met, a limited understanding of safeguard compliance issues, and impractical regulatory requirements. Instruments for compliance are outmoded, operational budgets are small, and no resources are allocated for monitoring and laboratory analyses. For the CSS to be applied in ADB-backed projects, the regulatory framework and institutional capacity to enforce environmental safeguards would need to improve.

113. Considerable parts of the legislation still subscribe to approaches based on a centralized command-administrative approach to the economy and public activities. Laws do not take account of the new conditions that accompany the transition to a market economy or to the requirements of international standards covering natural resources and environmental management.

114. The Ministry of Transport and Communication offers a good example. It has one qualified environmental specialist funded by and working for the CAREC Corridor 1 (Bishkek–Torugart) Project 3. While good practices have been introduced within this project, they are not mainstreamed within the ministry or in other projects. A different segment of the same road, financed by another international financial institution was under rehabilitation during the time of the mission and the evaluation team witnessed many practices that did not comply with ADB safeguards. These included poor sloping and drainage, poor borrow pit management, and a stream flow threatened by dumped soil and rocks, and spoil invading agricultural land (Figure 13). The ministry recognized these issues, but lacked the authority, capacity, and resources to improve its management of the road rehabilitation.

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115. As part of ADB’s TA, ADB and the government have carried out a country assessment of environmental safeguard capacity and developed an action plan to fill gaps and strengthen the legal and regulatory frameworks, and the processes and capacities of the key government partners.  

Box 4: Gaps in Kyrgyz Republic Environmental Safeguard Laws, Regulations and Guidelines When Compared with the ADB Safeguard Policy Statement

1. **Screening and/or scoping.** The regulation on the procedure of environmental impact assessment (EIA) in Kyrgyz Republic 2015 sets national screening and categorization procedures for three categories of projects, which are similar to ADB’s. When categorization under the ADB and national system differs, the more stringent categorization will be applied.

2. **Environmental assessment.** There is no specific provision in the Kyrgyz regulations for assessing gender impacts.

3. **Environmental management.** Application of the EIA under the guidelines requires documentation of the standard elements of the EIA. Environmental management plans (EMPs) are required but no details are provided on EMP content or format.

4. **Consultation.** Legislation requires public consultation and participation but it does not mention affected people or ensuring the participation of women or NGOs. There is no explicit mention of timing and accessibility of notification of location of the draft EIA and EMP.

5. **Disclosure.** While the regulations require environmental assessment documents to be disclosed they do not distinguish between draft and final documentation. There is no explicit requirement for establishment of project-specific grievance redress systems.

6. **Critical habitats.** There is no explicit definition of critical habitats (outside designated protected territories). There is explicit recognition of the need to mitigate any impacts to ensure no conversion of designated protected areas, but no explicit reference to benefit–cost assessment of environmental costs and enhancement of conservation values. Nor are there apparent legal restrictions on activities in natural habitats outside legally protected or otherwise designated areas or inclusion of a precautionary approach on the use, development, and management of renewable natural resources.

7. **Pollution prevention and control.** The Law on Environmental Protection recognizes the need for pollution prevention and control. However, there is no explicit reference to establishing standards for pollution prevention and control technologies and practices consistent with international good practices including efficiency practices.

ADB = Asian Development Bank, EIA = Environmental Impact Assessment, EMP = environmental management plan, NGO = nongovernment organization.


Figure 13: Photos of Construction of a Non-ADB Road Project Taken During the Mission to the Kyrgyz Republic

(a) Road spoil inundating agricultural grazing land.  
(b) Road spoil risks increasing sediment load turbidity of adjacent stream.

Source: Independent Evaluation at the Asian Development Bank. Photos taken during the field visit.

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D. Summary Findings and Lessons

116. The projects visited cut across sectors and covered the periods before and after adoption of the ADB SPS. While there are limitations in reviewing selected projects, there were a number of common findings and lessons that warrant attention. The case study approach has allowed for careful and detailed investigations of cases both at headquarter and in the field, providing a great deal of detail and evidence on the implementation of the SPS. There are lessons from individual interventions, for instance, the Sri Lanka Dry Zone Urban Water and Sanitation Project and the CAREC Corridor 1 Project 3 stand out for demonstrating the benefits of specific safeguard processes and outcomes. Similarly, the advances of the RDA in Sri Lanka show the potential that can be generated by building the capacity of specific agencies, gaining government commitment, and therefore enhancing the prospect for the use of CSS by ADB. More importantly, the case studies offer a number of collective lessons from different sectors, countries, and agencies.

117. The preparation of the safeguard measures in the projects investigated was generally adequate and beneficial but more opportunities for positive impacts were not taken up. Environmental impacts and risks were generally adequately identified. Category A projects in the sample provided greater benefits, particularly on complex issues: they required more rigorous assessments and inclusiveness, management was commensurate with potential impacts, and use was made of adaptive management, and the precautionary principle. All case study projects benefited from the application of ADB’s screening procedures.

118. Integrating the many IEEs of road subprojects in a sector or regional environmental assessment can help to realize wider benefits. There were several cases of minimal project preparation which resulted in generic assessments of institutional capacity and limited sustainability of benefits. The borrower sometimes set higher environmental objectives than ADB and ADB lost some opportunities to “do good” in maintaining a “doing no harm” approach. For example, RDA in Sri Lanka extended the remit of the IEEs or EIAs and EMPs to include the creation of waterholes for wildlife, improve drainage beyond mere remediation and social benefits such as improved entrances to schools, safety features, use of spoil for agricultural productivity and slope stabilization.

119. The cases investigated showed that where ADB supervision was regular there were considerable benefits during implementation. Where supervision was deficient there were problems, i.e., government implementation and monitoring of safeguard measures were often problematic. Reporting arrangements need to be improved and training strengthened. EMPs should pay more attention to site-specific conditions. The quality of the government (consultant) monitoring reports of EMP implementation varied and most were not sufficiently candid about the significance and rating of lapses in environmental management.

120. More specific environmental performance indicators would have improved reporting of the seriousness of issues and their resolution. Few sector agencies had the commitment, appreciation, or capacity to apply environmental safeguards fully, making ADB supervision necessary to avoid risks of noncompliance with the SPS, or, in the case of earlier projects, the safeguard policy before the SPS. Training and institutional strengthening were insufficiently analyzed, being largely one-offs and in some cases they had little lasting legacy. The value of ADB safeguards was demonstrated in the CAREC complex of roads, where another international financial institution funded a section whose construction activities revealed many practices that did not meet ADB’s safeguard requirements.

121. In all cases, agency budget constraints weakened the capacity of environmental oversight and monitoring, especially for conservation of critical biodiversity. Few sectoral agencies employed regular environment specialists or had the necessary commitment and capacity to apply environmental safeguards with the required rigor. The lack of government staff to apply environmental safeguards to SPS levels requires sustained engagement by ADB specialists. This places considerable pressure on
already over-taxed resident mission and headquarters staff. This is an area in which ADB could provide more support in terms of resources and capacity development, targeted at specific government staff, the consulting community, stakeholders, and nongovernment organizations (NGOs). Some more detailed suggestions for improved environmental planning and implementation are made in Linked Document 5 of the Appendix.
122. In Asia and the Pacific, rapid urbanization, greater demands for natural resources and natural calamities have increased the risks of population displacement, including for development projects. This chapter examines the application of ADB’s involuntary resettlement safeguards in selected projects and countries. It relies on the Safeguard Policy Statement’s 12 involuntary resettlement policy principles in its assessment: early screening; meaningful consultations; improved, or at least, restored livelihoods of displaced persons; assistance to both physically and economically displaced persons; improvement of the living standards of displaced poor and vulnerable groups; develop procedures under negotiated settlement; assistance to persons without titles or rights to land; resettlement plans; disclosure; involuntary resettlement as part of a development project; payment of compensation and other entitilements before possession; and monitoring and assessment of outcomes. The policy principles were clearly defined as doing more than giving compensation and “doing no harm;” they favor drawing people affected by ADB-financed projects into the developmental process with potential to improve their lives.

123. The chapter assesses how ADB’s involuntary resettlement safeguards add value in helping achieve the broader development goals of poverty and inequality reduction, while also paying attention to what needs to be done to implement the SPS fully. The research method in the three countries for eight of the 12 projects encompassed documents reviews; key person semi-structured interviews, including with affected people; and sample surveys among affected households and control groups in both Sri Lanka and Indonesia. Livelihood programs for the projects examined (if any) were studied in detail. As explained in chapter 1 involuntary resettlement safeguards are much more influenced by national laws and systems, therefore the analysis start with a discussion of the current CSS on involuntary resettlement at the beginning of each country case study, in particular the national legal framework. For Indonesia, there is an additional assessment of the equivalence and acceptability of the CSS compared with the SPS. The chapter concludes by drawing out implications and lessons for the future for both project and country perspectives.

A. Sri Lanka Case Study

1. Country Safeguard System for Involuntary Resettlement

124. Country context. Sri Lanka’s Northern Province reflects its post-conflict realities and contains many fragmented, traumatized refugee families, many of whom lack land title papers. Vavuniya, one of four sites for the Dry Zone Urban Water and Sanitation Project, was a dangerous border zone during the conflict, with most surrounding rural households abandoning farms and moving into the town for safety. The high rate of absentee landowners in the province presents particular problems, especially in Jaffna and surrounding areas. Land acquisition for infrastructure projects involves tracking down absentee land owners, many of whom cannot be found, as was seen in the Northern Road Connectivity Project. This post-conflict scenario has made involuntary resettlement safeguards implementation
difficult, especially for women, many of them now widows, who may lack formal title to agricultural land. The law provides for compensation to be paid into protected accounts for absentee landowners.

125. **ADB has a longstanding partnership with Sri Lanka on the strengthening of its CSS.** In 2001, Sri Lanka pioneered a landmark National Involuntary Resettlement Policy (NIRP), supported by an ADB TA project. Since then, the government has taken a number of steps to strengthen its involuntary resettlement safeguards. Parliament approved a National Compensation Policy in 2008 that required market appraisals and strengthened regulations under the Land Acquisition Act, 1950 in 2008 and 2013. The National Environmental Acts, 1980 and 1988 also address involuntary resettlement but do not require a formal sign-off on involuntary resettlement before project approval. ADB has supported the government through grant and loan financing to develop its involuntary resettlement policy and capacity in key areas such as road development.

126. **The NIRP is an influential document, because of its high-level approval by the cabinet and its careful delineation of international policy principles in the Sri Lankan context.** It is an applicable policy standard rather than a legal instrument that forms part of the formal equivalence assessment. Embodying the NIRP principles in law would boost the CSS significantly in Sri Lanka. ADB’s RETA work in Sri Lanka on the CSS provides an excellent resource for resettlement plans.

127. **Comparing the CSS with ADB’s SPS.** The various relevant acts cover permanent physical and economic impacts arising from land acquisition. The SPS also covers those impacts, whether permanent or temporary, arising from involuntary restrictions on land use or on access to legally designated parks. Nevertheless, the gaps between the two approaches are still significant in this evaluation’s view (Box 5), and special attention needs to be paid to them when preparing resettlement plans. Among ADB member countries, Sri Lanka’s policy on involuntary resettlement has often been cited as a national policy that is almost comparable to the SPS.

128. **Resettlement specialists have addressed some of the gaps so that resettlement plans are in line with the SPS requirements and at the same time reflect innovative approaches.** ADB supports government staff initiatives such as the Land Acquisition and Resettlement Commission (LARC) and the “super LARC”—Linked Document 6 (see Appendix), which bring statutory compensation up to replacement cost based on market appraisals for assets and consideration of lost income. Some important policy elements—consultation, negotiation, replacement cost, for example—are being implemented in selected projects through LARC.

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129. **In-country implementation capacity.** The divisional secretaries are responsible for land acquisition under the LAA, including arranging, where it is utilized, the LARC, which is added to statutory payments to bring compensation for land and structures up to replacement cost. LARC members include nominees of the surveyor general, the chief valuer, and an assistant secretary.\(^{56}\) Sri Lanka’s land acquisition process includes 55 steps that take considerable time to be completed. For one road project, the 18-month plan to acquire land, compensate affected people, and clear the land prior to construction work was considered very ambitious, and the delay was said to create dissatisfaction and mistrust among affected people.\(^{57}\) The full urgency power would allow affected people to be displaced at a few days’ notice without consultation, compensation, or the opportunity to appeal.

130. **The slow pace of land acquisition in Sri Lanka is due to many factors: the absence of mandatory timelines on major steps in the Land Acquisition Act, the lack of computerized record keeping at key points such as the Valuation Office and the Ministry of Lands, logistical challenges at the level of divisional secretaries, and a lack of familiarity of officers in certain parts of the country with the process. This was particularly the case in the Northern Province in the Northern Road Connectivity Project (NRCP)\(^{56}\) Sri Lanka’s land acquisition process includes 55 steps that take considerable time to be completed. For one road project, the 18-month plan to acquire land, compensate affected people, and clear the land prior to construction work was considered very ambitious, and the delay was said to create dissatisfaction and mistrust among affected people.\(^{57}\) Given the need to meet construction schedules, project proponents can opt to request “urgency” possession under section 38A of the Land Acquisition Act. The full urgency power would allow affected people to be displaced at a few days’ notice without consultation, compensation, or the opportunity to appeal.

Box 5: Gaps in Sri Lanka’s Involuntary Resettlement Legislation, Regulations and Guidelines, When Compared with the ADB Safeguard Policy Statement

1. **Scope and triggers.** The Land Acquisition Act covers permanent physical and economic impacts arising from land acquisition but not involuntary restrictions on land use or access to legally designated parks and protected areas, whether permanent or temporary.

2. **Avoiding and minimizing resettlement.** There is no legal requirement to do this under the Land Acquisition Act (LAA) 1950 or the regulations of 2008 and 2013 under the act (LAA RR).

3. **Meaningful consultations, grievance redress mechanism, consultations and benefits to hosts.** The National Environmental Act (NEA) of 1980 and its regulations (NEA RR) and LAA RR require that affected people be consulted and informed, but this is less than SPS’s requirement for “meaningful consultation” and the establishment of a grievance redress mechanism. Host consultation and benefits are not addressed. The LARC and Super LARC process provides negotiating opportunities for people affected, but does not apply to all projects.

4. **Entitlements.** These are not required in the LAA RR or NEA RR for all projects. For relocated persons, such entitlements include secured tenure to relocation land, better housing at resettlement sites with comparable access to employment and production opportunities. More generally, relocated persons are entitled to transitional support and development assistance, such as land development and credit facilities. The 2013 regulation provides for some of these entitlements for 18 selected projects.

5. **Standard of living.** The requirement to improve the standard of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards by providing legal and affordable access to land in rural areas and in urban areas, appropriate income sources, and legal and affordable access to housing is not directly addressed, although 2013 regulation provides, for selected projects, payment for loss of livelihood or wages; allowance for the vulnerable; and shifting allowance, among others.

6. **Negotiated Settlement.** This is not addressed.

7. **Assist and compensate those affected without recognizable legal rights to land.** It is possible that those without legal rights to land may be eligible for compensation under the LAA 2008 regulation if they are affected by disturbances or are victims of “injurious affection” arising from land acquisition. The 2013 regulation also provides compensation for “injurious affection” caused by acquisition of land but only for selected projects.

8. **Disclose resettlement plans, monitoring and evaluation reports.** These are not addressed, but notifications are required.

9. **Compensate before physical or economic displacement.** LAA RR requires this but “urgency” provisions can prevail, as per LAA Section 38A which does not require compensation before possession.

10. **Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons.** This is not fully addressed.


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\(^{56}\) The affected person could, if not satisfied with the LARC, request a Super LARC hearing. See Linked Document 6 for details; Government of Sri Lanka. 2013. Regulation of the Ministry of Land and Land Development under Section 63(2) of the Land Acquisition Act (1950). Colombo.

and the Dry Zone Urban Water and Sanitation Project (as discussed below). ADB’s long-term efforts to build capacity in the road sector over time have been productive in strengthening the RDA Environment and Social Development Division (which employs about 25 safeguard staff). However, ADB has not addressed similar issues in related departments which are also essential to acquiring the land for civil works. A TA\textsuperscript{58} to the Environment and Social Development Division of RDA was jointly approved with the National Highway Sector Project. It helped develop a management and information system covering both environmental and involuntary resettlement safeguards. The TA was completed in December 2009, during the early stage of the project implementation.

