



**ADB Accountability Mechanism
Compliance Review Panel**

**Annual Monitoring Report to the Board of Directors
from 1 March 2009 to 14 May 2010**

on the

Implementation of Remedial Actions

for the

Southern Transport Development Project in Sri Lanka

01 July 2010

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About the Compliance Review Panel

The Compliance Review Panel (CRP) is a three-member, independent body appointed by the Board of Directors of the Asian Development Bank (ADB). The CRP carries out the compliance review phase of the ADB Accountability Mechanism. People who are or may be directly, materially, and adversely affected by an ADB-assisted project in the course of its formulation, processing, or implementation can file a request for compliance review with the CRP after going through the consultation phase of the Accountability Mechanism.

The CRP investigates whether the harm suffered by project-affected people is caused by ADB's noncompliance with its operational policies and procedures and recommends remedial actions to the Board. It also monitors the implementation of Board-approved remedial actions and provides the Board with reports at least annually for a period of 5 years unless otherwise specified. The CRP reports directly to the Board on all activities except clearing its terms of reference for a compliance review and reviewing its draft monitoring reports. In these instances it reports to the Board Compliance Review Committee, a Board committee of six members.

Currently, the CRP consists of Mr. Rusdian Lubis (Chair), Mr. Antonio La Viña, and Ms. Anne Deruyttere.

Rusdian Lubis is an Indonesian national who has more than 30 years experience in environmental management. He has worked with government, university, and private firms in Indonesia and with the World Bank as a senior executive. He has also been Chairman of the Board of Dana Mitra Lingkungan (Environmental Funds) since 2008 and founded Yayasan Waetasi, a nongovernment organization for coastal conservation in Sulawesi, Indonesia, in 1986. He has a bachelor of science in agricultural economics and a master of science in natural resources management and environmental sciences from Bogor Agricultural University and a doctor of philosophy in agricultural and resources economics from Oregon State University in the United States (US).

Antonio La Viña is a Philippine national. He is presently the Dean of the Ateneo School of Government in the Philippines. Prior to this, he was a senior fellow and program director at the World Resources Institute in the US, the undersecretary for legal and legislative affairs and attached agencies at the Department of Environment and Natural Resources in the Philippines, and a law professor at the University of the Philippines. He was a cofounder, trustee, researcher, and policy director for the Legal Rights and Natural Resources Center/*Kasama sa Kalikasan*—Friends of the Earth—in the Philippines.

Anne Deruyttere is a citizen of Belgium with over 30 years of experience with social safeguard issues, sustainable development, community participation, and culture and development. Until 2007, she was the chief of the Indigenous Peoples and Community Development Unit at the Inter-American Development Bank where she coordinated the preparation of and public consultations on policies on involuntary resettlement and on indigenous issues. She holds graduate degrees in economics from the University of Louvain (Belgium) and in anthropology from Edinburgh University (United Kingdom). She is currently a senior consultant at the World Bank.

For more information on the CRP, visit www.compliance.adb.org.

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- STDP-affected persons, particularly Ms. Heather Mundy;
- officials from the Government of Sri Lanka including those from the Ministry of Highways and Road Development, the Road Development Authority, and the Central Environmental Authority;
- Asian Development Bank (ADB) staff at ADB headquarters and at the ADB Sri Lanka Resident Mission and its consultants;
- representatives of the Japan International Cooperation Agency at its representative office in Colombo; and
- STDP consultants including those from Roughton International Ltd and Egis Bceom International.

Abbreviations

ADB	Asian Development Bank
CRP	Compliance Review Panel
ESD	Environmental and Social Division (of the Road Development Authority)
GRC	grievance redress committee
IEM	independent external monitor
IRP	income restoration program
JICA	Japan International Cooperation Agency
km	kilometer
MIS	management information system
RDA	Road Development Authority
RIP	resettlement implementation plan
STDP	Southern Transport Development Project
UDA	Urban Development Authority

Note

In this report, "\$" refers to United States dollars.

In preparing any country program or strategy, in financing any project, or in making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

I. Introduction

1. In December 2004, the Compliance Review Panel (CRP) registered a request for compliance review of the Southern Transport Development Project¹ (STDP) in Sri Lanka. The request was submitted by the Joint Organization of the Affected Communities of the Colombo Matara Highway. The CRP determined that the request was eligible and the Board of Directors of the Asian Development Bank (ADB) authorized a compliance review. The CRP reviewed and investigated the request and submitted its findings and recommendations in a final report to the Board in June 2005 which the Board approved.²

2. The CRP has since then monitored the implementation of the Board-approved remedial actions identified in the final report on the investigation and has recorded its observations in annual monitoring reports posted on the CRP website.³ This Fourth Annual Monitoring Report 2009–2010 examines progress from 1 March 2009 to 14 May 2010.⁴ The CRP also obtained feedback from ADB staff at headquarters and in the Sri Lanka Resident Mission⁵ and from STDP-affected persons⁶ during a monitoring mission in Sri Lanka from 19 to 24 April 2010.⁷

3. In accordance with paragraph 48 of CRP operating procedures, a draft of this fourth monitoring report was submitted to the Board Compliance Review Committee on 3 June 2010.

II. Description of the Project

A. Scope

4. The original STDP loan had two components: the southern highway component and the road safety component. The highway component consisted of the construction of a new highway linking Colombo with Galle, the capital of the Southern Province of Sri Lanka, and Matara while the road safety component addressed Sri Lanka's serious road traffic accident situation. The highway will be about 126 kilometers (km) long, and a 5.6 km Galle access road will also be constructed. STDP also supports policy and institutional reform in its two-fold primary objective: to spur economic development in the southern region and to significantly reduce the high rate of road accidents. The secondary objective is poverty reduction.

¹ ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Southern Transport Development Project*. Manila. (Loan 1711–SRI[SF]).

² The recommendations are included in Appendix 1 taken from paragraphs 267 and 268 of the CRP final report on the investigation.

