

Effectiveness of the 2009 Safeguard Policy Statement

RECOMMENDATIONS

Safeguard policy revisions

1. Modernize the SPS, increasing its relevance and customizing it for both sovereign and private sector financing, by building on evidence from the SPS implementation experience and recent safeguard policy updates at other MFIs.
2. Adopt a new approach in the policy to strengthening borrower systems, with a view to a more systematic improvement and pragmatic use of country systems.

Business processes and implementation

3. Introduce a new safeguard implementation framework, including an updated oversight structure and reporting lines that are strengthened and contribute to more consistent safeguard outcomes across ADB.
4. Underpin the safeguards policy and implementation framework with sufficiently detailed policy guidance (e.g., Operations Manual and staff instructions) and a range of operational guidance documents and good practice notes with established mechanisms for regular reviews and updates.
5. Assess the necessary staffing complement to deliver the safeguards implementation framework and strengthen skills, empowering staff to deliver better safeguard outcomes.

KEY FEATURES OF THE PORTFOLIO

The evaluation covered the ADB portfolio of financing operations from 2010 to 2018. It focused on completed and mature projects that had triggered safeguards, were generally approved from 2010 to 2013, and had reached midterm. ADB's lending volume doubled over 2010–2018, and the instruments and modalities used evolved. The portfolio grew in both number of approvals and lending volume. Private sector financing increased significantly. The share of lending that triggered safeguards in sovereign stand-alone investment projects and infrastructure multitranche financing facilities (MFFs) has declined since the SPS was approved (it is currently about 60%). This decline was offset by increases in nonsovereign operations, financial intermediary projects, and results-based lending (RBL).

The share of category A projects in the portfolio has dropped, which raises concerns about the use of the SPS to support the full risk profile of developing member country (DMC) development opportunities.

KEY FINDINGS

Effectiveness of implementation

The environmental results of ADB's safeguards work were generally satisfactory. They were most effective on direct, often construction-related, environmental impacts. Involuntary resettlement (IR) results were generally satisfactory as well, although they remained focused on improving compensation arrangements for affected people. The results of indigenous peoples safeguards have been less than satisfactory and were often limited to addressing IR impacts.

There is limited appetite for category A projects. Despite the large share of infrastructure lending in the ADB portfolio, the environment and IR safeguard risks are relatively modest. Risk minimization is often based on a narrow application of the safeguard policy, i.e. leaving out components that should be part of the project, but that are higher risk. This is partially due to the streamlined business processes which shortened the time available to undertake the required assessments for more complex projects.

Most projects, as well as provision of technical assistance, supported measures to strengthen client safeguard capacity. However, SPS's ADB-centric approach to the use of country safeguard systems in ADB-supported projects has not been successful.

While the SPS was structured mainly to support traditional sovereign stand-alone investments, it has been applied to all modalities with

varying safeguard performance outcomes: projects implemented through FI have remained the weakest performers on safeguards; MFFs have performed on par with stand-alone investment projects; RBL (a new modality introduced after the SPS) has potential to strengthen country capacity due to its use of agency safeguard systems. Nonsovereign operations (other than FI projects) are as good as or better than sovereign operations in safeguards performance.

Efficiency and effectiveness of delivery

Safeguard staff positions increased from 65 in 2009 to 124 in 2018, with growth mainly in operations departments, steadily matching increases in project approvals.

The roles and responsibilities of ADB and its clients have become blurred, with ADB filling gaps in clients' commitments by undertaking their tasks.

ADB's oversight structure and safeguard management system is not well suited for effective and efficient delivery of the SPS. The six operations departments have organized their safeguard teams differently (primarily in the front office or sector divisions), with varying reporting requirements, degrees of autonomy, and oversight. This has led to inconsistent due diligence across ADB. ADB lacks a corporate system to monitor safeguard risks and performance. Client monitoring and ADB implementation supervision have been less satisfactory than preparation, demonstrating an imbalance of effort between front-loaded procedural requirements and results-focused implementation.

ADB's continuing emphasis on safeguard preparation led to projects that were generally well prepared. Nevertheless, there remain a number of weaknesses at the preparation stage. Environmental and social risk assessment and management are not integrated, contributing to organizational inefficiencies, and limiting safeguard outcomes.

SPS relevance and adequacy

The objectives of the SPS to avoid, minimize and compensate for adverse project impacts, and to strengthen capacity remain relevant. The SPS introduced a number of useful elements into ADB's safeguard policy. Although the objectives and intended reforms remain relevant, significant aspects of the SPS are no longer "fit-for-purpose."

The SPS lacks clarity to guide ADB operations and has not been well adapted to support new lending modalities. Nor has it been customized to address private sector financing instruments. The approach to managing safeguards in FI projects, both sovereign and nonsovereign, is incomplete at both policy and delivery levels. While the SPS was considered forward-looking at approval, it now lags behind the policies of other MFIs.

ISSUES

The SPS lacks clarity in a number of areas of increasing importance, is not fully consistent with MFI good practice, and not well aligned with Strategy 2030 and its emphasis on high-level outcomes. The SPS mixes policy and procedures and does not provide adequate guidance. It has a procedural compliance focus and has gaps in areas of increasing importance (e.g., climate change and labor) and emerging issues (e.g., supply chain management). International good practice has moved beyond the SPS to a more balanced approach to environmental and social assessment and adaptive risk management during implementation, including integrated risk-based categorization. Furthermore, the 120-day environment disclosure requirement for private sector financing is inconsistent with the practice of other MFIs supporting the development of the private sector.

The approach for approving the use of country safeguard systems in ADB projects by focusing on the equivalence of government policies, practices, and systems with the SPS has proven to be ineffective. The objective of strengthening borrower capacity to improve national safeguard systems remains valid. However, it has been largely transactional project support rather than a country systems approach.

While the SPS goes furthest among MFIs in the scope of its accountability to the poor and vulnerable, it has been difficult to operationalize as there is insufficient resources, procedures and guidance. The SPS lacks sufficient operational guidance for ADB to execute, monitor, and measure whether mitigation responses among significantly affected poor and other vulnerable affected persons have prevented further impoverishment and improved standards of living to at least the national minimum standard.

ADB's emphasis on shorter project preparation timelines, including streamlined business processes and project readiness targets, has proved a disincentive for a more consistent and integrated approach to safeguard design. The SPS is not sufficiently aligned with private sector financing, where transactions have limited timeframes and greater cofinancing.

There has been no consistent approach to oversight across departments, resulting in variable institutional outcomes. There are insufficient checks and balances to manage potential conflicts of interest.

Implementation resources and training are inadequate, particularly to support the increased attention that is needed for implementation and safeguard-related outcomes, as well as the weak capacity in executing and implementing agencies.