131. The road and urban project cases studied all kept good records of compensation paid to affected people, including poverty grants, as well as records of information given to affected people and complaints made to the GRMs and their outcomes. For two projects, the external monitoring and evaluation specialists provided valuable additional information to improve delivery, including problems delivering on entitlements, mainly in terms of their adequacy and timing.\textsuperscript{59} There was much less information on the involuntary resettlement outcomes of enhanced, or at least restored, livelihoods and the impacts on the living standard of the poor and vulnerable, as required under the SPS. Table 5 lists the issues relating to involuntary resettlement safeguards faced by each project.

<table>
<thead>
<tr>
<th>Project</th>
<th>Resettlement Planning Basis</th>
<th>Safeguard Category</th>
<th>Involuntary Resettlement Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Highway Sector Project (NHSP) and NHSP Additional Financing (NHSP-AF)</td>
<td>Initial approval in 2005 under Involuntary Resettlement Policy, 1995 requirements for resettlement frameworks and sample resettlement plans that applied to sector loans. The road section packages were selected and prepared after approval, and resettlement plans for three road sections were prepared mostly to SPS standard. All NHSP-AF sub-projects were prepared to SPS standards.</td>
<td>A</td>
<td>Use of LARC and Super LARC provided affected people with an opportunity for negotiation on compensation. The “urgency” clause under section 38A of the Land Acquisition Act was used because of slow progress in land acquisition along roadside edges. There were more than 20,000 affected people in NHSP and NHSP-AF in 4,500 affected households, approximately 23% of whom were listed as vulnerable. The evaluation team carried out semi-structured interviews on several NHSP road sections and a survey of 200 households on two NHSP-AF road sections (B153 and B157) showed little variation between their income pre- and post-project (not in real terms). While this could mean that the project did not harm the affected households, it could also mean that additional support through limited livelihood training had little impact on raising the income of affected households living below the poverty threshold. The NHSP-AF survey also found that most respondents in the two road sections did not know about the grievance redress mechanism. There was good external monitoring and evaluation of the NHSP-AF, focusing mainly on delivery of entitlements. Internal systematic recording of affected household compensation has improved significantly with ADB TA support.</td>
</tr>
<tr>
<td>Northern Road Connectivity Project (NRCP and NRCP-AF)</td>
<td>NRCP and NRCP-AF resettlement plans and the resettlement</td>
<td>B</td>
<td>Technical staff responded well to community requests for alignment and design changes, e.g., a bridge to allow passage of the fisherfolk’s boats in cost-effective design</td>
</tr>
</tbody>
</table>

\textsuperscript{58}ADB. 2005. Capacity Building of the Environmental and Social Division of the Road Development Authority. Manila (TA 4736-SRI).

\textsuperscript{59}ADB has provided technical assistance to Sri Lanka to strengthen monitoring and evaluation at key agencies. This assistance included the development of a management information system (MIS) to track sector and project performance by the Ministry of Finance and major line agencies, including the Road Development Authority. The independent external monitoring of the implementation of the resettlement plans of the National Highway Sector Project—Additional Financing, January 2013–January 2015, of the Road Development Authority records that the vast majority of people affected had complaints relating to late and inadequate compensation, and increased construction costs that diminished the replacement value of entitlements. The evaluation team’s stratified sample survey in 2016 for two road sections in the National Highway Sector Project—Additional Financing provided similar results.
ADB Involuntary Resettlement Safeguards and Gaps at the Country Level

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<tr>
<th>Project</th>
<th>Resettlement Planning Basis</th>
<th>Safeguard Category</th>
<th>Involuntary Resettlement Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>(NRCP and NRCP-AF)</td>
<td>framework complied with SPS. The two projects, especially NRCP-AF, introduced the Road Development Authority’s new compensation system to the north following the conflict.</td>
<td></td>
<td>changes that created community goodwill. This responsive move added value to incomes of fisherfolk. NRCP and NRCP-AF also applied “urgency” acquisition under section 38A of LAA due to slow progress. They did not apply LARC or Super LARC. A one-off allowance was paid to the poor and vulnerable. The team interviewed one entitled person who had missed out on asset compensation who was living and cultivating along the Pannai Kayts Section.</td>
</tr>
<tr>
<td>Dry Zone Urban Water and Sanitation Project</td>
<td>Categorized as B pre-SPS. The Vavuniya Resettlement Implementation Plan 2012 was prepared to the SPS standard and was updated again in 2015.</td>
<td>B (2008) initially then A (2012)</td>
<td>Positive elements included: replacement land with full title expected for land lost; relocated people received transfer assistance, serviced housing and land; in-depth monitoring and evaluation including two social impact assessment reports. Remaining issues include completing livelihood programs, providing land title for replacement land, and providing final monitoring and evaluation on outcomes and livelihood impacts.</td>
</tr>
<tr>
<td>Clean Energy and Access Improvement Project</td>
<td>Ceylon Electricity Board (CEB) prepared a compensation resettlement plan (2008) for loan approval that included permanent and temporary impacts including loss of trees and crops; and to compensate affected people for restricted access under tower footings of the transmission lines.</td>
<td>B</td>
<td>The resettlement plan provided compensation for loss of land for transmission line tower footings. Semi-structured interviews with local staff and landowners found that this compensation was not always paid to affected landowners. Other impacts relating to restricted access under the transmission line such as restricted usage and loss of value of impacted houses and other structures; and income loss from changing production models were not recognized for compensation. The revised resettlement plan based on detailed design was not disclosed to affected households as required by the loan covenant.</td>
</tr>
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</table>

AF = additional financing, CEB = Ceylon Electricity Board, IED = Independent Evaluation Department, IR = involuntary resettlement, LAA = Land Acquisition Act, LARC = Land Acquisition and Resettlement Commission, M&E = monitoring and evaluation, NHSP = National Highway Sector Project, NRCP = Northern Road Connectivity Project, SPS = Safeguard Policy Statement.

132. The SPS requires “meaningful consultation” on entitlements and resettlement options for all groups affected throughout the project cycle (policy principle 2). This wording is used consistently throughout the SPS. Such consultation includes reaching the poor and vulnerable, providing information sufficient to illuminate choices on relocation and livelihoods in a suitable language, and formulating feasible and sustainable livelihood restoration measures in consultation with them. The National Highway Sector Project and National Highway Sector Project—Additional Financing facilitated consultation between affected people and those deciding on their compensation packages through the LARC and super LARC processes of committee hearings. About 20% of affected people went on from LARC to Super LARC under the National Highway Sector Project—Additional Financing.

133. The project management unit reported that it had provided all affected people with entitlement matrices and a record of compensation according to the LARC decisions, in Sinhala, but affected people could not always recall this.\(^{60}\) There was some delay in translating the resettlement

134. **The policy principle to improve the living standard of the poor and vulnerable presents a challenge.** The RDA projects and the Dry Zone Urban Water and Sanitation Project provided a one-off grant of $117 to those defined as affected poor and vulnerable people, which includes the elderly, the disabled, and women heading households. Compensation records list these grants. While this represents a serious attempt to reach those most in need among those affected, there is no assessment to show that the grants have brought the recipients up to the national minimum living standards, an SPS requirement. In the Clean Energy and Access Improvement Project, approved under the 1995 Policy on Involuntary Resettlement, which required particular attention to be paid to help the poor and vulnerable, nor that the project advised the divisional secretaries on this matter.

135. **Livelihood programs present a challenge.** Building on the 1995 policy, the SPS requires that each resettlement plan present detailed measures for income restoration and livelihood improvement, encouraging borrowers to make every effort to improve the incomes of displaced persons so they can benefit from the project. This means compensation at replacement rates plus additional livelihood rehabilitation measures, with benefit sharing where possible. The Clean Energy Project did not provide any livelihood measures. The National Road Connectivity Project included livelihood measures in the resettlement plan, but later reported that livelihoods were addressed through a series of emergency and post-conflict reconstruction loans and grants from ADB and other agencies. Data to check that the road affectees had participated in these trainings were unavailable.

136. **The National Highway Sector Project provided livelihood programs, which consisted of short skills-based training courses, with links to micro-credit sources.** Although several graduates of these courses who had launched successful businesses as a result of the training were interviewed, there was

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61 Adequate disclosure of information is taken very seriously by Compliance Review Panels. In the case of the Cambodia’s Railway Rehabilitation Project, such a panel determined in 2014 that the public information booklets prepared in line with ADB’s resettlement policy were distributed without further explanation; it also determined that many recipients of the booklets were illiterate and could not have made use of the booklets without further explanation.

62 The grievance redress mechanism (GRM) should start at the grassroots level, but this was not always happening in the case projects studied. The evaluation reviewed the 6-monthly social safeguard monitoring reports that are available online for National Highway Sector Project–Additional Financing. They provide data by road package on the number of meetings of the grievance review committee (GRC) and the number of complaints considered, solved and pending. Unfortunately, there are no details on the type of cases presented or the types of resolutions offered or accepted. There are few details on how RDA managed this issue. The monitoring for December 2014 noted that there were no GRMs in two of the three sections on B153 although the contract had already been awarded for civil works in January 2013 for 20 months. This would have affected a large proportion of the 945 households for all three road sections, about 35% of whom were deemed vulnerable, The B084 road also had no GRC by December 2014, although the contract had been awarded 24 months previously. This affected 1,338 households, of whom 105 were considered vulnerable. The final monitoring report of January 2015 did not confirm the establishment of GRCs. By 2015 these GRCs largely appear to have been established (viz. the 6-monthly social safeguard report for National Highway Sector Project–Additional Financing), but this is well after the intensive involuntary resettlement needs stage.

63 The Compliance Review Panel’s report of 2005 for the Southern Transport Development Project determined that certain vulnerable population groups and households needed to be identified and assisted throughout the process to ensure they were better off after the project. It viewed the weakness of the management information system and the rudimentary income restoration program as serious breaches of compliance posing major challenges to bringing the project back into compliance.
less take-up of training than expected overall. The training courses were reduced in scope during implementation and eventually discontinued. This may reflect (i) the project’s minor adverse impacts on incomes and livelihood risks, with restricted access to roadside commercial and residential properties being generally limited to the short rehabilitation phase; and (ii) lack of time or resources for effective needs assessment for training formulation.

137. **The evaluation’s survey for the National Highway Sector Project-Additional Financing reflected virtually no change in post-project income levels.** While the calculations do not reflect changes in real terms compared with the pre-project situation, they do indicate that there was at least no significant impoverishment, in line with the SPS bottom-line objectives. There was however no recorded improvement for the poor and vulnerable among the affected. Though it is not a mandatory SPS requirement, improving the livelihoods for all affected people would have offered both benefits for affected people and likely increased project returns. Several of the projects had related gender and development programs. These could have linked to the affected people specifically, potentially enhancing gender outcomes in resettlement planning.

2. **Safeguard Management by ADB and the Government**

138. This section assesses involuntary resettlement safeguard preparation, management, monitoring and evaluation in Sri Lanka against the ADB requirements.

a. **Changing Context for Development Financing**

139. **Dealing with risk during project selection.** All four projects aimed to improve infrastructure. In line with the SPS, the projects sought to minimize resettlement risks without triggering widespread areal impacts that lead to high-risk, management-intensive large-scale resettlements. This meant a preference for rehabilitation rather than new construction, especially in the road sector. IED heard in one instance, ADB withdrew financing for certain urban stretches of road because the Sri Lanka resident mission received complaints that a significant number of households might need to be relocated.

140. **Good problem solving through involuntary resettlement planning.** Compliance concerns did not hinder project implementation despite sensitive land issues. Under the Northern Road Connectivity Project, the RDA’s involuntary resettlement method was piloted in the Northern Province, offering a system for setting compensation along roadside alignments where there had been none before. This included capacity building by RDA for the local government staff responsible for land acquisition, survey and valuation who were unfamiliar with the process. This reversed the earlier practice which had left affected people with externalized costs to sacrifice for the common good. By responding to community requests in making small design changes, most of which actually saved money, the project also created a precedent for responsive and cost effective design. This added important value.

141. **The Dry Zone Urban Water and Sanitation Project was the only project of the 10 with involuntary resettlement risks offering a land-for-land compensation option for affected rural producers.** Such a solution is preferred by the SPS for affected people dependent upon land-based livelihoods. Coincidentally, land-for-land also constituted a proactive model with wider application for dealing with sensitive land issues in the aftermath of conflict. A central element was the need to review land claims and fast-track people with genuine claims, even if they had no legal title, to a secure land title in a special agreement to be approved by the cabinet. By not discriminating against people lacking

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64 Compliance review panels take gender assessments seriously. The panel for the Sri Lanka Southern Transport Development Project determined in 2005 that ADB was out of compliance before Board approval as no gender analysis had been done, although ADB had stated that the project would have a significant impact on women.
formal land title (provided they could demonstrate they had used the land), the project helped to settle returnees in an orderly way following the conflict. The detailed, consultative steps of this model, tailored for implementation in a former borderland conflict zone, could be adopted in other contexts where land claims are an issue.

b. Do ADB Safeguards Add Value in Sri Lanka?

142. **Comparing policies.** Several of the selected projects predated the introduction of the SPS in 2009, requiring a comparison between the SPS and the Policy on Involuntary Resettlement, 1995 (footnote 3). Except for the Clean Energy and Access Improvement Project, all projects updated their resettlement plans to SPS standards following the new SPS requirements. The Clean Energy Project followed the 1995 Policy on Involuntary Resettlement in its preparation if not its implementation.

143. **Scope and triggers.** The Clean Energy and Access Improvement Project illustrates the rationale for the SPS to clarify its scope of application to projects with involuntary restrictions on land use and shows how the SPS aims to protect the livelihood of affected people. The executing agency, Ceylon Electricity Board, prepared a compensation and resettlement plan for ADB loan approval and promised an update after detailed technical design. The plan set out entitlements for compensation for owners under tower footings located on their private land and for loss of trees and crops from the transmission lines right of way. It also covered temporary losses and damage during construction. While transmission lines do not generally trigger extensive involuntary resettlement impacts, the rules governing involuntarily restricting access for landholders and activity on their land use under the transmission lines right of way also lead to unrecognized costs.

144. **Not all landowners with tower footings on their land received compensation for which they were eligible, and the project did not recognize all the losses arising from involuntary restrictions on land use in the transmission lines right of way.** This finding was based on interviews with project field staff and affected people along the line. The team subsequently reviewed a sample of project records but could not find evidence to counter these findings. Other ADB borrowers recognize such costs. This leaves the affected people bearing the costs, while the unaffected majority can benefit from all that electrification has to offer. This example shows that applying SPS principles will add value to future projects that have similar impacts on involuntary restrictions on land use.

145. **In the projects examined, benefit-sharing strategies were often implemented through project-related jobs for affected people.** Benefit-sharing strategies are optional under the SPS, but constitute a convenient way of mobilizing additional resources and creating livelihood opportunities. The Northern Road Connectivity Project provided project jobs and unskilled road labor opportunities for women. The Dry Zone Urban Water and Sanitation Project shared the benefits of water supply. While the Clean Energy and Access Improvement Project included a farsighted and valuable component on access to power for the poor, this was not linked to the people bearing the costs of restricted access in the transmission lines right of way. There is scope to develop and publicize a typology of benefit-sharing options that would help to widen and deepen the range of options available for both public and private sector projects. While there is still a need to match benefit-sharing to livelihood needs assessments and evaluation, this would expand the range of livelihood options available.

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65 The number of affected people that the team interviewed on site were: 22 for National Highway Sector Project, two for Dry Zone Urban Water and Sanitation Project, nine for Northern Road Connectivity Project, and five for the Clean Energy Project.