³ The reports and other related information on the STDP request are at <http://www.compliance.adb.org/dir0035p.nsf/alldocs/BDAO-7XVBSH?OpenDocument>.

⁴ The delay in issuing the Third Annual Monitoring Report in 2009 moved monitoring work for the fourth report to 2010.

⁵ The South Asia Department of ADB delegated the administration of STDP to the resident mission.

⁶ The CRP monitoring mission included a 2-day field visit to the project area where the CRP met government officials, project consultants, and STDP-affected persons.

⁷ The mission was led by CRP Chair Rusdian Lubis with CRP part-time member Anne Deruyttere; Teresita Capati, Compliance Coordination Officer; and Josefina Miranda, Senior Compliance Program Assistant from the Office of the Compliance Review Panel. In meeting the affected persons, the CRP was assisted by an interpreter, Mr. Dunstan Fernando.

5. Based on a request of the Government of Sri Lanka, an ADB supplementary loan of \$90 million for the highway component was approved by the Board in March 2008⁸ to finance (i) cost overruns for restructuring construction from Kurundugahahetekma to the Pinnaduwa interchange to complete the two-lane highway, for expanding the carriageway to a four-lane highway, and for completing the Galle access road; (ii) consultancy services for construction supervision and project management; and (iii) the purchase of road safety equipment. The supplementary loan excluded the last 30 km from the Pinnaduwa interchange to Godagama which was also excluded from the original loan through the restructuring of the civil works contract. The government is now responsible for funding the completion of this section.

B. Agencies and Financing

6. The original STDP was funded by ADB, the Japan Bank for International Cooperation,⁹ the Government of Sri Lanka, the Nordic Development Fund, and the Swedish International Development Cooperation Agency. The total cost of the restructured STDP was estimated at \$448 million with ADB financing \$180 million and the rest shared by the Japan International Cooperation Agency (JICA) and the government. JICA is financing 66.6 km from Kotawa to Kurundugahahetekma in the northern part while ADB is financing 35.2 km including the 5.6 km Galle access road. While the southernmost portion from the Pinnaduwa interchange to Godagama was originally to be funded by the government, it will now be financed by the Export and Import Bank of China. Cabinet approval has already been obtained to award a civil works contract to the China National Technical Import and Export Corporation. It is expected that construction on this portion will start by the third quarter of 2010.

7. The highway component is implemented by the Road Development Authority (RDA) with the Ministry of Highways and Road Development as the executing agency.

C. Status of the Project

8. The Board approved the ADB loan for the project in November 1999 with an expected completion date of 31 December 2005. The loan agreement (between ADB and the Democratic Socialist Republic of Sri Lanka as borrower) and the project agreement (between ADB and the RDA) were signed in December 1999. The ADB loan was declared effective in October 2002 following delays in complying with loan effectiveness conditions, particularly the submission of a satisfactory resettlement implementation plan (RIP). All cofinancing agreements are in place.

9. STDP has suffered cost overruns, especially due to increased costs for civil works. Several factors have contributed to this increase including (i) price escalation due to delays, (ii) undetermined geo-technical and soil conditions, and (iii) an increase in value-added tax. In addition, the delay in bringing the project into compliance has increased the cost of consulting services, mainly because of the additional time required to supervise construction. The STDP supplementary loan approved in March 2008 aims to cover the cost overruns, the Galle access road, and the change in scope for a four-lane highway from Kurundugahahetekma to the Pinnaduwa interchange. The closing date for STDP has been extended to 31 December 2010.

⁸ ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Supplementary Loan and Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the Southern Transport Development Project*. Manila. (Loan 2413–SRI).

⁹ The Japan International Cooperation Agency and the Japan Bank for International Cooperation merged in October 2008, and after the merger JICA assumed responsibility for funding STDP. Therefore, this report will use JICA as the cofinancier.

10. As of 14 March 2010, \$94.6 million of the original ADB loan and \$40.4 million of the supplementary loan had been disbursed. The restructured civil works were at least 98% complete.

11. The JICA section has two contract packages: Package 1 for a four-lane highway close to Colombo was awarded in August 2005, and package 2 was restructured to a four-lane highway in 2008. As of 15 April 2010, progress on the JICA packages was 65% for package 1 and 30% for package 2. These two contracts are now scheduled to be completed by April 2011.

III. Request, Panel Investigation, and Board Decision

12. The requesters filed a request for compliance review in December 2004. They claimed that the harm they suffered or would suffer as a result of noncompliance with ADB operational policies and procedures would include loss of homes, loss of livelihoods, damage to the environment, degradation of wetlands, dispersion of integrated communities, damage to five temples, the negative effects of resettlement, and human rights violations.

13. The requesters specifically stated that the sections of the *ADB Operations Manual* that were and would be violated and thus cause them harm were those on environment, involuntary resettlement, incorporating social dimensions in ADB operations, governance, economic analysis, benefit monitoring and evaluation, gender and development in ADB operations, processing loan proposals, and formulating and implementing loan covenants.

14. The requesters sought remediation from ADB including the following:

- (i) full compensation for resettlement;
- (ii) a gender analysis;
- (iii) reconsideration of the best alignment for the road trace in order to minimize the number of persons to be resettled;
- (iv) an initial social assessment for the final trace;
- (v) provision of adequate land for replacement;
- (vi) completion of an environmental impact assessment for the final trace;
- (vii) full consultation with affected people after completion of the new assessment; and
- (viii) as first steps, suspension of disbursements under the loan and a full investigation of the highway by an independent committee.

15. The CRP's investigation was carried out from January to June 2005. In July 2005, the Board deliberated and approved the final CRP report including the panel's recommendations (see Appendix 1).

IV. Progress in Achieving the Course of Action

16. The CRP's final report on the investigation specified two categories of recommendations. The first was four general recommendations with a scope broader than the project itself. The second listed 15 specific recommendations to bring the project into compliance.

