



Chair's Summary of the Development Effectiveness Committee

14 December 2016

I. 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.