66 For example, in Indonesia for the transmission line right of way for the Java-Bali Grid project the PLN will compensate for loss of access to land under tower footings, for tree crops lost, for permanent restrictions on use of structures, and for loss of income arising from restrictions on access in the ROW.
c. Sustainable Impacts on Affected People

ADB policy principles on meaningful consultation, disclosure, and grievance redress mechanisms were not clearly understood in the case study projects in Sri Lanka. The evaluation team found that most of the affected people consulted 67 did not think that their entitlements and resettlement options were clearly explained to them in the four projects.68 Most did not seem to know what was included in their lump-sum compensation payments and did not know about the GRM. Several compliance review cases have made clear how seriously ADB’s policy principle of meaningful consultation is taken by external panels.69 For the Dry Zone Urban Water and Sanitation Project, the social impact assessment report found that resettlement plans were disclosed in a timely and appropriate way before project appraisal and again when they were updated to resettlement implementation plans 70 following detailed technical design. This did not seem to be effective in reaching more than one-third of the affected people or in addressing all of their concerns.71

The social impact assessment revealed communication issues that could be improved.72 Almost half of the people affected by National Highway Sector Project-Additional Financing were satisfied with the LARC and Super LARC system of hearings, and reported they had negotiated a better compensation package. The remaining affected people cited limited time, undue pressure, lack of attention and lack of transparency as reasons for not feeling satisfied with the LARC system.73

Land-for-land can work successfully. This option is preferred by safeguard advocates for vulnerable, land dependent rural communities whose fundamental sociocultural features, food security, and productivity may unravel when their organizing resource base, land, is removed. Replacing lost land by other land is advised “where possible” for compensation to land-based affected people in the SPS. As pressure increases on this inelastic resource, however, land-for-land may become an increasingly unlikely involuntary resettlement option. The Dry Zone Urban Water and Sanitation Project provided an example where land-for-land replacement succeeded, and showed that it can form an important element when blended with other parts of a compensation package. The project experience showed that sufficient time should be allowed for land preparation, e.g., in new wet rice land, which takes 2–3 years to prepare and test.

Addressing wider social dimensions is important. ADB’s Operations Manual (OM Section C3 on social dimensions)74 maps a wide terrain in which inclusive growth and social development depend upon policies and institutions that can recognize and promote equity, empowerment, security, and risk

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67 The evaluation team’s stratified random sample survey covered 150 affected households in two National Highway Sector Project-Additional Financing road sections plus non-affected households from the control group. The evaluation team members conducted 38 semi-structured interviews with people affected from all four projects. The Dry Zone Urban Water and Sanitation Project survey conducted by the external monitoring and evaluation specialist included 96 affected households.

68 ADB Safeguard Policy Statement 2009 requires disclosure of resettlement plans before appraisal, and when updated plus meaningful information on entitlements and resettlement options (principles 2 and 9).

69 In the compliance review case of India’s Mundra Ultra Mega Power Plant, the Panel determined that ADB was noncompliant with provisions of both Operations Manual F1 (Environment) and F2 (Involuntary Resettlement) at the time (pre-SPS). The single biggest area of concern was the failure to conduct adequate and comprehensive consultations with fisherfolk early in the project design phase and to consider their views to assess project impacts, resulting in numerous consequences. The fisherfolk were incorrectly not considered to be affected people. The project only had one consultation on the EIA (at least two were required) which included all relevant stakeholders.

70 Dry Zone Urban Water and Sanitation Project used this terminology to signal the update had to take place after the uncertainty of years of conflict was cleared and when detailed planning took place.

71 External Monitoring & Evaluation reports for Dry Zone Urban Water and Sanitation Project are the source of this information.

72 Dry Zone Urban Water and Sanitation Project, External Monitoring and Evaluation, 2014, Project Progress Monitoring Report, October 2014 Table 17. Despite the distribution of a range of materials, including the Resettlement Implementation Plan, Entitlement Matrix, Paper Notice on Land Acquisition, File or Book for Complaints, only 36 % of EA survey respondents said they had understood the resettlement information.


management. Social impact assessment forms an integral part of involuntary resettlement planning and management strategies. The SPS requires a social perspective to be applied in all resettlement planning, and all four projects in this Sri Lankan portfolio meet this requirement. The Dry Zone Urban Water and Sanitation Project commissioned special social impact assessments as part of the external resettlement monitoring and evaluation, which, among others, threw a useful spotlight on the occasionally negative atmosphere in which project communication with affected people was taking place.\footnote{The Dry Zone Urban Water and Sanitation project 2015 Social Impact Assessment, para 18 and elsewhere.} The National Highways Sector Project commissioned in-depth external monitoring and evaluation reports that explored a range of sociological perspectives on resettlement implementation. The conclusion is again that where social impact assessment is undertaken it often adds value.\footnote{The evaluation conducted a socioeconomic survey of 201 households in two sections: (i) B153: Hikkaduwa-Baddegama, and (ii) B157: Aluthgama-Lewwanduwa of the National Highway Sector Project—Additional Financing. The survey intended to look into income restoration and to assess whether affected households were better off after the project. For both road segments, most of the affected households' income stayed at the same level. This was further triangulated by other tests presented in Linked Document 7.}

B. Indonesia Case Study

1. Country Safeguard System for Involuntary Resettlement

150. **Country context.** Land use and ownership in Indonesia reflect unique historical, geographic, and cultural complexities. Eminent domain powers are based on the Basic Agrarian Law of 1960,\footnote{Government of Indonesia. 1960. *Basic Agrarian Law.* Act No. 5 of 1960 regarding the basic provisions covering the fundamentals of agrarian affairs. National Land Agency. Jakarta.} but this law does not apply to the 70% of the land in Indonesia that the Ministry of Forestry controls. Currently, of the 30% of land which is not formally classed as forestry land, only about half (49%) had been registered by 2014.\footnote{KADTR/ Badan Pertanahan Nasional, 2014.} Land titling (including customary land ownership) has moved slowly despite international assistance.\footnote{Outside old forests, land may be: (i) land registered under the Basic Agrarian Law of 1960 (footnote 64); (ii) individual *adat* (customary) land held with a tax receipt and/or locally authorized and issued explanatory letter (*Surat Keterangan Tanah* or SKT); (iii) unregistered *adat* land (individual or communal); (iv) occupied land with a tax receipt and/or SKT; or (v) unregistered occupied land.} Past presidents, anxious to expand essential infrastructure, exercised the state’s right to acquire land in the public interest through presidential decrees and regulations. Under decentralization, these orders are implemented through powers of local governments. These have faced an increasingly rights-conscious public, unhappy with being displaced, and offered low compensation rates.

151. **Indonesia has no involuntary resettlement policy per se.** Instead, land asset management, including the legal framework to identify and regulate the various categories of lands (public, private, protected area, and so forth), and a well-defined law on land expropriation for public purposes make it easier for the government to restrict involuntary resettlement to those cases where privately owned land is needed for public interests or any other form of public purpose projects. The main legislation dealing with involuntary resettlement is the new Law on Land Acquisition for Public Purposes (Law 2/2012), prepared with support from ADB TA.\footnote{ADB. 2007. *Enhancing the Legal & Administrative Framework for Land in Indonesia.* Manila (TA 7038-IN0) for the Law on Land Acquisition for Development in the Public Interest 2/2012.} It is the first parliament-approved Law on Land Acquisition in Indonesia. But the CSS does not refer to a single piece of legislation, it consists of a number of laws, government regulations, presidential and ministerial regulations and decrees. In some cases, certain provisions in the SPS are not stated in the Law 2/2012 but in other laws or regulations.
152. The new law sets out the way in which land will be acquired, by whom, from whom, for what purposes and, importantly, in what timeframe. The law introduces the role of an independent appraiser to determine the compensation value; previously the value was set by central or local government guidelines. It also provides an opportunity for legal challenges on two grounds: the particular area chosen for acquisition can be contested at the administrative court (Article 23), while compensation amounts can be challenged in the civil court (Article 38).

153. The new law is more inclusive than previous regulations. The broad range of land users entitled to receive compensation includes Basic Agrarian Law-right holders, adat law communities, owners of former adat land, parties who control state land in good faith, and parties who “have a basis for controlling the land.” Most significantly, those who hold a “declaration of physical control” and who own buildings, objects, or crops on the land to be acquired now also qualify for compensation. Thus, many squatters on state land are now closer to a legal right to compensation, taking the law closer to recognizing adverse possession.

154. By abandoning the former compensation methods based on tax values for land and structures in favor of valuations from independent appraisers, the law has reduced the level of controversy by raising compensation rates above the previous artificially low level. The law does not explicitly guarantee market rates or replacement cost, but a guideline on valuing compensation issued by the independent appraiser association uses the concept of “fair replacement value,” which should be higher than the market rate, as the underlying principle. The law also addresses “non-material damage that can be equated with a monetary value”: for example, costs of losing business or employment, transfer costs, costs of changing professions or business, and value for residual property. It also includes compensation for emotional loss. Land acquisition may be financed nationally, provincially or at district level depending on the project sponsor.

a. Potential for the Use of Indonesia’s Country Systems in ADB-Supported Projects

155. As done for the environmental safeguards, the evaluation team also assessed the main legal and regulatory documentation in Indonesia pertaining to involuntary resettlement, including ADB’s ongoing CSS assessment. The findings are summarized here to assist in assessing the equivalence of Indonesia’s laws and regulations, with the SPS policy principles and key elements.

156. A close analysis of each SPS policy principle and key element and its corresponding principle or element in the Indonesia’s CSS reveals four full gaps, and three partial gaps. Indonesia’s CSS must be assessed, generally, against the objectives of the SPS on involuntary resettlement which aim at: (i) avoiding involuntary resettlement, (ii) exploring alternatives to avoid involuntary resettlement, (iii) improving or at least restoring livelihoods, and (iv) improving the living standards of poor and vulnerable households to national minimum levels. The legal assessment found that although the CSS does not define its objectives in the same way, it is nevertheless in many respects equivalent to the SPS policy principles.

157. The full gaps relate to the following:

(i) The absence of an equivalent policy principle in the CSS on implementing the involuntary resettlement component of a project likely to cause significant involuntary resettlement impacts as a stand-alone operation.

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81 Article 1 specifies the state institutions which may exercise eminent domain powers. Article 11 identifies the projects which are subject to the Law, the procedure to be followed in assessing conformity with the spatial plan and in conducting public consultation, who qualifies for compensation (Article 40). Articles 31 and 32 set out the requirement for an independent land valuer to calculate compensation.

(ii) The lack of a provision in the CSS for (i) monitoring and assessing resettlement outcomes, their impacts on the standards of living of displaced persons, and whether the objectives of the resettlement plan have been achieved by taking into account the baseline conditions and the results of resettlement monitoring, and (ii) disclosing monitoring reports.

(iii) The lack of a provision providing benefits to hosts communities in resettlement areas.

(iv) The lack of language in the CSS comparable to the SPS’s principle on improving or at least restoring the livelihoods of displaced persons. While the overall objective of Indonesia’s CSS aims also at restoring if not improving the standard of living of resettled persons even if the means defined in the Bank’ SPS are not listed as such in Indonesia’s CSS, the legal framework does not have provision for a fixed target such as reaching “at least national minimum standards” while improving the living standard of poor and vulnerable affected people.

158. Partial gaps relate to the following:
(i) The lack of provisions in the CSS for “transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities.” Instead, where people affected choose a resettlement option, the CSS provides for assistance in terms of housing, basic and supporting facilities, general utilities and other related services to provide displaced persons with secured tenure, decent housing, civic infrastructure and community services.

(ii) The lack of clarity about the mandatory disclosure of the resettlement action plan and project documentation for the purpose of consultation, although the land law and its implementing regulations, along with the general law on disclosure of public documents, make such disclosure an obligations for the competent authorities and agencies involved in land acquisition.

(iii) The lack of specification in the CSS with respect to consultation with resettled persons, vulnerable groups including NGOs during project implementation, monitoring and evaluation phase.

159. These equivalence gaps would need to be addressed. This evaluation did not conduct an acceptability assessment, as the SPS requires for the assessment of the use of CSS. Based on the situation prevailing in the examined agencies, IED has concerns over the acceptability of implementation readiness of agencies in Indonesia.

b. Comparing Indonesia’s CSS with the full SPS

160. The field review of the projects corroborated the existence of significant capacity gaps in various areas. One such constraint witnessed was at the provincial and/or district government levels, where the land acquisition teams are often formed and financed. A replacement rate for losses cannot be achieved when depreciation is deducted to meet audit standards; and any allowance for transfer, and transition costs and livelihood reconstruction appears as illegal under the local budget system. Similarly, the local budget code requirement has prevented the financing of livelihood programs and special measures for the poor and vulnerable. The Indonesia Infrastructure Financing Facility LMS Cikampek–Palimanan Toll Road Project in West Java, for example, has been able to launch a livelihood program because it is privately funded, but this program partially aims to substitute for entitlements that could not be financed through the government system. The Indonesian Society of Appraisers, Masyarakat Profesi Penilai Indonesia (MAPPI), issued a standard for Fair Replacement Value

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a3 The SPS definition of replacement rate includes fair market value plus transaction costs, transitional costs, restoration costs interest and other applicable costs. (SPS Appendix 2 para 10).
in 2013\textsuperscript{84} in response to the new law, but it appears the depreciation is addressed only in the guidance notes, and fair replacement value does not include training, livelihoods, or poverty reduction measures.

161. **These issues, among others, need to be addressed in order to make the CSS acceptable to ADB.** The Law on Land Acquisition recentralizes the principal power of implementation in the National Land Agency (BPN). BPN has long been represented in land acquisition teams, and is the land title registration agency. It now has the lead role in implementing the law. The land management, valuation and titling records are being computerized. Discussions with officials of BPN indicated that the government's ability to pay compensation is limited. BPN currently lacks assistance to build its human resources, or to boost equipment and technology. The action plan SPS requires for the use of CSS should address this, should this agency become part of a pilot.

2. **Safeguard Management by ADB and the Government**

162. This section compares the performance in safeguard preparation, management, monitoring and evaluation in the projects studied in Indonesia with the expectations of the SPS.

   a. **Difference between Projects with ADB Safeguards and Nationally Funded Projects**

163. The projects in Indonesia examined here feature cofinancing (Indonesia Infrastructure Financing Facility and the Regional Roads Development Project), a financial intermediary project (Indonesia Infrastructure Financing Facility), and a pre-SPS project (Indonesia Infrastructure Financing Facility). They also feature two very recent approvals where the resettlement plans were, in both cases, being updated following the detailed technical design (Java–Bali 500-Kilovolt Power Transmission Crossing Project and the Metropolitan Sanitation Management Investment Project). The evaluation teams (IR specialists) did not visit the Java–Bali sites\textsuperscript{85} as the involuntary resettlement risks were still being assessed by the government. The Regional Roads Development Project was subject to the SPS but, since implementation was well advanced, compensation and other assistance actually delivered could be compared with the original resettlement plan.

164. **Identifying all resettlement risks and impacts for all groups is challenging.** Screening, social surveys, and gender analysis focused on resettlement impacts and risks, to determine the scope of resettlement planning. All projects broadly met this requirement, with some weaknesses in coverage, quality and risk identification. Even when resettlement impacts are relatively contained, risk assessment identifies those affected people who will need special measures to support them through the displacement process. The Metropolitan Sanitation Project resettlement plans contained socioeconomic survey data disaggregated by gender, and identified a vulnerable squatter community without land titles, but did not formulate clear risk management strategies for them. For Palembang, the resettlement plan inconsistently screened and surveyed affected people and was also not owned by key technical and coordinating agencies interviewed by the evaluation in Palembang. The focus of screening and surveys on risk analysis can be refined, with poverty and gender analyses the weakest aspects witnessed in the four projects.


\textsuperscript{85} Indonesia Resident Mission requested the IED team not to visit the site because the land acquisition and resettlement plan was in process of being updated.
Box 6: Gaps in Indonesia’s Involuntary Resettlement Safeguard Laws, Regulations and Guidelines When Compared with the Safeguard Policy Statement

1. **Scope and triggers.** The Law on Land Acquisition for Development Purposes in the Public Interest and its implementing regulations (collectively referred to below as the 2012 Law and Regulations) cover physical and economic impacts of land acquisition but the question remains to be tested of its application to cases where the land is not acquired but still subject to involuntary restrictions on land use or restricted access to land as in the Safeguard Policy Statement.

2. **Avoiding and minimizing resettlement.** The 2012 Law and Regulations neither require, nor exclude, efforts to avoid or reduce land acquisition through the consultation and planning process. Action Planning could include measures to canvas project and design alternatives that would reduce IR scope and severity.