17. In the third monitoring report (15 May 2009), the CRP considered that 15 of the 19 recommendations were in compliance, 2 had been partially met, 1 could no longer be met, and 1 had not yet been met. In this fourth report, the CRP focused on those four recommendations.

The findings are that one recommendation has been met; two have partially been met; and one could indeed no longer be met as stated in the third report. This status is reflected in the last column of the updated course of action in Appendix 2. Unless otherwise specified, the cut-off date for information considered in this report is 14 May 2010. The findings and assessments regarding the four remaining recommendations are summarized below.

V. Findings and Assessment

18. **General Recommendation 3: Management should develop additional guidance for the *ADB Handbook for Resettlement: A Guide to Good Practice* dated 1998 for staff to develop major infrastructure projects with borrowers with little or no comparable project experience, especially in Category A projects. The guidance should particularly address the issues of implementing agencies having adequate institutional capacity and resources in carrying out and monitoring resettlement and ensuring that appropriate legislation is in place to carry out such resettlement.**

19. During previous CRP monitoring exercises, Management explained that the preparation of a new resettlement handbook was contingent on the revision of the ADB safeguard policy statement. On 14 May 2010, ADB reported that following the adoption of the statement in July 2009, extensive internal consultations on revising guidelines were held to ensure consistency. ADB plans to complete the update and release a revised resettlement handbook in the last quarter of 2010 after which it will be updated periodically. The safeguard policy statement includes provisions for incorporating capacity strengthening components into project design and for helping borrowers to ensure that resettlement plans adequately address all involuntary resettlement issues and the availability of sufficient funds. ADB also reported that it is providing additional resources including funding for technical assistance to support the strengthening of developing member country safeguard systems including legal frameworks for resettlement.

20. Based on the progress reported by ADB and the specific timetable for completion of the revised resettlement handbook, the CRP concludes that general recommendation 3 has been partially met. When the revised handbook is released, this recommendation may be considered to be in compliance.

21. **Specific Recommendation 5: Management should require that all affected persons be fully compensated by actual payment before they are moved.**

22. In the Second Annual Monitoring Report, the CRP concluded that Management had not complied with this recommendation as all attempts to achieve compliance had been superseded by events. However, the CRP indicated its intention to monitor (i) delays in issuing new title deeds to people relocated to resettlement sites; (ii) compensation for land plots without houses; and (iii) the likelihood that additional property would have to be acquired. In the Third Annual Monitoring Report, the CRP concluded that significant progress had been made on resettlement and compensation including issuing title deeds, mitigating and compensating construction-related impacts from blasting and dust, safety measures, and conflict resolution. Nonetheless, the CRP expressed concerns regarding (i) the potential need for further land acquisition; (ii) delays in the construction of the southernmost 30 km of the highway and at the interchanges and the potential impact on resettlement; and (iii) other measures to offset prolonged disruption of the livelihoods of families as a result of project delays.

23. **Compensation for land acquisition.** The implementation progress reports of 25 May and 30 September 2009 and 31 March 2010 show that Management has continually monitored

progress on the implementation of the original RIP and its addendums. Minutes of the monthly STDP coordination committee meetings indicate that progress and problems regarding land acquisition and resettlement were reported and discussed. According to Management's consultant's report of 5 April 2010, as of February 2010, only 14 of the 10,273 lots acquired still needed to be compensated (compared to 449 plots in the previous monitoring mission). Those 14 outstanding payments involved very small amounts which some affected persons either had not collected or could not be issued because of missing information on land ownership, in which case the RDA had deposited corresponding amounts with the courts.

24. Additional land acquisition was necessary to accommodate slopes; to improve drainage; to provide alternative access to inaccessible settlements; and to acquire uneconomic, small land parcels left after previous acquisitions. As of March 2010, additional land acquisition consisted of 2,729 parcels of which 844 had been fully compensated. The remaining payments are expected to be made by the end of September 2010. According to the resident mission and the RDA, no significant additional land acquisition is anticipated for the final 30-km section.

25. **Resettlement and title deeds.** During this monitoring period, the CRP noted¹⁰ that compensation had been finalized for all of the 1,338 resettled households including 21 families that had to resettle because of additional land acquisition. Of the 530 families who resettled in the 32 RDA resettlement sites, however, 75 had not been issued title deeds due to outstanding payment dues for issuance of title deeds and to procedural delays in the acquisition by the RDA of 7 of the resettlement sites. Management requested project staff to prepare a list of all affected households with outstanding compensation issues; the staff is taking necessary steps to complete titling. In all the resettlement sites services (i.e., paved roads, electricity, water, and drainage) have been provided, and the responsibility for the sites has now been officially transferred to the local authorities. The RDA does not anticipate any additional resettlement due to construction of the final 30-km section.

26. **Temporary construction-related impacts including dust, noise, and structural damage.** Houses that would likely suffer damage due to blasting and vibration were assessed before blasting started and were to be reassessed afterwards to determine compensation. Reassessing structural damage has commenced as the blasting is complete. It is expected that compensation for structural damage and for dust, noise, and other direct construction-related impacts will be completed before the end of the project. According to Management's consultant's report, as of February 2010, 721 of the 781 complaints received had been resolved by grievance redress committees (GRCs).

27. **Grievance redress committees.**¹¹ GRCs were established to find solutions to complaints and disputes related to land acquisition and resettlement. All parties involved can file complaints. In all, 22 GRCs have been created by the RDA and are operating in all the districts affected by the highway though some issues remain such as the implementation of GRC decisions by contractors, vague procedures, and their legal status.¹² Nevertheless, the CRP is pleased to note that several parties involved have commented that the GRCs have proven to be

¹⁰ STDP status reports on issuing title deeds and additional land acquisition dated April 2010 provided during the CRP monitoring mission in Sri Lanka.

¹¹ GRCs are chaired by the additional district secretary and include the STDP project manager, local authorities, high-ranking persons in the area, the Samatha Mandalaya chairman, a representative of a respected nongovernment organization in the area and its (non-voting) chair, and the social impact monitoring office of STDP. Other specialists may be invited as needed. Gender is an important consideration in the composition of the GRCs. (STDP status report of April 2010.)