3. **Screening and scoping.** The 2012 Law and Regulations require a socioeconomic survey, analysis of costs and benefits, a social impact assessment, and other studies as necessary—Article 15 (2). This could include a census, gender analysis, and analysis of past involuntary resettlement impacts and risks. Gender analysis may be covered by Presidential Decree (Perpres) No. 2 of 2015 on the National Mid-term Development Plan; but, as that is a blanket decree on gender mainstreaming in development programs that covers a wide range of gender outcomes, it has nothing specific to say on involuntary resettlement and does not call specifically for an assessment of gender impacts of involuntary resettlement.

4. **Meaningful consultations:** The 2012 Law and Regulations expanded requirements for consultation, including host populations, and treat all groups equally. Law 1 of 2011 and its regulations involve and empower the local community in any resettlement development, but not otherwise. The law does not name nongovernment organizations specifically. Article 5 of Law 39 of 1999 on Human Rights provides a helpful definition of a “vulnerable group”; however neither the Law 39/1999 nor the Law 2/2012 clearly mandate a consultation with vulnerable groups. As to grievance, the 2012 Law and Regulations allow objections at each stage, but do not require a specific grievance redress mechanism for affected people.

5. **Enhance, or at least restore, the livelihoods of all displaced persons.** There is no equivalent statement of objectives although the 2012 Law and Regulations envisage a “better life” (see below). They provide a land-for-land option but not specifically for affected livelihoods that are land-based, as in the SPS. They require “reasonable and just” compensation calculated by independent professional appraisers, taking account of “other appraisable losses” (Article 33 (f)) such as “non-physical loss equivalent to money value,” e.g., loss of business or job, change of profession or location, or loss of residual property (Elucidation Article 33 (f)). The market appraisers’ industry standard [Standar Penilaian Indonesia (SPI)] determines the appraisal method of compensation, which incorporates a solutium (emotional distress caused by land acquisition), albeit with the principle of non-deduced depreciation stated firmly only in the guiding principles, not the standard itself. The evaluation notes that under the Indonesian legal system, a professional guideline or standard such as SPI is not considered a legal document. The resettlement plans provided for compensation at replacement cost, but this was not fully delivered due to audit requirements to deduct depreciation from asset compensation.

6. **Entitlements.** The 2012 Law and Regulations are silent on these matters, but Law 1 of 2011 and its related Government Regulation No 88 of 2014 stipulate general and technical guidelines for housing and settlement projects including housing for displaced persons as a result of land acquisition for public purposes. Central, provincial, district and city governments must develop norms, standards, procedures and criteria for housing development. Indonesia’s national system does not make provisions for “transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities”. Instead it provides for assistance in terms of housing, basic and supporting facilities, general utilities and other related services to provide displaced persons with secured tenure, decent housing, civic infrastructure and community services.

7. **Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards.** The 2012 Law and Regulations’ vision of “a better life” as a general principle for both affected people and project beneficiaries generally, does not provide a specific target or measures for the poor and vulnerable, as per SPS policy principle 5. Law 39 of 1999 on Human Rights provides a definition of a vulnerable group, but it does not specifically mandate the government officials to improve their standards of living in a resettlement plan. For example, in the Java-Bali Project, the detailed work on livelihood programs is not there, and to be done later. On other projects e.g., Kalbar grid the livelihood provisions simply dropped the concerned road stretch, even though some people affected in transmission ROW really needed assistance.

8. **Prepare and disclose resettlement plans, monitoring and evaluation reports.** The 2012 Law and Regulations and Perpres 71/2012 require the preparation of a Land Acquisition Plan that includes all these components cited in policy principle 8, except for one key component: the monitoring, reporting and results evaluation of plan implementation, including the disclosure of reports. The law and other regulations do not clearly mandate BPN, the agency responsible for land acquisition process, to implement these requirements.

9. **Conceive and execute involuntary resettlement as part of a development project or program, linked to benefit sharing and include the full costs of resettlement in the presentation of project’s costs and benefits.** The 2012 Law and Regulations neither require nor prohibit benefit sharing, and are silent on implementing the involuntary resettlement component as a “stand-alone operation...for projects likely to cause significant involuntary resettlement.”

10. **Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons.** The 2012 Law and Regulations require monitoring of land use and management, but not of livelihoods and living standards of affected people.

165. **Minimal impact assessment disaggregated by gender and poverty.** The Regional Roads Development Project was sequentially screened and surveyed by road sections but the team visited one stone quarry with resettlement impacts that had not been identified in the original resettlement plan. While the ADB department reported it to be disclosed at appraisal, the IED team was not able to locate it on the website. A new Kalbar road section at Aruk will be completed using Law 2/2012, partly financed by ADB (the SPS will apply) and partly by the government budget. The team learned that the resettlement plan prepared for the government-financed section does not contain baseline survey data or gender analysis; and uses the government budgeting system. In most projects, with the possible exception of the land acquisition and resettlement plan (LARP) for the Java–Bali 500-Kilovolt Power Transmission Crossing Project, there has been minimal gender analysis or consultation beyond disaggregation of statistical data by gender, so the resettlement impacts and risks for women, especially poor and vulnerable women, in these projects are not fully understood.

166. **They show gaps under the previous regulatory framework in the application of ADB’s safeguards in terms of delivering replacement rate compensation, land for land for farmers, livelihood programs, measures for the poor and vulnerable, disclosure, and monitoring and evaluation.** Observations on the gaps between the SPS and the CSS made during visits to the project sites are set out in Table 6. In some of the case studies, several key SPS involuntary resettlement principles were not fully addressed; therefore, the SPS’s value addition was marginal against the local CSS provision.

<table>
<thead>
<tr>
<th>SPS Policy Principle</th>
<th>Findings in Indonesia Projects</th>
</tr>
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<tbody>
<tr>
<td>Policy Principle 3: Enhance, or at least restore, affected people’s livelihoods via: (i) land-based resettlement strategies when livelihoods are land-based, (ii) prompt replacement of assets or (iii) prompt compensation at full replacement value, and (iv) benefit-sharing schemes where possible.</td>
<td>It was difficult to provide land for land options in densely settled parts of Java; as per the SPS policy principle 3. Benefit-sharing (favored by the SPS but not mandatory) was rare.</td>
</tr>
<tr>
<td>Policy Principle 5: Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards. In rural areas provide them with legal and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.</td>
<td>None of the resettlement plans provided the specific livelihood strategies or entitlements envisaged in the SPS. The LMS Cikampek–Palimanan Toll Road Project in West Java introduced an income restoration plan (under a separate grant scheme implemented by three nongovernment organizations) for severely affected people. This was designed to top up entitlements where necessary to reach the SPS standard.</td>
</tr>
<tr>
<td>Policy Principle 7: Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of non-land assets.</td>
<td>Government staff at the national level told the team they had no legal basis to compensate “illegals” who are occupying government land. Yet non-title holders are now recognized as affected people, their status being made clear in the Law on Land Acquisition.</td>
</tr>
<tr>
<td>Policy Principle 9: Disclose a draft resettlement plan, including documentation of the consultation process in a timely manner, before project appraisal.</td>
<td>None of the affected people interviewed or surveyed reported that they had seen a resettlement plan or any (abbreviated) entitlement information. (See Linked Document 7 for detail on IED survey results.)</td>
</tr>
<tr>
<td>Policy Principle 11: Pay compensation and provide other resettlement entitlements before physical or economic displacement. Supervise project implementation.</td>
<td>The evaluation’s survey of the people affected by the Regional Roads Development Project found that the compensation for land had been paid, and that recipients were satisfied with the rate. They had also been compensated for assets such as trees and crops. However, other entitlements (e.g., livelihood or relocation assistance) had not been provided. The evaluation team observed that the local government seemed to lack the ability and willingness to implement ADB-financed resettlement plans. Resident mission staff confirmed that this is a major problem.</td>
</tr>
</tbody>
</table>
Real-Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies

<table>
<thead>
<tr>
<th>SPS Policy Principle</th>
<th>Findings in Indonesia Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Principle 12: Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons, and whether the objectives of the resettlement plan have been achieved by taking into account the baseline conditions and the results of resettlement monitoring. Disclose monitoring reports.</td>
<td>Recommendations in monitoring reports have in some cases not been followed. For example, the Regional Roads Development Project social monitoring report of July 2014 noted that, contrary to the SPS policy, depreciation was deducted for acquired buildings and structures. The monitors recommended that this be reimbursed. However, the local government did not do so because the complaint did not come from the people.</td>
</tr>
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</table>


167. These gaps notwithstanding, the ADB-financed land acquisition and resettlement process in the four projects is better than two decades ago or than it would be at present with only government management. Forced resettlement or forced eviction, a common occurrence until the late 1990s and still occurring in a number of recent government projects, was not seen in the ADB-financed projects reviewed. There were no reports of disputes over compensation or delayed payments in government projects, sometimes leading to affected people occupying toll roads or airports as an expression of grievance. The evaluation team’s survey in the Kebumen (Central Java) segment of the Regional Roads Development Project found that the affected people believed they had received the compensation rate for land at a rate 18% higher than the market price. They were fully paid before construction, and 88% expressed satisfaction with the amount of compensation. Affected peoples also said they were adequately compensated for other assets such as trees, crops or structures.

b. Sustainable Impacts on Affected Peoples

168. Meaningful consultations and disclosure are needed. The survey in Kebumen (Regional Roads Development Project) found that community meetings were conducted to explain the project and possible land acquisition. About 80% of respondents knew about the meetings and 75% of them attended at least one meeting. On average, three meetings were conducted, usually in the village office. During the meetings, the affected people learned about the compensation they would receive and were even able collectively to negotiate higher compensation. Almost 40% of the respondents in Kebumen did not immediately take the first offer and on average they subsequently received a 17% improvement over the first offer, often with help from a local leader. Those who attended generally had a positive impression of the meeting and felt that they had been adequately informed about the project and land acquisition.86

169. The meetings may have met some of the criteria of the SPS definition of “meaningful” but not all.87 The interviewees said they had not seen the entitlements matrix or a 2-page leaflet prepared by the Ministry of Public Works in Bahasa Indonesia. The consultations and disclosure requirements could

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86 ADB provided information to the evaluation team that it is supporting the Director General of Highways through a TA project (ADB. 2013. Strengthening Community Participation in Project Design, Implementation, and Monitoring in Regional Road Development Project. Manila). The activities include assessment, preparation of stakeholder analysis, preparation of community participation and communication plan, preparation tip sheets (on communication and information sharing, gender, and land acquisition), and capacity building. Despite this, the team found differently based on interviews and the survey.

87 Meaningful consultation as per SPS is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure to people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making.
have been done better and their importance needs to be stressed, as compliance review panels take consultations very seriously.

170. Povery reduction is not well taken care of in the resettlement process. The Regional Roads Development Project resettlement plan for Kebumen assessed the poor and vulnerable in relation to the national poverty line, and found that about one-third of relocated people were poor. However, the entitlement did not encompass any time-bound costed programs to bring them up to the national minimum living standard, as per SPS requirements. The poor and vulnerable were not excluded from meetings, although the survey could not reveal the full extent of their participation (Box 7).

171. Land titles for smallholders can be a problem. Although fewer than 20% of the survey respondents had full land title, forms of lesser authorization—surat keterangan tanah (SKT or Land Certificate) or evidence of PBB tax certificate for land and buildings—have been sufficient for compensation purposes. If people affected by the Regional Roads Development Project lost land along the road alignment, the project would pay for them to re-register the title with land certification adjustment for the loss. Nevertheless, some affected people interviewed in the Kebumen road section of the project expressed concern to the evaluation team that they were still being taxed for the acquired land even two or three years later. Only affected people with full title received financial assistance to re-register the adjusted title—these arrangements failed to capitalize on an opportunity to leave those with lesser title better off with more secure land title as recommended in the SPS.

172. Grievance redress mechanism is not well implemented. The SPS requires that the borrower or client establish and maintain a GRM so it can receive complaints from affected people and facilitate their prompt resolution at the project level. The GRM should be transparent, accessible, gender-responsive, culturally appropriate, free of charge, without retribution and should not block recourse to legal or other remedies. All resettlement plans contained a proposal for the institution of a GRM (as required by the SPS) to address possible dissatisfaction among the affected people. Typically, affected people are asked to file complaints or grievances, if any, through the village head, who then channels them to the land acquisition committee and the local governments. The evaluation team found that the village heads were often not very aware of their GRM duties, and that such GRMs, if they existed, did
not extend past the land acquisition process, and did not address possible further concerns of the affected people and the community during construction.

173. The survey found no one who had heard of any GRM for the Regional Roads Development Project or for the Southern Trans-Java Road Connectivity Project. The interviewed village heads said they had not received any complaints by the villagers. At the same time, about a third of interviewed respondents in Kebumen said they had some issues or complaints regarding the road project. Mainly the concerns were related to compensation; some also voiced complaints about environment impact (mud, dust and noise). However, only one respondent had ever formally expressed the complaint, which was verbally to the local government in a meeting. The absence of a well-informed GRM means the added value of safeguard measures is limited. If projects want to build a GRM upon the existing institution, local units need to be aware that they have the function.

174. The implementation of time-bound, costed, and monitorable livelihood restoration program has not happened in the three SPS—benchmarked resettlement plans. The Indonesia Infrastructure Financing Facility LMS Cikampek–Palimanan Toll Road Project in West Java offered a positive example of a supplemental livelihood program implemented by three nongovernment organizations as an additional grant operation to make up for the lack of full compensation to people who had lost land and other assets. Kebumen district government was said to deliver a livelihood program through existing programs, such as farmers’ training and fertilizer and livestock support for local farmers’ associations. However, when the team visited the association, the coordinator said that the program had no relation with the road project and no member was an affected person. Compliance review panels are known to take the policy principle of restoring livelihoods seriously.

c. Increased Efficiencies

175. The SPS aimed to achieve a better spread of resources between processing and implementation. This is still a challenge. Due to business process changes in ADB in 2010, there is more pressure to become more efficient and reduce the time to loan approval. Many safeguard specialists have commented that this affects the time for preparing implementation-ready resettlement plans. All three of the projects that used the SPS as a benchmark updated the involuntary resettlement documentation following detailed technical design, providing a firmer basis for resettlement planning.

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88 The LARP (October 2011) for Puring-Petanahan Segment of Tambakmulyo-Wawar Road section mentions an intention to plan for an income restoration program (IRP), which was to be defined and fully budgeted in close consultation with people severely affected, the poor and vulnerable affected; and affected people having to relocate. Latest monitoring reports of 2014 and January–April 2015 indicated that the detailed livelihood objectives, needs assessment, and timebound and costs livelihood planning is delayed and not implemented.

89 IED checked relevant LARPs from website as suggested. https://www.adb.org/projects/documents/regional-roads-development-project-central-java-puring-petanahan-segment-tambakmu. There is no allowance for livelihood measures in the budget. There are appendices, but part of the pages is missing. Compensation rates for different assets, tree crops etc and village development activities relating to health are described, but nothing is specifically targeted to affected people. M&E reports are not providing information on (i) achievement of resettlement objectives; (ii) changes in income, living standards and livelihoods; (iii) restoration and/or improvement of the economic and social base of the affected people; (iv) effectiveness and sustainability of entitlements; and (v) the need for further mitigation measures.

90 In the Malang (East Java) segment of the Regional Roads Development Project, which was not visited by the evaluation team, the district government reportedly delivered a livelihood program in the form of training on productive economy in November 2015. A 2014 monitoring report states that Bappeda of Malang District decided that the entitlement of replacement asset to 54 affected households would be by giving program of empowerment of community forest. This turned out to be delivery of some packets of seeds. There is no information on how the poor and vulnerable participated in these programs, how satisfied they were, and whether they improved their income and livelihood.

91 For the Integrated Citarum Water Resources Management Investment Program, Project 1, the Compliance Review Panel determined that the socioeconomic survey and limited consultation did not allow an assessment of the support that the affected households wanted and needed to reestablish their livelihood. The cash grant provided by the local government was not made explicit and was considered by the CRP to be insufficient. Without clearly stated objectives, needs assessment, and defined livelihood restoration activities and temporary transition measures, the resettlement plan was found not to have ensured that affected households could regain their livelihoods after relocation.
than the original plans had done. The socioeconomic baselines were mostly found to be of a reasonable quality. However, significant efforts went into comparative policy assessments in the plans, possibly detracting from a more careful analysis of the executing agency’s readiness to apply the safeguards according to ADB standards. Some plans were updated in a hurried atmosphere, to fit land acquisition and civil works schedules. Project preparatory TA resources could be tight with respect to designing resettlement plans, capacity building, or organizing meaningful consultations. District government officials often lead involuntary resettlement implementation but some district officials had no knowledge of the resettlement plan or of its contents and certainly no sense of ownership over it, so it was not surprising that the plans were left unimplemented.

176. **Role of the resident mission is important.** Optimizing the role of the resident missions in safeguard work was intended to be a key element of the SPS, as the resident mission can provide on-the-spot support for involuntary resettlement implementation. A member of staff handles involuntary resettlement safeguards issues at the resident mission, but one person cannot address the numerous day-to-day inquiries from ADB clients, conduct a detailed review of documents against progress on the ground, and check compliance in the field, especially as the district level staff who will do the work have been insufficiently consulted and briefed about ADB requirements. The resident mission needs more staff to address this issue. If project staff who are unfamiliar with involuntary resettlement issues are reluctant to bring in safeguard consultants on demand basis this may affect the resident mission’s work in involuntary resettlement. Resident Missions with considerable infrastructure projects will need permanent safeguards staff, not consultants.

C. **Kyrgyz Republic Case Study**

1. **Country Safeguard System for Involuntary System**

177. **Country context.** The Kyrgyz Republic has, since independence, transformed the land ownership system. Under the Soviet system, land was owned by the state. The government has pioneered a change from state land ownership to private property rights for land and assets on land, together with a supporting legal framework. The Constitution and Civil Code protect individual private property rights, the Constitution of 1998 stating that “ownership is inviolable and no one can be dispossessed of property arbitrarily. The property can be acquired by the state against the person’s (party’s) will only based on the court’s ruling.”

178. **Public acquisition of property is done through court rulings.** The government currently has powers of eminent domain through land expropriation. However, the Land Code of 1999, updated in 2016, describes general land acquisition principles for public purpose projects and indicates that land can be acquired preferentially through consensual agreement between state bodies and land owners and/or users. Only authorized entities can acquire land. This means state or municipal entities or entities designated by the state. Acquisition of property for public purposes, as defined in national laws, can be carried out only through court rulings and with the fair and prior payment of compensation, basically at market rate, for the affected property as well as other costs.

179. **If the project meets public interest criteria, the sponsoring ministries may request the prime minister to issue a project decree authorizing the project.** The formal basis for commencing the land acquisition can be an approved feasibility study, detailed design, master plan, or another planning document. Based on these documents, the government generally, and the prime minister’s office particularly, can judge whether the project meets public interest criteria or not. Ministries prefer the

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authorization for the project to come from the highest level in view of the sensitivities of land acquisition and compensation.\textsuperscript{93}

180. The executing agency would then negotiate an agreement with affected people covering land acquisition based on a detailed measurement survey.\textsuperscript{94} If the landholder disagrees, only a court decision can enforce occupants to vacate the property. The government’s powers of eminent domain are seldom invoked. The Land Code describes general land acquisition principles for public purpose projects as follows: (a) land is to be acquired through replacement land or cash based on the full market rate; and (b) preferentially through consensual agreement between State bodies and land owners and/or users.\textsuperscript{94}

181. Compensation proceedings should by law cover all investments made on the land, liabilities to third parties and opportunity costs, and may include provisions that the replacement land value counts towards the compensation. Failing agreement with a land owner, the state body can, within 2 months, turn to the court and have it rule on compulsory purchase against the land owners or users. The land code provisions are generic and are not supported by a set of by-laws and regulations laying down the conditions for public purpose land acquisition and proper valuation mechanisms.

182. Kyrgyz Republic property rights are recognized under statutory laws and protected by the government, but some people lack registered rights. There are no customary or traditional rights over land, natural resources, or property, so people may claim compensation for the lost rights for land, property, and access to natural resources based only on relatively well developed statutory laws. People who lack registered rights use publicly owned land and natural resources or run business semi-legally. They have some permits, property rights certificates, and other documents, but do not have the full package of required documents to be considered a fully legal user. Such groups are distributed across the country and are normally recognized as “legalizable affected people.” The holders of semi-legal (legalizable) property rights, business rights, and access to livelihoods, therefore, need to be regularized under the national legislation and then, in the case of land acquisition, the holders of these rights can be paid the compensation to which they are entitled in full. In addition, leaseholders on public land may have invested in the land, but would not be recognized as eligible for compensation.

183. The key gaps between the Kyrgyz involuntary resettlement laws and regulations and SPS principles are listed in Box 8.\textsuperscript{95} Gaps are apparent in legal and regulatory requirements that address the scope, consultations, GRM, resettlement plan, entitlements and compensation rates, livelihood measures, measures for the poor and vulnerable, assistance to those without formal land title, monitoring and evaluation. The law is silent on consultation requirements for land acquisition that involve affected people.

184. Safeguard implementation capacity is improving. The government has taken steps to enhance the land administration system. Several reforms have been significant for involuntary resettlement safeguards: the establishment in 1999 of the Gosregister, a single agency responsible for registering property rights and maintaining land cadastral records; and the initiation of a systematic property rights registration program across the country. Taken together, these two innovations have significantly reduced the transaction costs associated with land transactions by increasing the information base for land administration and fiscal cadaster, and by simplifying land registration procedures. Gosregister

\textsuperscript{93} Among others, the sensitivities include issues related to use of replacement cost in compensation as per the ADB SPS requirements.


\textsuperscript{95} IED drew upon the following sources for this assessment: (i) relevant laws and regulations; (ii) resettlement plans including gap analyses from other international financiers including the World Bank; (iii) reports for the Bishkek–Torugart project; (iv) regional TA reports; (v) interviews with knowledgeable staff and consultants; (vi) interviews with key government protagonists in land matters at national and local levels including Ombudsmen; and (vii) interviews with NGOs with interest in these issues.
also records market value, where land markets are sufficiently developed, by valuing a plot against the average sale price of a pool of comparator plots. Any citizen can pay a fee and obtain the data at any Gosregister office. In remote areas, however, there are often insufficient land sales to generate market data.

Box 8: Gaps Identified in the Kyrgyz Republic Involuntary Resettlement Laws and Regulations When Compared with the ADB Safeguard Policy Statement

1. **Scope and triggers.** Not addressed in Kyrgyz legislation.
2. **Avoiding and minimizing resettlement.** Not addressed in Kyrgyz legislation.
3. **Screening, socioeconomic survey, census, gender analysis.** ADB projects require a special set of technical instructions on finalizing the design and monitoring framework, carrying out a title survey, identifying legal, “legalizable” and non-legal businesses and enterprises.
4. **Meaningful consultations.** Kyrgyz legislation does not provide specific requirements.
5. **Grievance redress mechanism.** The Law on Grievances obliges state agencies to register and give due consideration to public complaints, but many executing agencies are either unaware of the law, do not see it as fully binding, or do not have proper mechanisms to enable them to accept and review complaints. As a result, most complainants lodge grievances directly to rayon administrations, the House of Government, the Parliament, or the Office of the President.
6. **Resettlement plan.** There is no requirement for this in Kyrgyz legislation.
7. **Enhance, or at least restore, the livelihoods of all displaced persons through additional revenues and services through benefit sharing schemes where possible.** The law is silent on this matter.
8. **Entitlements.** The following are not fully addressed in legal regulatory framework: secured tenure to relocation land, better housing at resettlement sites with comparable access to employment and production opportunities, integration of resettled persons economically and socially into their host communities and extension of project benefits to host communities, transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities, and civic infrastructure and community services, as required. A replacement rate is not required. Compensation for land is based on market value according to the Constitution and Civil Code, but valuation methods are not specified.
9. **Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards.** The law does not define compensation as targeting the rehabilitation of the affected person’s livelihood. It instead focuses on compensation for directly measurable physical impacts or incomes. There is no requirement for compensation for temporary or permanent loss of livelihood, nor special measures for the poor and vulnerable.
10. **Rural areas: legal and affordable access to land and resources. Urban areas: income sources and legal and affordable access to adequate housing.** These issues are not directly addressed.
11. **Assist and compensate those affected without recognizable legal rights to land.** Compensation for acquired land is only for titled landowners, i.e., those holding formal documents on the right to land use.
12. **Make resettlement part of a development project or program.** This is not directly addressed.
13. **Compensate before physical or economic displacement.** This is not fully addressed. For example, the Civil Code calls for payment of actual damage losses plus business opportunity losses, whereby the party may claim only for damages that already took place.
14. **Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons.** This is not fully addressed and there are no requirements for third party monitoring and evaluation.


185. The main capacity issues in the Kyrgyz Republic relate to less than full implementation of existing laws and regulations, for example on disclosure. Kyrgyz laws specifying the procedures for information disclosure include the Law on Access to Information Available at State and Local Authorities of the Kyrgyz Republic (dated 2008, updated 2014), Law on Mass Media of the Kyrgyz Republic (1992, updated 2014), Law on Guarantees and Open Access to Information (1997, updated 2006), and Law on Personal Data Information (2008), among others, together with their implementing orders and regulations. However, these various pieces of legislation are unevenly implemented.
The track record on consultation is that it remains an informal and often ad hoc activity. This is the case while land acquisition is widely recognized as an important activity requiring public consultation. Consultation is often limited to local government bodies and only randomly engages the affected people. The Law on Grievances\textsuperscript{96} obliges state agencies to register and give due consideration to public complaints but many executing agencies are either unaware of the law, do not see it as fully binding, or do not have proper mechanisms to accept and review complaints.

As a result, most complainants directly lodge grievances to Rayon administrations, the House of Government, the Parliament, or the Office of the President. In the absence of clear procedures, the methods for valuation for land and other assets vary from one acquiring agency to another. Valuation may be carried out on the basis of the redemption price of the land plot, including the market value of the rights to a land plot and of the buildings and structures located on it, as well as losses caused by an early termination of obligations of the land owner to the third parties. Finally, the government has limited funds for payment of compensation.

Linked Document 8 reviews lessons learned from the application of ADB’s accountability mechanism to the Bishkek–Torugart Road.\textsuperscript{97} This was one of the two case study projects that had an involuntary resettlement categorization (category C initially, which meant that resettlement planning was not required until the category change to B during implementation). A compliance review of this case on the issues of social analysis and resettlement was ordered by ADB’s Board and issued in 2012. A good understanding of the borrower’s legal and/or regulatory framework is important but even more so is the project planning and programming cycle. The case demonstrated how key steps of the project cycle are in fact dominated by priorities that inadvertently relegate involuntary resettlement to a secondary concern. The case also illustrates the weaknesses in monitoring and evaluation in failing to address the overall policy objectives on resettlement. This resettlement plan was prepared following the complaint, but it has not been fully monitored and evaluated in line with 1995 IR Policy, which required that people affected be at least as well off as they would have been in the absence of the project. The satisfaction survey of people affected was useful but is not the same as a before and after comparison of well being as implied in the 1995 Policy statement.

**D. Summary Findings and Lessons**

Just as was indicated in Chapter 3, the detailed examination associated with our case study approach, has led to a number of common and useful findings and lessons. The projects offer an effective testing ground for introducing innovative approaches in safeguard application and provide evidence on how the CSS is being gradually strengthened. Table 7 sets out some good practices provided by ADB resettlement specialists and the executing agencies that the evaluation team encountered in reviewing projects in the three countries. Some of these cases are included because they represent inclusive and socially sound development practice more generally and have potential to add benefits if they are directed at affected people. While overall the project case studies had only moderate resettlement risk and impact, there are still pockets of poverty and vulnerability, or alternatively impacts with greater severity, that entail high risk for affected people. The SPS requires more than only compensation in such cases.


Table 7: Innovative Practices on Involuntary Resettlement Safeguards in Projects: Indonesia and Sri Lanka

<table>
<thead>
<tr>
<th>Safeguard Policy Statement Requirement</th>
<th>Findings</th>
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<tbody>
<tr>
<td>Scope (Sri Lanka)</td>
<td>Northern Road Connectivity Project staff piloted the Road Development Authority resettlement method in the north, offering a system for setting compensation on roadside fringes where there had been none previously. This reversed the earlier practice which left affected people with externalized costs which they had to “sacrifice for the common good.”</td>
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<tr>
<td>Land-Based Resettlement (Sri Lanka)</td>
<td>The Dry Zone Urban Water Sanitation Project provides an excellent example of replacing land lost by land-dependent people. It was learned that, since new wet rice plots take several years to develop, this time frame should be factored into bridging the livelihood assistance provided to the affected people. In addition, the independent social impact assessment recommended better consultation.</td>
</tr>
<tr>
<td>Benefit Sharing (Sri Lanka)</td>
<td>The Dry Zone Urban Water Sanitation Project and the Northern Road Connectivity Project provided project-related jobs for affected people at a critical time in their livelihood re-establishment.</td>
</tr>
<tr>
<td>Meaningful Consultation (Sri Lanka)</td>
<td>By responding to community requests in making small design changes in roads and bridges, most of which actually saved money, Northern Road Connectivity Project technical staff also created a precedent for responsive and cost-effective design with overall benefits to livelihoods of a marginal fisherfolk community.</td>
</tr>
<tr>
<td>Gender and Development Measures (Sri Lanka)</td>
<td>The Northern Road Connectivity Project provided unskilled road labor opportunities for women that were complementary to the gender and action development plan. Such measures could be integrated into resettlement plans.</td>
</tr>
<tr>
<td>Assist Displaced Persons Without Titles or Recognizable Legal Rights to Land (Sri Lanka)</td>
<td>The Dry Zone Urban Water Sanitation Project provided land for those without legal title who could establish their pre-conflict use rights. Beyond the SPS, the resettlement plan process may thus be useful in post-conflict cases where settling land-dependent people without papers is a priority.</td>
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<tr>
<td>Livelihood Program (Indonesia)</td>
<td>The LMS Cikampek–Palimanan Toll Road Project in West Java under the Indonesia Infrastructure Financing Facility launched a livelihood program managed by experienced nongovernment organizations that includes a range of creative ventures building on traditional skills and modern business practices.</td>
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190. **ADB capacity.** The cases show that ADB has developed significant capacity in involuntary resettlement safeguards and assigns qualified resettlement staff to headquarters or resident missions depending on where resettlement issues arise. The chief compliance officer has to sign-off on resettlement, in accordance with the SPS. A Resettlement Sourcebook based on the SPS has been prepared to guide staff in policy application. In interviewing a range of safeguard specialist project staff, the evaluation was in most cases impressed with their quality and commitment, and the extent of their knowledge of safeguard issues. The evaluation found that the basic steps and procedures in resettlement planning and implementation were generally carried out well in the cases reviewed. Negotiations with the executing agencies reflected mature dialogue on safeguard issues. What would add further value is an ability and the willingness to look beyond the basics of a serviceable, compensation-focused resettlement plan to one that reflects more concern with poverty and development. Analysis of the treatment of key steps of ADB’s project cycle demonstrates this.

191. **For the three countries, the pre-appraisal involuntary resettlement plans at project entry were, for the most part, procedurally compliant but some of the cases examined suggest that better monitoring and supervision of loan covenants on resettlement safeguards is warranted.** Earlier and more intensive assessments, preferably in the project zone of impact, would probably have reduced any inaccuracies in involuntary resettlement categorization. This would have enabled better and earlier resettlement preparation, with less strain than was evident in rushed resettlement finalization and implementation before civil works in all three countries. In most cases, screening, scoping and survey work was done well, although there was scope to improve the accuracy of identification of affected people, gender and poverty analyses, and assessment of risks and impacts, allowing a greater focus on those facing greater risk. Consultations were conducted, but these could have been deeper and more effective with greater time and resources. Most cases lacked evidence of meaningful consultation, specifically on entitlements. In several cases the plans were followed up after approval through detailed technical design, refining the numbers of affected people, as is permitted by the SPS. Some projects included helpful instructions on how this should be done in the project
administration instructions. Loan covenants on resettlement safeguards seem to have been ignored in some cases which could be interpreted as potential covenant breaches. Supervision must focus in particular on the intensive phase of resettlement finalization and implementation in advance of civil works contracts.