¹² Egis Bceom International report to Management on 5 April 2010.

an effective mechanism for problem solving. In fact, by the end of February 2010, the GRCs had resolved 850 problems considerably reducing the caseload for STDP, the contractors, and the local courts.



CRP meets with the Sri Lanka Resident Mission staff

28. The CRP acknowledges that the resident mission plans to continue monitoring progress on the implementation of the RIP and its addendums including compensation for additional land acquisition, issuing compensation certificates and title deeds, and compensation for direct, construction-related impacts. This will include monitoring the final 30-km section of the highway. The RDA reports on progress with compensation on a quarterly basis. It is important to note that the resident mission has hired a communication specialist as part of the Small Scale Capacity Development Technical Assistance Project on Strengthening Road Development Authority in Implementation of the Environmental Management Plan of the Southern Transport Development Project.¹³ The specialist has designed informative leaflets and brochures for persons affected by additional land acquisition.

29. **Conclusion.** The CRP recognizes that with the exception of relatively small compensation payments for additional land acquisition and direct, construction-related impacts, almost all resettlement and compensation issues have been resolved in the JICA and ADB sections and that both the RDA and the resident mission are committed to ensuring compliance with the RIP for the last 30-km section. While the original recommendation can no longer be complied with due to the current advanced stage of land acquisition, given the assurances by

¹³ ADB. 2009. *Small Scale Capacity Development Technical Assistance Project on Strengthening Road Development Authority in Implementation of the Environmental Management Plan of the Southern Transport Development Project. Manila.* (S-CDTA-7239-SRI).

Management that it will monitor remaining compensation issues, no further monitoring by the CRP of the implementation of the RIP and land acquisition is required.

30. Specific Recommendation 7: Management should assist in the income restoration program and the establishment of household benchmarks through the management information system for affected persons as called for in the resettlement implementation plan.

31. In the Third Annual Monitoring Report, the CRP expressed concerns regarding (i) the reduction in scope of the livelihood restoration component from the original 1,050 affected households¹⁴ to 22 households, (ii) the use of benchmark data collected under the management information system (MIS), and (iii) the resident mission's role in facilitating using the results of the land-use study in the income restoration program (IRP). The CRP considered that ADB continued to be in partial compliance with this recommendation and urged, "...Management to carefully review the reduction in scope under the revised IRP, to closely monitor and facilitate land-use planning along the highway and its interchanges, and to ensure that the MIS is fully operational..." CRP considered that compliance would be achieved when (i) the review of the IRP showed that all affected persons needing income support were included in the revised IRP; (ii) ADB closely monitored and facilitated land-use planning along the highway and its interchanges; and (ii) the MIS was fully operational.

32. Income restoration program.¹⁵ In addition to its ongoing efforts to monitor progress on implementing the IRP through RDA monthly progress reports, the resident mission contracted a social development specialist to review the revised IRP including the process for selecting households to be included in the livelihood restoration component. The study did not, however, address CRP concerns about reducing the scope of the IRP from 1,050 households to 22; rather, the report¹⁶ provided only a chronological overview of the IRP and did not attempt to review the soundness of the methodologies used to define household eligibility. The consultant instead recommended that an analysis of data on 940 households be undertaken by the RDA.

33. The independent external monitor¹⁷ (IEM) reported that of the 22 eligible households, only 10 had actually received support under the livelihood restoration component. The rest had moved out of the area, had restored their pre-project livelihoods on their own, or were no longer interested in participating in the program. The participating households received customized assistance including support from the Industrial Development Board, facilitation of employment, training, and social welfare assistance. According to project staff, only 2 of the 22 households need further assistance. The IEM also reported that in a sample of 17 of the 62 households in the ADB section that had previously had commercial properties and had resettled themselves, 60% had re-established their business (up from 30% in 2006) while 40% had not. The IEM report further indicated that several affected households were poverty stricken, especially those headed by females, and that there were many complaints about further deterioration in livelihoods due to prolonged construction delays.

¹⁴The 1,050 affected households selected by Sarvodaya Economic Enterprise Development Services (Gte) Ltd, a nongovernment organization initially contracted after transferring the implementation of the IRP to the RDA, was revised downwards to only 22 families needing further assistance in the JICA section.

¹⁵ The income restoration program consists of (i) livelihood restoration; (ii) home gardening programs; and (iii) strengthening housing societies.

¹⁶ ADB. 2009. *Review of the Income Restoration Program for Affected Persons, Final Report* (by H.D. Sumanasekera).

¹⁷ ADB. 2010. *Independent External Monitoring of Resettlement Activities of the Southern Transport Development Project. Extension 2009–2010. Report on Phase 2: Continuous Monitoring* (by Centre for Poverty Analysis).



CRP visits income restoration program at a relocation site

34. During the field visit, the CRP noted that affected persons recovered economically in different ways. Some were highly successful in setting up new businesses while others were still struggling to regain their livelihoods. In general, improvements were noted compared with the previous monitoring mission; however, several households, some of which had been visited during the previous field visit, continued to be in precarious positions and had been clearly impoverished after resettlement even though minor improvements in their unfinished houses were observed. The CRP also observed that the home gardening program for some of the poorest households provided critical subsistence support. Of particular concern was the situation of households that were already poor before resettling and whose situation further deteriorated as a result of resettlement. These households were not among the 22 selected for the IRP. Nevertheless, while many households had not yet recovered their pre-project livelihoods, most seemed to have managed on their own making further support unnecessary.

35. Based on these findings and on available reports, the CRP suggests that ADB should support the RDA in identifying households in precarious situations that are still in need of support for income restoration. Data from the IEM survey, the MIS, and information contained in individual files in the regional STDP offices could be used for this purpose.

36. **Land use planning.** The CRP acknowledges the resident mission's active support¹⁸ of the Urban Development Authority (UDA) for the preparation of land-use plans along the highway, especially for the interchanges and access roads. The preparation of the plans was just getting underway during the previous monitoring mission, but now they are complete and

¹⁸ ADB. 2009. *Technical Assistance to Sri Lanka for Land Use Planning of the Southern Highway Corridor*, (TA 7065-SRI).

seem to be of high quality and include detailed plans for some of the 11 interchanges.¹⁹ The studies included broad consultations and took into consideration the development needs of the local population. While specific IRPs supported by the RDA are phasing out, these land-use plans could facilitate economic opportunities for the local population including many affected persons. The resident mission provides the CRP with the monthly reports of the project coordinating committee as evidence of its continuing role in facilitating coordination between the RDA and the UDA, and the CRP is convinced that the mission has played this role successfully. The CRP acknowledges the mission's intention to keep monitoring progress on the implementation of the land-use plans including the inter-institutional coordination necessary for success.



CRP meets with staff of the Road Development Authority and the Urban Development Authority

37. **Management information system.** The CRP noted that ADB has continuously supported the RDA in establishing a database on land acquisition and resettlement. During the mission, the CRP observed the operation of the MIS. It now includes data on all acquired plots and on all affected persons, but information regarding pre-project income levels is available for only some households. While the form and content of the database can be improved, it is a good basis for monitoring progress on land acquisition and resettlement and could easily be expanded to record baseline socioeconomic information and to monitor progress on income restoration. The RDA intends to use a similar database for future road projects. The CRP is pleased to note that the resident mission intends to monitor the improvement of the database to ensure that it is user friendly, that it provides easy access to consolidated information, and that it expands to include socioeconomic data. In fact, the reports of the IEM drew on data from the MIS. It is therefore not only a necessary tool for the day-to-day implementation of land acquisition, resettlement, and the IRP, it is also a source of data to assist the Environment and Social Division (ESD) of the RDA in its monitoring and evaluation activities.

¹⁹ Egis bceom International, 6 volumes (August 2009).

38. **Conclusion.** The CRP considers that significant progress has been achieved in improving the MIS and is confident that it will be fully operational in the short term. The CRP is also convinced that the resident mission will continue to perform its role in facilitating coordination between the RDA and the UDA to use the results of the land-use study in the IRP. Regarding the IRP, the CRP acknowledges that while many households have not fully recovered their livelihoods, further support would no longer be effective as they are recovering on their own. However, the CRP remains concerned about several cases of very poor, resettled families who have not recovered. Based on the unsatisfactory review of the reduction in the scope of the IRP and on continued concerns that some of the poorest households have not recovered their livelihoods, the CRP considers that recommendation 7 is still in partial compliance. In order to achieve full compliance, the CRP recommends that ADB work closely with the RDA to identify poor households that have not been covered by the revised IRP, documenting the process and the results, and to provide them with the support necessary to at a minimum re-establish their pre-project livelihoods.

39. **Specific Recommendation 9: Management should help establish well-staffed monitoring of resettlement activities by an independent institution, forwarding concerns to the RDA for urgent action from affected persons.**

40. In the Third Annual Monitoring Report, the CRP found that creating the ESD to oversee the monitoring and evaluation system at the RDA was a positive development²⁰ though Management still needs to address the further development and integration of the project's various monitoring and evaluation systems. The CRP continued to find only partial compliance with this recommendation though compliance will be achieved when the ESD is fully operational.

41. During this monitoring period, the CRP was pleased to see that ADB had provided support for strengthening the ESD in the Small Scale Capacity Development Technical Assistance Project on Strengthening Road Development Authority in Implementation of the Environmental Management Plan of the Southern Transport Development Project. The consultants with this project are providing training for staff and are supporting the ESD in monitoring the implementation of the project's environmental management plan and the development impacts as described in the design and monitoring framework. The CRP also took note that the staffing and capacity of the ESD have improved since the previous monitoring mission and that the division currently has 22 staff members. The ESD reviewed the monthly environmental report submitted by the construction supervision consultant prior to submitting it to the Central Environmental Authority. In addition to reviewing safeguard policy documents, the ESD is now capable of preparing them. In fact, with support from consultants, the ESD has prepared the last two project performance and monitoring system reports for use by ADB and JICA. Also, the Central Environmental Authority noted it was pleased to have the ESD as a counterpart within the RDA. In addition to providing the project performance and monitoring system reports to the RDA, ADB, and JICA, the ESD will also monitor future World Bank and JICA road projects. The CRP was also informed that the ESD is now participating in project coordination committee meetings.

42. **Conclusion.** The CRP concludes that despite some shortcomings, the ESD has developed its ability as an independent unit within the RDA to monitor the environmental and

²⁰In line with the policy of the Ministry of Highways and Road Development of the Government of Sri Lanka to mainstream environmental and social safeguard compliance in all its operations, the Environmental and Social Division has been established in Road Development Authority.

social aspects of STDP. The CRP is of the opinion that the ESD still needs further institutional support and capacity building in areas such as database management, communication skills, and awareness building on safeguard matters. In addition, since the ESD deals with environmental safeguard compliance, it must maintain independence in its operations and avoid all potential conflicts of interest. Despite these remaining challenges, the CRP is pleased to see significant progress and concludes that this recommendation is in compliance.

VI. Other Matters

43. In the Third Annual Monitoring Report, the CRP indicated two major issues that were to be addressed promptly and adequately, i.e., delays related to the southernmost 30-km section of the highway and the problem of flooding, as both issues are related to CRP recommendations.