192. **Guidance on livelihood measures in costed, monitorable programs was missing in most cases.** While social surveys were generally well done, they could have guided the process of consultation better and also anchored risk-reduction measures for the severely impacted, the poor or the vulnerable in the case study projects studied. If a project is likely to have a minimal effect on livelihoods, this should be stated explicitly which would allow a focus on at-risk groups.

193. **There are, however, distinct variations among the countries.** The Sri Lanka Northern Road Connectivity Project, National Highway Sector Project, and Dry Zone Urban Water and Sanitation Project, all defined "vulnerable groups" and paid Rs15,000 ($117) per affected poor or vulnerable household as a one-off grant. In the Dry Zone Urban Water and Sanitation Project, the external monitor reported that, while these households were deeply grateful for this grant, they also asked for longer-term assistance to create sustainable livelihoods. The Kyrgyz Republic defines a "minimum subsistence level" of approximately $13 and pays just a one-month allowance at this level for "poor and vulnerable" affected people, but this is significantly lower than the social safety net pension of around $65 per month. In Indonesia, several resettlement plans analyzed affected households by comparing them against a national poverty line but were not able to provide support for them during implementation. In all three countries, all projects found difficulty in showing how the specific policy requirement would be met and monitored.

194. **There is an opportunity for resettlement planning to engage more closely with management, budgeting, monitoring and evaluating in terms of the CSS, focusing scarce resources on those most at risk.** Elsewhere, the requirement to compensate through land for land, where possible, and otherwise at replacement rate caused difficulty. Overall, however, it is the formulation, financing and delivery of livelihood measures, targeted clearly at those at most risk, that needs most attention. There is scope for stronger risk assessment tools and methods to be used. The resettlement plans that were seen could offer clearer guidance to supervising staff in executing agencies as to where to focus their limited time and resources. The guidance could extend to loan covenants on resettlement to guide supervision. There is an opportunity for resettlement planning to engage more closely with management, budgeting, monitoring and evaluating in terms of the CSS, again, focusing scarce resources on those most at risk. Some more suggestions for improved resettlement planning and implementation are made in Linked Document 9 of the Appendix.

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**Footnote:** In the Sri Lanka Clean Energy project, the Resettlement Plan was not updated; there was no disclosure to affected people; and no semi-annual internal and external M&E submitted to ADB. In the Indonesia RRDP, civil works for a designated section or area commenced before all relevant land acquisition and resettlement activities, including payment of compensation to affected people, had been finalized in that particular section or area. There were also potential breaches in payment of compensation as set out in resettlement plan (depreciation is still not handled in Kebumen case; it is awaiting a request from affected people but there is no clear evidence that they have been advised).
CHAPTER 4

Benefits and Costs of Safeguard Implementation

195. Multilateral development banks have made limited assessment on the relationship between the benefits and costs of safeguard implementation, in part because data are not systematically collected. For instance, the Independent Evaluation Group of the World Bank Group has indicated that “costs incurred by the World Bank are not distinctly recorded, and client costs are available only for the projects with large impacts. IFC’s own costs are more readily available, but costs incurred by IFC’s clients are not because they are considered proprietary.” Despite these constraints, estimates based on a stylized model constructed by Independent Evaluation Group suggest that the World Bank Group’s safeguards framework leads to significant benefits by mitigating the environmental and social risks of projects, even if these relations need to be measured better. In this evaluation, a more detailed attempt to estimate the costs and benefits of putting in place the ADB safeguards has been explored for the first time, by establishing a base case first and estimating the sensitivities to changes in assumptions later, using an ADB infrastructure project.

196. This chapter provides an example of the estimated economic benefits and costs of implementing environmental and involuntary safeguards on a road rehabilitation project in Sri Lanka. The detailed assessment, supporting methodology and assumptions used are presented in Linked Document 10; this chapter provides only a summary.

197. Implementation of Sri Lanka’s National Highways Sector Project began in 2009 and the project was closed in 2016 after additional financing was approved in 2013. Five road segments which comprise 70% of the total road length built or rehabilitated were reviewed. The five segments were chosen because they are typical of many ADB road rehabilitation projects. Some had category A ratings for either environmental or involuntary resettlement safeguards, others had category B. The project began at the time of SPS approval and the roads built under the additional financing component were subject to the SPS. As a result, relevant monitoring reports and secondary materials were available. While five road segments were assessed, three were important to biodiversity conservation and four triggered the involuntary resettlement policy for almost 1,000 households each, in most cases this was economic rather than physical displacement. These segments are the focus of the analysis.

100 ADB. 2005. Report and Recommendation of the President to the Board of Directors Proposed Loan to Sri Lanka for the National Highway Sector Project. Manila. Additional Financing was approved in August 2011.
101 Nuwara Eliya–Badulla (Road A005) passes through the fringes of the Hakgala Botanic Gardens, Habarana Kantale (A006) is adjacent to the Hurulu Strict Forest Reserve and Hurulu Elephant Eco-Park. Puttalam–Anuradhapura (A012) traverses the Karuvalagaswewa (Tabbowa) Elephant Sanctuary and is near a boundary of the Wilpattu National Park.
102 Nuwara Eliya–Badulla (A005) and Puttalam–Anuradhapura (A012), both pre-SPS and the Hikkaduwa– Southern Highway (B153) and the Aluthgama Southern Expressway–Madurugoda (B157), both post SPS.
A. Framework for Analyzing Benefits and Costs

198. Three scenarios were examined. The ADB SPS standard is used as the “with safeguards” scenario. This is then compared with an intermediate scenario of “limited safeguards” and a “without safeguards” scenario:

(i) “With safeguards.” All or most of the environmental and involuntary safeguards of ADB are implemented, although some gaps were noted during this evaluation. The areas requiring strengthening are elaborated upon in chapters 2 and 3.

(ii) “Limited safeguards.” In this case, there is minimal environmental and social safeguards enforcement. Some basic safeguards may have been introduced but implementation is limited by inadequate budget allocations and weak capacity for implementing safe and socially responsible measures. These conditions are a hypothetical composite of various examples at the country level \(^{103}\) witnessed throughout the evaluation.

(iii) “Without safeguards.” Neither the ADB safeguards nor any minimal measures that ensure environmental protection and social safety nets are implemented.

199. This discussion focuses largely on the “with” and “without” safeguards scenarios as this comparison provides the clearest demonstration of the value addition of safeguards. A fuller discussion can be found in Linked Document 10. The benefits and costs of the “with safeguards” scenario are estimated and since the implementation cost of the “without safeguards” scenario will be zero and there will be damages or negative benefits (Figure 14). The “limited safeguards” scenario is an intermediate case and provides an important reference point in the more detailed analysis in Linked Document 10.

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103 These include insufficient monitoring and implementation of dust control measures during construction, poor road maintenance non-replacement of road signs and weak enforcement of speed limits, all of which would negatively affect the highway construction workers and roadside households. Poor management of wildlife crossings would reduce the safety of other road users while inadequate construction technologies would degrade the adjacent environmentally critical areas. This scenario may also include lack of strategic interventions that could be implemented by environmental agencies to address the usual negative impacts of increased access to environmentally critical areas brought about by roads and induced changing land uses. In terms of involuntary resettlement, this scenario includes deteriorating socioeconomic conditions of some of the affected people, the roadside households who were undercompensated for their losses, including disadvantaged persons.
For each scenario, the standard economic efficiency measures are computed for the five segments of road.\textsuperscript{104} Present value of net benefits (NPV), benefit–cost ratio (BCR), and the economic internal rate of return (EIRR). The usual criteria for economically efficient investments hold: the NPV is greater than zero,\textsuperscript{105} the BCR is greater than 1, and the EIRR is higher than the social discount rate of 12%. The value added by the “with safeguards,” “limited safeguards,” and “without safeguards” scenarios is then analyzed by comparing the values of these key economic indicators under these scenarios.

B. Range of Benefits and Costs Considered

Benefits of environmental safeguards. The environmental effects of roads on different stakeholders can be observed through their physical impacts on ecosystems, ecosystem services, and roadside populations. Benefits from environmental safeguards generally pertain to the damage that is avoided because the negative environmental impacts anticipated in the EIA were addressed by appropriate measures as detailed in the environmental management plan for environmental category A projects.

For the National Highways Sector Project, these quantified benefits include: (i) the avoided impacts on alternative construction sites at adjacent or nearby environmentally critical areas that were bypassed because existing road alignments were used instead; (ii) fewer road accidents involving wildlife (e.g., wild elephants roaming in some areas) that could have resulted in either death or injury; (iii) avoided health risks for construction workers and roadside residents from air pollution during construction; and (iv) positive impacts from explicit environmental enhancement measures such as the roadside planting of ornamental features or economically valuable trees. The SPS policy of avoiding building roads at locations adjacent to environmentally critical areas keeps existing habitats for wildlife, including elephants, intact. While better roads also mean increased access by poachers they also facilitate pursuit by law enforcers, as mentioned by park authorities during the mission.

Costs of environmental safeguards. The direct costs of implementing the environmental safeguards consist of the additional material and labor costs of redesigned or enhanced civil works, supervision costs, and environmental monitoring costs. For roads, these costs include: (i) sprinklers to reduce dust during construction; (ii) equipment for worker safety such as masks; (iii) road signs, speed limits and electric fences to manage movements by wildlife at crossing sites and (iv) monitoring costs by ADB, the implementing agency (RDA) and its partners, the wildlife, forest, environment and police institutions. Indirect costs or environmental damage may occur when inadequately implemented or inappropriate mitigation measures interact with other factors such as climate to impact on springs or natural tanks as sources of water for people and wildlife or illegal use of electric fences during an incident of human-elephant conflict.

Benefits of involuntary resettlement safeguards. While the compensation paid to affected people is a component of the overall cost of implementing the LARP, it is income received by the affected people to recover from their losses, which mean that they cancel each other out. Thus the net economic benefit from the LARP may be considered zero. However, there are likely to be unmeasured social gains from a well implemented LARP in the form of avoided impoverishment and its associated social costs such as crime and family disorder.

\textsuperscript{104} Values are estimated by multiplying environmental and involuntary resettlement quantity variables with their prices. The same trends of prices (or unit values) are applied for both scenarios while the trends of quantities are differentiated between the two scenarios. These result in net present value (NPV) estimates that reflect the environmental and socioeconomic conditions as influenced by either the environmental and involuntary resettlement safeguards, or by the country's prevailing practices for managing environmental impacts and involuntary resettlement.

\textsuperscript{105} In cases where the NPV is negative, typically in the "Without Safeguards" scenario, this reflects the significant cost to the environment and society resulting from no safeguards.
There is economic gain only when the affected person’s cash compensation and other assistance when taken together exceed their losses. This may arise in three situations for some affected people: (i) when the compensation for lost assets, which is based on replacement cost, is more than their depreciated value; (ii) when compensation for affected assets is paid to a non-poor person whose higher liquidity enables investments to be made; and (iii) when the salvage value of affected assets is high enough to enable money to be either saved or to increase consumption beyond normal levels.

Costs of involuntary resettlement safeguards. These costs are essentially the administrative expenses for conducting activities that are listed initially in the LARP and eventually expended in an adaptive manner by the host government as the land acquisition process ensues. These transaction costs include the costs of surveys, negotiations, supervision, and monitoring, whose implementation period may take place before, during and after the construction years.

C. Results of Analysis

For both environmental and involuntary resettlement safeguards, only a limited number of benefits can be quantified based on the available data. There may be additional benefits that are not included (e.g., the additional economic benefits from the support provided to vulnerable groups under the SPS). Benefits are therefore likely to be underestimated. For the environment, the assessment focused on wildlife, biodiversity and dust pollution. With involuntary resettlement, the emphasis was on the value of avoided costs and the costs of the involuntary resettlement safeguard (e.g., compensation) implementation.

The benefits from environmental safeguards varied across the five road segments as a result of different environmental conditions. The greatest benefit was derived from the conservation and enhancement of wildlife and biodiversity. While many migratory wildlife cross these roads from their sanctuaries to sources of water and food, the benefit–cost analysis focused on the Sri Lanka elephant, the country’s iconic mammal for spiritual and socioeconomic reasons. The benefits to elephants and other wildlife and biodiversity are derived from improved forest cover and safeguards such as road bumps, better road signs, and the recently lowered speed limits to 25 kilometers per hour at crossing sections, and relocation of existing electric fences. Because of these measures, the likelihood of elephant deaths on these roads was not expected to increase despite the growing elephant population. The measures contributed to other benefits, particularly those related to recreation and tourism.

These results indicate that, on average, the “with safeguards” scenario is superior to the hypothetical intermediate scenario and, as expected, provides huge benefits when compared with the “without safeguards” scenario. The results for biodiversity safeguards presented in Table 8 show that two out of three road segments had positive NPVs and that one road segment had a negative NPV in the “with safeguards” scenario. In the “without safeguards” scenario, all road segments had significant negative NPVs. Benefits were larger than costs for two of the three roads, and in both those cases, the economic internal rates of return (EIRR) were higher than 12%, the assumed economic opportunity cost of capital. The “limited safeguards” scenario is in between the other two, with EIRR results that were 4%–10% lower than the “with safeguards” results.

While road kills of smaller mammals and other wildlife are more common, data was not available for this evaluation as they are currently being processed by the Department of Wildlife Conservation.

The two road segments with positive NPVs (A005 and A006) had alternative revenue streams from foreign tourists, unlike the segment with negative NPV (A012), which made them less vulnerable to the impact of elephant kills.
Table 8: Benefits and Costs of Safeguards: Wildlife and Biodiversity ($)

<table>
<thead>
<tr>
<th>Road Section, Construction Period and Length</th>
<th>With Safeguards Scenario</th>
<th>Limited Safeguards Scenario</th>
<th>Without Safeguards Scenario</th>
<th>Safeguards Value Added To:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuwara Eliya-Badulla (A005); September 2008–November 2011; 57.5km</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Efficiency Analysis: Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>17,450</td>
<td>2,552</td>
<td>(39,270)</td>
<td>14,898</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>2.0</td>
<td>1.2</td>
<td>n.a.</td>
<td>0.8</td>
</tr>
<tr>
<td>EIRR</td>
<td>25%</td>
<td>15%</td>
<td>n.a.</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Benefits from Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided losses in Hakgala Botanic Garden</td>
<td>27,686</td>
<td>11,075</td>
<td>(15,559)</td>
<td>16,612</td>
</tr>
<tr>
<td>Tourism Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local communities' WTP to conserve Hakgala</td>
<td>7,083</td>
<td>3,541</td>
<td>(23,711)</td>
<td>3,541</td>
</tr>
<tr>
<td><strong>Costs of Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(17,319)</td>
<td>(12,064)</td>
<td>0</td>
<td>(5,255)</td>
<td>(17,319)</td>
</tr>
<tr>
<td><strong>Habarana Kantale (A006); April 2008–July 2012; 43.5km</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Efficiency Analysis: Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>4,068</td>
<td>(9,454)</td>
<td>(61,429)</td>
<td>13,522</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>1.2</td>
<td>0.3</td>
<td>n.a.</td>
<td>0.9</td>
</tr>
<tr>
<td>EIRR</td>
<td>22%</td>
<td>18%</td>
<td>n.a.</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Benefits from Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided Hurulu elephant road kill arising from signage, speed limits, bumps</td>
<td>(9,769)</td>
<td>(20,021)</td>
<td>(33,100)</td>
<td>10,251</td>
</tr>
<tr>
<td>Net change in forest cover that can support elephants</td>
<td>2,229</td>
<td>458</td>
<td>(687)</td>
<td>1,770</td>
</tr>
<tr>
<td>Value of avoided tourism revenue losses at Hurulu Elephant Eco-Park</td>
<td>34,552</td>
<td>23,035</td>
<td>(27,642)</td>
<td>11,517</td>
</tr>
<tr>
<td><strong>Costs of environmental safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(22,943)</td>
<td>(12,926)</td>
<td>0</td>
<td>(10,017)</td>
<td>(22,943)</td>
</tr>
<tr>
<td><strong>Puttalam Anuradhapura (A012); June 2009–August 2011; 82.10km</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Efficiency Analysis: Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>(6,581)</td>
<td>(21,918)</td>
<td>(38,244)</td>
<td>5,337</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>0.9</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>EIRR</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Benefits from Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided elephant road kills in Tabbowa Sanctuary</td>
<td>24,400</td>
<td>(5,398)</td>
<td>(47,973)</td>
<td>29,798</td>
</tr>
<tr>
<td>Net change in forest cover that can support elephants</td>
<td>5,306</td>
<td>2,653</td>
<td>(3,980)</td>
<td>2,653</td>
</tr>
<tr>
<td>Value of avoided tourism revenue losses at Wilapattu National Park</td>
<td>28,606</td>
<td>11,442</td>
<td>(11,765)</td>
<td>17,163</td>
</tr>
<tr>
<td><strong>Costs of Environmental Safeguards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(26,032)</td>
<td>(17,614)</td>
<td>0</td>
<td>(8,418)</td>
<td>(26,032)</td>
</tr>
</tbody>
</table>

n.a. = not applicable, NPV = net present value, EIRR = economic internal rate of return, WTP = willingness to pay.