44. Regarding the delay in obtaining financing for the last section of the highway, the CRP was informed²¹ that a new financier, the Export and Import Bank of China, has been identified and that negotiations are at an advanced stage. Cabinet approval has been obtained to award the civil works contract to M/S China Technical Import and Export Corporation, and pending approval by Parliament, construction is expected to start in the third quarter of 2010. Although no longer financing this section, ADB continues to be responsible for ensuring compliance with its environment and social safeguard policies.²² On 14 September 2009, ADB wrote to the government highlighting the importance of adopting ADB safeguard measures for the last 30 km of STDP.²³ During the field monitoring mission in April 2010, the CRP was pleased to receive assurances from the government and the resident mission that the ADB safeguard policy would be followed in the last 30 km and that the implementation of the environmental management plan for the entire trace would be included as part of the conditions in the contract for the final section.

45. In the third monitoring report, the CRP was concerned about the flooding that continued to be a significant issue for affected persons. The resident mission reported that one of the social measures undertaken in the Kahatuduwa area (JICA package 1 section) was extensive flood mitigation work that was now almost complete. During the April 2010 field visit, the CRP observed that remedial measures had been implemented by redesigning some structures to accommodate the flow of a larger volume of floodwater and that work on the canals and canal dredging was in progress. The CRP understands that in certain areas of the flood plain, flooding is inevitable. While the issue of flooding is only indirectly related to the Board-approved recommendations, it is particularly significant for affected persons, some of whom resettled in flood-prone areas. As demonstrated by the remedial work on drainage and canals systems, ADB has clearly been proactive on this issue. While JICA is providing the resources for remedial action, the CRP urges ADB to work closely with its counterpart to continue to give the flooding issue high priority.

²¹The resident mission's draft Aide Memoire of the review mission of 30 March to 8 April 2010, para 7.

²²Schedule 6 of the loan agreement on STDP states that "The Borrower shall ensure that all environmental mitigation measures identified in the Summary Environmental Impact Assessment and the approval of the Central Environment Authority of the Borrower are incorporated in the design, and followed during the construction, operation and maintenance of the Project."

²³Management's implementation progress report of 30 September 2009.



Flood mitigation measure at the JICA section

VII. Conclusions

46. The CRP concludes in this Fourth Annual Monitoring Report for STDP that considerable progress has been made in implementing the recommendations formulated in 2005. The CRP acknowledges the efforts of ADB (and of the borrower) to bring STDP into full compliance. Of the original 19 recommendations, there are only 2 that are still outstanding, namely general recommendation 3 and specific recommendation 7, both of which are in partial compliance.

47. Regarding general recommendation 3 on the preparation of the resettlement handbook, while not yet satisfied, the CRP took note of the timeline Management provided for the completion of the handbook and related initiatives during the last quarter of 2010. Therefore, the CRP concludes that this recommendation is in partial compliance.

48. Regarding specific recommendation 7 on the IRP, the CRP acknowledges that Management has taken action to respond to the recommendation in the Third Annual Monitoring Report; however, the CRP remains concerned about affected households that were previously poor and were further impoverished as a result of resettlement and also about the fact that the review by the resident mission required in the third report did not supply a justification for the reduction in the scope of the IRP. Therefore, the CRP considers that recommendation 7 is still in partial compliance. In order to achieve full compliance, ADB should work closely with the RDA to identify poor households not covered by the revised IRP and, if necessary, to provide them with enough support to at a minimum re-establish their pre-project livelihoods.

49. As reported in the second monitoring report, specific recommendation 5 could no longer be complied with because construction work had already started before affected persons received compensation. Despite this fact, the CRP indicated it would continue to monitor the implementation of land acquisition and resettlement and notes that with the exception of small compensation payments for direct, construction-related impacts, almost all resettlement and

compensation issues have been resolved in the JICA and ADB sections and that both the RDA and the resident mission are committed to ensuring compliance with the ADB Involuntary Resettlement Policy for the last 30 km of the highway. Therefore, while the original recommendation can no longer be complied with given the advanced stage of completion of the land acquisition and resettlement plan, the issues pertinent to this recommendation require no further CRP monitoring.

50. In summary, while the scope and depth of ADB's non-compliance with ADB policies reported in its 2005 compliance review report was very significant, during the past 4 years significant progress in implementing the course of action on the recommendations has been made.

VIII. Next Step

51. The CRP, after consultation with the Board Compliance Review Committee, will provide the Board with its fifth and final annual monitoring report in December 2010.

/S/ Rusdian Lubis
Chair
Compliance Review CRP
01 July 2010

Compliance Review Panel Recommendations

(extracted from the CRP's Final Report on the Southern Transport Development Project compliance review request)

266. The CRP has 2 categories of recommendations resulting from its investigation in this Project—measures addressing issues that may cause difficulties in complying with ADB policies and operational procedures in ADB-assisted projects, and measures relevant to current implementation problems necessary to bring the project back into compliance.

267. On the first category, the Board asks that Management take the following measures:

- (i) review selected road projects as to how changes of scope may make the application of environment and resettlement policies difficult;
- (ii) review cofinancing arrangements in selected projects to determine if such arrangements have a damaging effect on policy compliance for the whole project, and make recommendations to strengthen policy compliance for these projects;
- (iii) develop additional guidance for the *ADB Handbook for Resettlement: A Guide to Good Practice* dated 1998 for staff to develop major infrastructure projects with borrowers with little or no comparable project experience, especially in Category A projects. The guidance should particularly address the issues of implementing agencies having adequate institutional capacity and resources in carrying out and monitoring resettlement and ensuring that appropriate legislation is in place to carry out such resettlement;
- (iv) provide to the CRP with a copy to the Board, by 31 August 2005, a course of action with timelines on implementation of these measures for the CRP's monitoring and reporting to the Board.