* The net present value (NPV) is a better indicator of economic efficiency than the benefit-cost ratio or the economic internal rate of return.

210. The rates of return for measures to address air pollution are high for the “with safeguards” scenario. By contrast, significant damage to health is computed for the “without safeguards” scenario. Table 9 presents the results for air pollution. In two of the roads in areas with high population densities, recorded pollution levels surpassed the United States Environmental Protection Authority (EPA) and World Health Organization (WHO) standards during construction. The population at risk included the construction workers and the nearby roadside population. Assuming that safeguards were undertaken 90% of the time using inexpensive risk aversion measures such as sprinklers, masks, curtains and handkerchiefs, health damages were avoided. In the intermediate “limited safeguards” scenario, the NPV figures are also negative.

<table>
<thead>
<tr>
<th>Road Section, Construction Period and Length</th>
<th>With Safeguards Scenario</th>
<th>Limited Safeguards Scenario</th>
<th>Without Safeguards Scenario</th>
<th>Safeguards Value Added To:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Hikkaduwa-Southern Highway (B153); on-going since May 2013; 14.40km</td>
<td>76 (2,557) (1,554) 2,633 1,630</td>
<td>(1,182) (1,572) 3,067 3,456</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency Analysis: Environmental Safeguards</td>
<td>1.2 17% 1,884 (592) (16) 1,277 (1,015)</td>
<td>0.9 n.a. n.a. 749 885</td>
<td>n.a. n.a. 26 31</td>
<td>n.a. n.a. 2,292 2,540</td>
</tr>
<tr>
<td>Benefits from Environmental Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided asthma from PM10 exposure; workers and roadside population</td>
<td>592 (157) (293)</td>
<td>16 (11) (15)</td>
<td>1,277 (1,015) (1,264)</td>
<td></td>
</tr>
<tr>
<td>Value of avoided asthma from PM2.5 exposure; workers and roadside population</td>
<td>16 (11) (15)</td>
<td>26 31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided lower respiratory tract infection from PM2.5 exposure; workers and roadside population</td>
<td>1,277 (1,015) (1,264)</td>
<td>2,292 2,540</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of Environmental Safeguards</td>
<td>(1,512) (1,375) 0 (137) (1,512)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring, supervision, masks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alutgama-Southern Highway (B 157); 15 May 2013, on-going; 23.50km</td>
<td>348 (5,035) (3,458) 5,383 3,806</td>
<td>(5,035) (3,458) 5,383 3,806</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency Analysis: Environmental Safeguards</td>
<td>1.24 30% 2,805 (530) (29) 2,245 (1,339)</td>
<td>n.a. n.a. n.a. 784 1,225</td>
<td>n.a. n.a. 45 68</td>
<td>n.a. n.a. 3,585 5,239</td>
</tr>
<tr>
<td>Benefits from Environmental Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided asthma from PM10 exposure; workers and roadside population</td>
<td>530 (253) (694)</td>
<td>29 (16) (39)</td>
<td>2,245 (1,339) (2,994)</td>
<td></td>
</tr>
<tr>
<td>Value of avoided asthma from PM2.5 exposure; workers and roadside population</td>
<td>29 (16) (39)</td>
<td>45 68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided lower respiratory tract infection from PM2.5 exposure; workers and roadside population</td>
<td>2,245 (1,339) (2,994)</td>
<td>3,585 5,239</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of Environmental Safeguards</td>
<td>(2,256) (2,051) 0 (205) (2,256)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring, supervision, masks</td>
<td></td>
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</tbody>
</table>

EIRR = economic internal rate of return, n.a. = not applicable, NPV = net present value, PM = particulate matter.

211. Under the “with safeguards” scenario, all road segments generated positive NPVs. The benefits and costs concerning involuntary resettlement are presented in Table 10. The benefits from the involuntary resettlement safeguards were computed based on returns from 4% of the compensation paid on lost assets that is assumed to be set aside for investments by 40% of the affected people. This amount was expected to grow by 2% annually in real terms. The proportion of payments for assets (residence, buildings, farmland) to total compensation differed from one road to another, as did the involuntary resettlement transactions costs, in terms of unit cost per affected person and the portion of asset compensation out of total compensation. Nonetheless under the “with safeguards” scenario all road segments generated positive NPVs. By contrast, all affected people experienced high damages...
from unpaid compensation under “without safeguards.” Under “limited safeguards,” in the last road stretch of B157, the difference between that and the “with safeguards scenario” was around 15%, as the benefit over the cost is small under “without safeguards.”

212. The conditions for this investment behavior are reasonably present for people affected by the National Highway Sector Project. While the global experience of involuntary resettlement compensation is full of cases of unfair compensation and lower quality of life of resettled persons, there have been recent cases in South Asia of compensation being used for savings or investments by the recipients. Moreover, where these roads are located, the average income levels of the affected people are higher than the poverty thresholds for the districts, which, together with the high economic growth during post-conflict period, makes it reasonable to assume part of the compensation will be invested.

Table 10: Benefits and Costs of Safeguards: Involuntary Resettlement ($)

<table>
<thead>
<tr>
<th>Road Section, Construction Period and Length</th>
<th>With Safeguards Scenario</th>
<th>Limited Safeguards Scenario</th>
<th>Without Safeguards Scenario</th>
<th>Safeguards Value Added To:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuwara Eliya-Badulla (A005); September 2008–November 2011; 57.5km</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency Analysis: Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>353,787</td>
<td>124,910</td>
<td>(1,619,500)</td>
<td>228,877</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>3.7</td>
<td>2.1</td>
<td>0</td>
<td>1.7</td>
</tr>
<tr>
<td>EIRR</td>
<td>22%</td>
<td>18.4%</td>
<td>n.a.</td>
<td>4%</td>
</tr>
<tr>
<td>Benefits from Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided cost for affected person</td>
<td>483,745</td>
<td>241,872</td>
<td>(1,619,500)</td>
<td>241,872</td>
</tr>
<tr>
<td>Costs of Involuntary Resettlement Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involuntary resettlement transactions costs: information, forging agreements, implementation</td>
<td>(129,958)</td>
<td>(116,962)</td>
<td>0</td>
<td>(12,996)</td>
</tr>
<tr>
<td>Puttalam Anuradhapura (A012); June 2009–August 2011; 82.10km</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency Analysis: Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>82,282</td>
<td>33,719</td>
<td>(1,808,015)</td>
<td>48,564</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>3.2</td>
<td>2.3</td>
<td>n.a.</td>
<td>0.9</td>
</tr>
<tr>
<td>EIRR</td>
<td>30%</td>
<td>24%</td>
<td>n.a.</td>
<td>6%</td>
</tr>
<tr>
<td>Benefits from Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided cost for affected person</td>
<td>119,395</td>
<td>59,697</td>
<td>(1,808,015)</td>
<td>59,697</td>
</tr>
<tr>
<td>Costs of Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involuntary resettlement transactions costs: information, forging agreements, implementation</td>
<td>(37,113)</td>
<td>(25,979)</td>
<td>0</td>
<td>(11,134)</td>
</tr>
<tr>
<td>Hikkaduwa-Southern Highway (B153); on-going since May 2013; 14.40km</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency Analysis: Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>87,486</td>
<td>12,402</td>
<td>(2,210,905)</td>
<td>75,084</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>1.2</td>
<td>1.2</td>
<td>n.a.</td>
<td>0</td>
</tr>
<tr>
<td>EIRR</td>
<td>15%</td>
<td>12%</td>
<td>n.a.</td>
<td>3%</td>
</tr>
<tr>
<td>Benefits from Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided cost inflicted on affected person</td>
<td>488,380</td>
<td>293,028</td>
<td>(2,210,905)</td>
<td>195,352</td>
</tr>
<tr>
<td>Costs of Social Safeguards (involuntary resettlement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involuntary resettlement transactions costs: information, forging agreements, implementation</td>
<td>(400,895)</td>
<td>(280,626)</td>
<td>0</td>
<td>(120,268)</td>
</tr>
<tr>
<td>Alutgama-Southern Highway (B 157); on-going since May 2013; 23.50km</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Efficiency Analysis: Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>160,177</td>
<td>45,322</td>
<td>(1,849,370)</td>
<td>114,855</td>
</tr>
<tr>
<td>Benefit–cost ratio</td>
<td>2.6</td>
<td>1.4</td>
<td>n.a.</td>
<td>2.6</td>
</tr>
<tr>
<td>EIRR</td>
<td>33%</td>
<td>18%</td>
<td>n.a.</td>
<td>15%</td>
</tr>
</tbody>
</table>
Real-Time Evaluation of ADB’s Safeguard Implementation Experience Based on Selected Case Studies

<table>
<thead>
<tr>
<th>Road Section, Construction Period and Length</th>
<th>With Safeguards Scenario</th>
<th>Limited Safeguards Scenario</th>
<th>Without Safeguards Scenario</th>
<th>Safeguards Value Added To:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits from Social Safeguards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of avoided cost on affected person</td>
<td>259,966</td>
<td>155,980</td>
<td>(1,849,370)</td>
<td>103,987</td>
</tr>
<tr>
<td>Costs of Social Safeguards</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Involuntary resettlement transactions costs:</td>
<td>(99,790)</td>
<td>(110,658)</td>
<td>0</td>
<td>10,868</td>
</tr>
<tr>
<td>information, forging agreements, implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

km = kilometer, NPV = net present value, EIRR = economic internal rate of return.

213. The NPV and benefit–cost analyses above provide only a partial picture of efficiency. The safeguards would not have been necessary had these roads not been rehabilitated. Thus, the benefit–cost analysis of environmental and involuntary resettlement safeguards needs to be incorporated into the original project economic analysis in order to gain a complete view. This results in the overall picture where all roads have safeguard-modified NPVs that are higher than the original values. A major reason for this is that the safeguard implementation costs are already included in the original project economic analysis. One may interpret these results to mean that the economic returns from the main project activity pay for some non-earning segment activities. In this way, society gains from the implementation of the safeguards, even when they are not yet fully implemented and when the costs exceed the benefits in some cases.

D. Value of Safeguards

214. Despite some gaps in implementation and missing information on the unvalued environmental benefits, estimates of value added from both safeguards are positive, as measured by the differences in NPVs between the “with safeguards” and “without safeguards” scenarios. Environmental benefits will be boosted when safeguard measures are properly designed and implemented; especially if the area to be developed is environmentally sensitive, such as an elephant sanctuary or a biodiversity-rich zone. The additional revenue stream from tourism (visitor fee collection based on willingness to pay) can potentially be higher than the cost of implementing safeguards. The potential value that would be added by enhanced involuntary resettlement safeguard implementation could still be higher for all roads, provided that the gaps in the compensation processes are addressed, as mentioned in the previous chapter. These gaps include the timing of compensation, the design of appropriate livelihood enhancement for vulnerable groups, monitoring the impacts on quality of life of affected people, and efficiency gains from reducing transaction costs.

215. These results coincide with those obtained through the stylized approach utilized by the World Bank Independent Evaluation Group. 108 For example, the benefit–cost ratio for social safeguards derived from examples of World Bank projects was found to be 0.8–1.3 in the case of a transport project and 1.0–3.5 for a waste water treatment and sanitation project. However, these benefits are muted because of the narrow scope of the current social safeguards. The absence of relevant project data, particularly information on the nature and cost of externalities, posed significant challenges in the estimation of the benefit–cost ratio for environmental effects in the World Bank stylized model. In the IFC model, safeguards had a positive payoff in every case. The estimated World Bank IFC benefit–cost ratios for social safeguards in a gold mine project ranged from 1.5 for community health and safety to 6.5 for land acquisition and resettlement, and in a manufacturing and services project from 7.7 for labor and working conditions to 8.2 for community health and safety. The model shows that the

potential of IFC projects is enhanced by additional benefits derived from attention to labor conditions and community impacts. The benefit–cost ratios in the IFC model for environmental effects from pollution prevention and abatement alone were estimated to be 3.6 for the gold mine project and 9.9 for the manufacturing and services project.

216. The example presented in this chapter, together with the previous evaluation by World Bank, has shown the potential and utility of estimating the cost–benefit relationship when implementing safeguards. Better monitoring and recording of these dimensions would be extremely useful and would facilitate a more precise cost–benefit analysis and improve our understanding of safeguard trade-offs.

E. Summary Findings and Lessons

217. This analysis of the benefits and costs of safeguards, as illustrated through Sri Lanka’s National Highway Sector Project, is consistent with an earlier World Bank study. It showed that, overall, safeguard implementation adds value. Individual results varied across the five road segments. The combined value from environmental and involuntary resettlement safeguards increased the rates of return from four road sections, and resulted in an insignificant NPV decline in one. The value of involuntary resettlement safeguard implementation could be enhanced further for all roads if the gaps in the compensation processes are addressed. Regarding environment safeguards, the benefit of tackling dust and pollution resulted in a small NPV and EIRR, compared with the benefits that accrued from biodiversity conservation. However, in more urban settings, increasing local air pollution has become a deadly parallel to increased GHG emissions in emerging economies of the Asia and Pacific region.

218. The findings in this study are in line with previous findings of the World Bank stylized model, which indicated that, although environmental and social performance has improved since the 1990s, supervision and monitoring deficiencies constrain the World Bank’s ability to evaluate safeguards results. Without a clear framework to assess the performance and impacts of its safeguard policies, important gaps remain in managing the environmental and social risks induced by the ADB-financed projects.

219. Increasing pressures on the environment and society require analysis and tools, such as the cost–benefit analysis demonstrated here, which reflect the full breadth of impacts across a wide range of sectors. Collectively, the impressive economic growth and development in Asia, combined with increasing environmental pressures and population growth, will increase the complexities around environmental and social safeguards, requiring greater attention and more sophisticated responses. The evaluation’s exploratory work demonstrates that cost–benefit analysis can be applied to safeguard analysis. This work can be advanced and improved, particularly with better data collection to improve its rigor. More systematic monitoring, documentation, and reporting of environmental and social effects would be invaluable to improve the insights from cost–benefit analysis of safeguards. It would also be beneficial to test this methodology in other sectors, as safeguards may add greater value in those sectors, e.g., in greenfield development projects.
This evaluation has assessed the value addition of safeguards by examining a set of ADB projects in three countries with different contexts and states of development. A case study approach was chosen to support ADB’s Management’s preparation for the forthcoming full evaluation in 2018–2019 by providing detail assessments and granularity. For all three countries, the focus was on highlighting the additional value from SPS implementation and ADB supervision, while for Indonesia IED also looked at particular gaps in the legal framework in the domestic system against the SPS—in light of a request for the use of the CSS in projects. The findings on the value of environmental and social safeguards in terms of avoided damages come at a time when infrastructure investments are expanding and the increasing fragility of the socioenvironmental conditions of many borrowing countries is becoming evident. The following conclusions are drawn from the case study projects examination conducted in this evaluation.

A. Conclusions

Without the attention to safeguards provided by ADB, the preparation and implementation of investment projects might well have led to more risks materializing, which could have compromised results. ADB’s work on safeguards in these projects helped improve their design and planning and the readiness and commitment of local agencies. It also underlined the value of safeguards in ensuring that development objectives are attained and sustained. The Safeguard Operational Review in 2014 was positive about the safeguards support extended to many countries and agencies over the past decade through grant-based TA (footnote 6). The deployment of ADB’s safeguards at the project level provided hands-on experience in the agencies concerned and a greater understanding of the SPS principles. This helped the level of effort by ADB headquarters, resident missions, and government staff in resolving the differences and implementing ADB safeguards.