268. On the second category, the Board asks that Management take the following measures:

- (i) assess the environmental impacts of the Galle access road and any stretch of the ADB section on the Final Trace (FT) different from the Combined Trace (CT) including consulting project-affected people;
- (ii) ensure the incorporation of the environmental impact assessments and the recommended mitigation measures of any stretch of the ADB section on the FT different from the CT and of the Galle access road in the environment management plan (EMP) for the project;
- (iii) review the cofinancing arrangements in the STDP with a view to strengthening policy compliance for the whole project;
- (iv) conduct an analysis of gender issues on the project and ensure that the programs under the project adequately address these gender issues;

- (v) require that all affected persons be fully compensated by actual payment before they are moved;
- (vi) determine whether or not there has been a change of scope in the project, as provided in Project Administration Instruction No. 5.04;
- (vii) assist in the income restoration program and the establishment of household benchmarks through the management information system (MIS) for affected persons as called for in the resettlement implementation plan (RIP);
- (viii) ensure that full project information, especially the essential elements of the RIP, be provided in an appropriate language to each affected household, rather than simply making it available at the district offices;
- (ix) help establish well-staffed monitoring of resettlement activities by an independent institution, forwarding concerns to RDA for urgent action from affected persons;
- (x) require immediate provision of utilities and infrastructure to resettlement sites;
- (xi) require a special emphasis in the RIP and the income restoration program for women, if necessary by the allocation of additional staff to track their recovery as affected persons;
- (xii) assist in the preparation of a detailed project framework for benefit monitoring and evaluation (BME) activities to include outputs, indicators of achievements, and means of verification on social issues;
- (xiii) assist in the preparation of an additional assessment of project beneficiaries along the FT to establish baseline information for BME activities;
- (xiv) update the project profile (PP), or its equivalent by the project information document on the ADB website where the latest posting is 15 March 2000, at least on a monthly basis with full information for all categories, until the project is brought into compliance;
- (xv) provide to the CRP with a copy to the Board, by 31 August 2005, a course of action with timelines on implementation of these measures for the CRP's monitoring and reporting to the Board.

Loan 1711–SRI[SF]: Southern Transport Development Project

Course of Action to Implement the Recommendations of the Compliance Review Panel (CRP)

Summary of Findings and Status as of May 2010

	CRP Recommendations that have not complied with on third year implementation	Compliance status determined by CRP in its Third Annual Monitoring Report	Progress up to May 2010	Future Actions Required by CRP	Compliance Status as determined by the CRP on its Fourth Annual Monitoring
General Recommendation					
Para 267 (iii)	<p>Develop additional guidance for ADB's <i>Handbook for Resettlement: A Guide to Good Practice</i> dated 1998 for staff to develop major infrastructure projects with borrowers with little or no comparable project experience, especially in Category A projects.</p> <p>The guidance should particularly address the issues of implementing agencies having adequate institutional capacity and resources in carrying out and monitoring resettlement and ensuring that appropriate legislation is in place to carry out such resettlement.</p>	Not complied with	<p>The preparation of a new resettlement handbook was contingent on the revision of the Asian Development Bank (ADB) safeguard policy statement, which was approved in July 2009. Extensive internal consultations on revising guidelines were held to ensure consistency. ADB plans to complete the update and release a revised resettlement handbook in the last quarter of 2010.</p> <p>ADB also reported that it is providing additional resources including funding for technical assistance to support the strengthening of developing member country safeguard systems including legal frameworks for resettlement.</p>	When the revised handbook is released, this recommendation will be considered to be in compliance.	Partially complied with

	CRP Recommendations that have not complied with on third year implementation	Compliance status determined by CRP in its Third Annual Monitoring Report	Progress up to May 2010	Future Actions Required by CRP	Compliance Status as determined by the CRP on its Fourth Annual Monitoring
Specific Recommendations for the Project					
Para 268 (v)	Require that all affected persons be fully compensated by actual payment before they are moved	Not complied with	<p>ADB, through its Sri Lanka Resident Mission (SLRM) continually monitors the implementation of Resettlement Implementation Plan.</p> <p>As of February 2010: (i) only 14 lots out of 10,237 have not been completely paid compensation and (ii) 721 of the 781 complaints received due to temporary construction disturbances had been resolved by grievance redress committees (GRCs).</p>	<p>No actions required.</p> <p>The original recommendation can no longer be complied with due to the current advanced stage of land acquisition. Given the assurances by ADB that it will monitor the remaining compensation issues, no further monitoring by the CRP on the implementation of the RIP and land acquisition is required.</p>	<p>Not complied with</p> <p>Compliance cannot be achieved because the project has completed the land acquisition for the right of ways.</p>
Para 268 (vii)	Assist with the income restoration program and the establishment of household benchmarks through the management information system for affected persons as called for in the resettlement implementation plan	Partially complied with	<p>In its Third Annual Monitoring Report, the CRP was informed that the scope of the income restoration program (IRP) has been reduced to cover only 22 AP households. On this basis, CRP requested ADB to carry out a review on the reduction of the scope of the IRP. During this monitoring period, CRP found that the review on the reduction of scope of the IRP carried out by the independent consultant hired by SLRM was not</p>	<p>The CRP suggests that ADB should support the RDA in identifying households in precarious situations and are still in need of support for income restoration.</p> <p>The CRP considers that significant progress has been achieved in</p>	Partially complied with

	<p align="center">CRP Recommendations that have not complied with on third year implementation</p>	<p align="center">Compliance status determined by CRP in its Third Annual Monitoring Report</p>	<p align="center">Progress up to May 2010</p>	<p align="center">Future Actions Required by CRP</p>	<p align="center">Compliance Status as determined by the CRP on its Fourth Annual Monitoring</p>
			<p>comprehensively done. It does not attempt to review the soundness of the methodologies used to define household eligibility criteria used for reduction of scope.</p> <p>The independent external monitor, the Centre for Poverty Analysis (CEPA) has continually carried out monitoring activities and prepared report routinely. The CEPA indicated that several affected households were poverty stricken, and that there were many complaints about further deterioration in livelihoods due to prolonged construction delays. During the CRP's field visit, improvements were noted compared with the previous monitoring mission. However, several households, some of which had been visited during the previous field visit, continued to be in precarious position and had been clearly impoverished after resettlement. These households were not among the 22 selected for the IRP.</p> <p>The management information system (MIS) has now included data on all acquired plots and on all affected persons, but information regarding pre-project income levels are available only for some households. While the form and content of the database can be improved, it is a good basis for monitoring progress</p>	<p>improving the MIS and is confident that it will be fully operational in the short term</p>	