1. Environment

Project preparation. The group of projects reviewed shows that environmental impacts and risks have generally been adequately identified during project preparation. The assessments for Environmental Category A projects have been more analytically rigorous, with good added value, and have also used the precautionary principle appropriately. The assessments for environmental category B projects were less rigorous, commensurate with their expected lower risks and lesser impacts, but some road projects with many dispersed investments would have benefited from IEEs relying on more integrated sector or regional environmental assessments. The EMPs for category B projects seen could have benefited from greater attention to site-specific conditions. Training needs and the need for institutional strengthening were insufficiently analyzed, being largely short-term (often less than the life of the project). The evaluation finds that the limited time available for the assessments before loan approval sometimes results in assessments of institutional capacity that are generic and which will have no lasting benefit. The time constraint also contributes to a narrow focus of “doing no harm”, constraining the opportunity for integrating more aspirational environmental elements into the design.
223. Project implementation. The group of projects assessed in the three countries shows that while environmental lapses in compliance are mostly avoided due to the environmental plans, these lapses remain a risk due to insufficient government supervision and monitoring, and also insufficient monitoring by ADB. In some category A projects, significant value was added due to good environmental work during implementation. The quality of government monitoring reports varied and they were often insufficiently candid about the significance and rating of environmental issues. As a result, potential concerns were not consistently elevated to management, which would better ensure remedial action before an environmental issue became a more serious concern. More specific environmental performance indicators would help improve reporting and EMP implementation. Training provided was short term and often of little lasting legacy.

224. Strengthening of country safeguard systems. EIA legislation was found to constitute a good foundation for safeguard work in all three countries but local capacity for implementation is weak in all but a few of the agencies reviewed in the course of the project case studies. ADB will continue to need to make more resources available to make government agencies more ready for safeguards work. Budget constraints were seen to weaken the capacity for environmental oversight and monitoring, especially for the protection of biodiversity. Few sector agencies have regular environment specialists or the necessary commitment and capacity to apply environmental safeguards. However, ADB’s work with RDA in Sri Lanka highlights the progress that can be made, when providing technical assistance for an extended period. In using country systems, the absence of government staff to apply environmental safeguards will require major engagement by ADB specialists, placing considerable pressure on resident missions and staff resources.

225. Use of country safeguard systems in ADB supported projects. The analysis for Indonesia found a basic equivalence between the Indonesia environmental laws and regulations, and ADB’s SPS. Nevertheless, five areas were identified of ambivalence in the legislation. No acceptability assessment was done for any agency, but observations from the field in the context of the project case studies led to the conclusion that if ADB grants the use of CSS in Indonesia for some projects, then gap filling action plans will need to deal with both the resolution of the ambivalences and capacity and readiness problems of agencies.

2. Involuntary Resettlement

226. Project preparation. The group of projects reviewed suggests that there are significant issues in the preparation of involuntary resettlement plans. Several plans had insufficient attention for livelihood restoration measures, and were more generally built on rushed assessments and limited consultation, even when they were updated after project approval when there was more time. GRMs were not always worked out, and insufficient attention was sometimes given to institutional constraints in the government agencies responsible, and administrative arrangements. A field based social and poverty assessment at concept stage is not built into the project preparation process, although SPS calls for careful design built on various assessments, meaningful consultation with key stakeholders, disclosure, grievance redress mechanism design, and livelihood restoration action. The projects reviewed suggest that there is significant variation in quality of project preparation between countries and agencies. The three SPS benchmarked projects in Sri Lanka offered more for people affected in terms of poverty, vulnerability and livelihood measures, compared to most of the projects reviewed in Indonesia and Kyrgyz Republic.

227. Project implementation. The case study projects indicate insufficiencies in recording, and more importantly problems in delivering compensations. Among seven projects which had reached the stage of resettlement plan implementation, only those in Sri Lanka operating under SPS could provide the evaluation team with records on compensation delivery. Overall, not all entitlements that the SPS mandates were delivered in the seven projects. This was particularly noticeable in the lack of special attention for poor and vulnerable affected people, and the lack of properly worked out livelihood
restoration measures. Sometimes the application of the full replacement cost principle caused projects difficulty. This was due mainly to strong CSS influences in countries where the standards are lower, but partly due to limited ADB resettlement staff to influence the resettlement plan implementation. Records documented that GRMs worked most appropriately in Sri Lanka, although even there they were not always widely known among affected people. No such records were available for the projects reviewed in Indonesia (in the Kyrgyz Republic projects reviewed it was too early to tell).

228. **Strengthening of country safeguard systems.** The review of the three country cases shows that there is progress in the development of CSS, but gaps remain particularly in the quality of local implementation capacity. Progress has been significant in all three countries; Indonesia approved a more progressive land law (with ADB help), Sri Lanka approved a national involuntary resettlement policy in 2002 (with ADB help), and in Kyrgyz Republic, the *Gosregister* was established in 1999, the agency to register property rights and maintaining land cadastral records (with World Bank help). The field review of the projects corroborated the existence of significant capacity gaps in most or all agencies, with the exception perhaps of one, the RDA in Sri Lanka. In Indonesia, some local government officials have no knowledge of the resettlement plan. Over the years, ADB technical assistance and the cumulative experience of agencies with ADB supported projects has steadily strengthened their capacity.

229. **Use of country safeguard systems in ADB supported projects.** The analysis for Indonesia found four equivalence gaps and three partial gaps between the Indonesian laws and regulations on the one hand and ADB’s SPS on the other. No acceptability assessment was done for any agency, but observations from the field in the context of the project case studies led to the assumption that if ADB grants the use of CSS in Indonesia for some projects, then some very comprehensive gap filling action plans may need to deal with both the resolution of the gaps and capacity and readiness problems of agencies; much monitoring work will also be required for this.

### 3. Benefits and Costs of Safeguard Implementation

230. **The evaluation’s exploratory work with benefit–cost analysis demonstrates that this tool can be applied effectively to safeguard analysis.** Greater data collection is needed to improve the rigor of the analysis and it needs to be tested in other sectors, where safeguards may add greater value, such as green field development projects. Better monitoring and recording would be extremely useful in conducting further benefit–cost analyses, which would improve an understanding of the trade-offs and their determinants.

#### B. Recommendations

231. Based on the findings and conclusion of this evaluation, the following four priority recommendations are offered to ADB:

232. **(1) Integrate safeguard work early in the project preparation and provide adequate time and resources to this task.** Good safeguard measures need to start early and it takes time to obtain a good understanding of the borrower project, procurement and budget cycles, and safeguard management capacities and responsibilities. It requires discipline to ensure safeguards readiness and establish a workable grievance redress mechanism well before land acquisition and civil works start. It requires early monitoring, in order to be able to focus on the critical period of delivering entitlements. For both environment and involuntary resettlement safeguards, the poverty, gender and social analysis should be well integrated during the early stages, so that the right safeguard categorizations can be selected and the right plans can be made for livelihood restoration, and with special attention to the poor and the vulnerable among the affected people.
233. Additional time is often needed during preparation also to ensure support from concerned agencies, enhance their capacities, inform partners and affected people about consultations and grievance redress mechanisms. The evaluation shows that there are sound reasons to start early with both environmental and involuntary resettlement issues. If a safeguard compliant resettlement plan is not signed off, then the construction schedule risks delay – and upheaval in case of complaint. Environmental management and resettlement plan must be linked to procurement time lines for the civil works. Loan covenants related to the plans should be written clearly, and may need special emphasis on meaningful consultation and the grievance redress mechanism.

234. Safeguards work needs to be viewed as ultimately helping social and environmental enhancements, and helping agencies with improving their environmental and social governance. Safeguard planning should be seen as one point of entry to improve the environmental and social content of projects and their transformational impact on the environment and the poor, in keeping with the aspirational elements of SPS, which go beyond “doing no harm”. An earlier IED evaluation on environmentally sustainable growth argued that ADB-funded projects should aim to improve their environmental content by focusing on climate change mitigation and adaptation measures, pollution control, protection of critical habitats and physical cultural resources, and safe and healthy working conditions for workers.  

235. (2) Step up safeguard implementation support internally and in country agencies to fully achieve the safeguard policy objectives. Close supervision and monitoring is needed and this will be facilitated by deploying the necessary staff in headquarters and resident missions. Like project preparation, project implementation requires a good understanding of the legal steps, financing, mandates and responsibilities for safeguard application at all levels, and targeted capacity building for counterparts. Providing extra support for the poor and vulnerable affected and seeing livelihood programs through to completion – or beyond completion when necessary – are a must if ADB’s safeguard policy principles are to be fully applied. ADB portfolio monitoring systems should be improved such that project officers and safeguard specialists are able to flag expected delays and lapses in safeguards well before they materialize (para. 191). Government monitoring systems to report on the progress of safeguard measures need to be supported so that they are improved.

236. In some cases the limited staffing and resources of ADB can be leveraged nurturing partnerships during implementation with more appropriate implementers of resettlement measures in countries, such as local government committees, independent licensed land appraisers, social nongovernment organizations (especially those with a track record in sustainable livelihoods), and social workers. Added value can also be provided by analyzing more in depth the training and institutional strengthening needs of agencies, so that more durable arrangements can be stipulated, especially to capture longer-term needs. Training of safeguard consultants involved in safeguard monitoring will also help. The evaluation found good response from the side of ADB staff to suggestions on the development of centers of excellence (already underway in several regions) and creating a pool of experienced safeguard consultants. Not only ADB, but also feedback links for monitoring and evaluation by the government and the third parties of safeguard outcomes against objectives should be strengthened. This will lead to enhanced knowledge management and lessons learned that may be used for future safeguard design.

237. (3) Continue to exercise strong caution in proceeding with use of CSS, ensuring that the high ADB standards and its reputation are properly safeguarded; and systematically strengthen the CSS through dedicated technical assistance, especially the local implementation capacities, to pave the way toward its use in ADB supported projects. ADB’s TA work is very suitable in building tangible capacity to promote legal and technical changes in CSS to lift standards and provide capacity development to
improve agencies. The current country safeguards review protocol can be exploited further to enable regular assessments of the CSS and its appropriateness for use in ADB projects to be conducted for agencies with more advanced safeguard capacity. When the use of CSS is deemed appropriate for a pilot in some sector, area and agency (particularly for environmental safeguards), it will be prudent to appoint more staff in the resident missions with good knowledge of legal and policy requirements in the country, and a background in specialized safeguard areas (a shift in some regional departments is already happening also without such piloting). The investigation of the potential for the use of CSS in ADB-supported projects is best focused on countries with basic equivalence in laws and regulations and on those agencies in these countries that have well-resourced safeguards divisions, subscribing to SPS-like objectives.

238. As indicated in Chapter 3 (para. 159), Indonesia’s implementation readiness needs serious improvement, particularly for involuntary resettlement. The equivalence of the legal and regulatory safeguard systems is close to ADB’s SPS in the case of the environmental safeguards, but there are ambiguities. With respect to involuntary resettlement, IED’s analysis noted 4 full and 3 partial equivalence gaps, which need to be resolved. Assessments need to be done on the acceptability of the implementation capacity of each agency involved in a concrete project. ADB’s ongoing CSS assessment will shed light on these matters and public consultation should bring further perspectives. As indicated in the 2014 IED’s Safeguard Operational Review and set forth in the 2009 SPS, ADB needs to adopt a strategic approach for strengthening and using CSS systematically.

239. (4) Determine whether (a) the disclosure arrangements for involuntary resettlement plans, and (b) the definition and functioning of grievance redress mechanisms deserve more attention, and take appropriate actions. Rigorous assessment of GRMs regarding accessibility, transparency, fairness, and protection in projects is needed. Local, pre-existing grievance facilities may form the basis of the GRM providing they offer meet the key criteria access and fair process to all affected people, including women, without fear of retribution. An internal review of all aspects of GRMs by ADB may be helpful to clarify to staff what counts as effective disclosure of resettlement plans and what counts as a minimally acceptable GRM. The disclosure of resettlement plans and related information on safeguard plans including government and third party monitoring reports, will be picked up again in the SPS effectiveness evaluation, as will the functioning of GRMs.

C. Issues to be addressed in the Next Evaluation

240. The evaluation of the effectiveness of SPS scheduled to begin in 2018 will need to address the relevance of the policy, the responsiveness of operations and results on the ground. Likewise, it should assess the progress made and well as the obstacles and incentives, concerning the use of country systems. Further examination of the cost and benefits of implementing the SPS, based on the seminal work conducted in this report may also be called for. Thus the following are some of the areas that the upcoming evaluation should cover:

241. Development Effectiveness of the SPS. In particular the evaluation will need to examine whether project outcomes and impacts met the objectives of the SPS, in order to better understand the overall contribution of the SPS to the Asia and Pacific region.

242. Implementation of Fundamental Principles and Provision. Attention will need to be paid to the implementation of the principles and provisions of the SPS, notably those that are most challenging in light of requests to use CSS. These include: (i) meaningful consultation and GRMs; (ii) on environmental safeguards, assessments of cumulative impacts, the application of pollution prevention and control technologies, and establishing safe and healthy working conditions for project workers; and (iii) on involuntary resettlement, special attention for the poor and vulnerable among the affected people, including improving their standards of living, establishing eligibility for resettlement assistance, paying compensation for non-titleholders, and monitoring and assessing resettlement outcomes.
243. **Use of Country Systems and ADB Work.** Further, progress on the use of CSS will need to be assessed, including the degree to which ADB has put in place rigorous and transparent methodologies for assessing CSS and has adopted a strategic approach for strengthening and using CSS more systematically, as expected by the SPS. The evaluation will need to investigate the potential for future uses of CSS in ADB supported projects; the accomplishment of aims, objectives and expectations set out in the SPS, including the continued applicability of definitions of equivalence and acceptability; the rigor in applying these; and the quality, relevance, effectiveness and outcomes of the CSS processes.

244. **Gap-filling action plans that may underpin CSS pilots in selected subsectors and/or agencies.** Where such CSS pilot projects have commenced, the IED team will be able to review the process, relevance, effectiveness, impact and outcomes of the pilot projects, to ascertain the extent to which SPS objectives are being met. Monitoring and recording progress in implementing safeguards will demand particular attention.

245. **Comparison Groups and Cost Benefits/ Efficiency.** For comparison purposes the evaluation may consider three groups of projects: (i) nationally-funded projects (without external finance) and under CSS only; (ii) ADB-funded projects and under CSS; and (iii) traditional ADB-funded projects. This would enable the evaluation team to compare and contrast processes and outcomes with regards to the safeguard objectives. Also, further analysis of cost and benefits of implementing the SPS based on the work that done in this evaluation could be pursued.

246. On the above basis, it is expected that the evaluation will document the lessons learned for future application and dissemination within ADB, publicly, and to other international financial institutions. Likewise, the evaluation should be in a position to make recommendations to improve the effectiveness of the SPS and the use of CSS that will be valuable for ADB, partner financiers, other stakeholders, and client countries.
Appendix
APPENDIX: LIST OF LINKED DOCUMENTS

1. Consultant Profiles

2. ADB Projects Approved in 2010–2015 with Safeguard Classification

3. a. Portfolio Analysis
   https://www.adb.org/sites/default/files/linked-documents/3a-Portfolio-Analysis.pdf

   b. List of Technical Assistance Projects Relevant to the Three Country Case Studies

   c. Staff Allocation during Project Preparation and Implementation

4. Suggestions for Environmental Performance Indicators
   https://www.adb.org/sites/default/files/linked-documents/4-Suggestion-for-Environmental-Performance-Indicators.pdf

5. Suggestions for Improving the Environmental Management Plan and its Implementation

6. Land Acquisition and Resettlement Committee and Super Land Acquisition and Resettlement Committee in Sri Lanka

7. Survey Results from Indonesia and Sri Lanka
   https://www.adb.org/sites/default/files/linked-documents/7-Survey-Results-from-INO-and-SRI.pdf

8. Lessons from a Compliance Review in the Kyrgyz Republic

9. Suggestions for Improving Involuntary Resettlement Planning and its Implementation

10. Benefits and Costs of Safeguards