	CRP Recommendations that have not complied with on third year implementation	Compliance status determined by CRP in its Third Annual Monitoring Report	Progress up to May 2010	Future Actions Required by CRP	Compliance Status as determined by the CRP on its Fourth Annual Monitoring
			<p>on land acquisition and resettlement and could easily be expanded to record baseline socioeconomic information and to monitor progress on income restoration. The Road Development Authority (RDA) intends to use a similar database for future road projects. The CRP is pleased to note that the SLRM continues to assist RDA to improve the MIS by expanding the coverage to include socioeconomic data to enable the RDA especially the Environment and Social Division (ESD) in its monitoring and evaluation activities.</p>		
Para 268 (ix)	<p>Help establish monitoring of resettlement activities by a well-staffed, independent institution that forwards concerns from affected people to RDA for urgent action</p>	<p>Partially complied with</p>	<p>In the Third Annual Monitoring Report, the CRP supported the establishment of ESD to oversee the monitoring and evaluation system at the RDA and noted it as a positive development. Therefore, CRP recommended that compliance will be achieved when the ESD is fully operational.</p> <p>In this Fourth Annual Monitoring Report, CRP was pleased to see that ADB had provided support for strengthening the ESD in the Small Scale Capacity Development Technical Assistance Project on Strengthening Road Development Authority in Implementation of the Environmental Management Plan of</p>	<p>CRP will no longer monitor the implementation of this Board-approved recommendation.</p>	<p>Complied with.</p>

	<p align="center">CRP Recommendations that have not complied with on third year implementation</p>	<p align="center">Compliance status determined by CRP in its Third Annual Monitoring Report</p>	<p align="center">Progress up to May 2010</p>	<p align="center">Future Actions Required by CRP</p>	<p align="center">Compliance Status as determined by the CRP on its Fourth Annual Monitoring</p>
			<p>the Southern Transport Development Project. The CRP also took note that the staffing and capacity of the ESD have improved since the previous monitoring mission and that the division currently has 22 staff members. The ESD has been able to review the monthly environmental report submitted by the construction supervision consultant prior to submission to the Central Environmental Authority (CEA). In addition to reviewing safeguard policy documents, the ESD is now capable of preparing them. In fact, with support from consultants, the ESD has prepared the last two project performance and monitoring system reports for use by ADB and Japan International Cooperation Agency (JICA). The CRP also noted that CEA is also pleased with the progress on capacity of ESD as a counterpart within the RDA. The CRP was also informed that the ESD is now participating in project coordination committee meetings, and will undertake the same role for other RDA's projects funded by the World Bank.</p>		

List of Persons Met

Ministry of Highways

Admiral Wasantha Karannagoda
Secretary, Ministry of Highways and Road Development

Road Development Authority (RDA)

Mr. R.W.R. Premasiri Fernando, General Manager

Southern Transport Development Project (STDP) Team, RDA

Mr. S. Mehandan – Project Director, STDP
Mrs. T.D. Wijewardena – Deputy Project Director, South Section of ADB
Mr. I.C.R. Fernando – Deputy Project Director, ADB Section
Mrs. T.S. Silva – Chief Engineer-in-charge of Package 1
Mr. I.H. Upali – Deputy Director, JBIC Section-Package 2
Mr. T. Gallage – Deputy Director
Mr. H.M. Wimalasinghe – Deputy Director, Social & Environment
Mr. G.D. Thiakasiri – Deputy Director, RDA
Mr. R.M. Somaratne – Deputy Director, Lands, RDA
Mr. Priyantha Wijesooriya, Resettlement Officer, Dodangoda Office
Mr. M.J. M. Adhil – MIS Assistant
Ms. Himasha Benaragama
Mr. D. S. Algama – Resettlement Officer
Ms. K. G. Kalyani – Resettlement Assistant

Environmental and Social Division, RDA

Mr. R.H. Karunaratne – Director (ESD/Land)
Mr. Hudson de Silva – Deputy Director, ESD
Mr. Saranga Gajasinghe – Environmental Officer, ESD
Mrs. Lakmalie Liyanage – Resettlement Officer, ESD

Egis bceom International (Management Consultant)

Mr. Yee Thian Soon – Team Leader, MC
Mr. D.P.C. Meegoda – Deputy Team Leader, JBIC section
Mr. Wijitha Fernando – Deputy Team Leader, ADB section
Mr. N. Maddugoda – Social Development Specialist
M.M.A.I. Janaka – Environmental Specialist

Roughton International Ltd.

Mr. Inderjeet Singh – Team Leader
Mr. Peter J. Padmore – Consultant

Central Environment Authority

Dr. Wimaladharma Abeyewickreme – Chairman
Pasan Priyalal Gunasena – Director General
Ms. Ramani Ellepola – Deputy Director General/EMA
Ms. Kanthi de Silva – Director, Environmental Impact Assessment
Mr. K.G.S. Jayawardane, Deputy Director, Environmental Impact Assessment
Mr. Thushara S.C. Pieris, Assistant Director, Environmental Impact Assessment
S.P. Periyapperuma – Director, Environmental Impact Assessment

Urban Development Authority

Prasanna Wijetunge, Director (Western Province)
L.S. Weerasoori

Japan Bank for International Cooperation

Mr. Masanari Yanagiuchi – Representative
Ms. Namal Ralapanawe – Project Specialist

Centre for Poverty Analysis

Ms. Nilakshi De Silva – Senior Professional
Ms. Niranjana Gunatileke – Senior Professional
Ms. Mansi Kumarasini – Professional

Consultants for TA 7239 – Implementation of Environmental Management Plan of STDP

Dr. H. D. Sumanasekera – Social Development Specialist
Mr. Vasana Wickremasena – Communication Specialist

ADB Sri Lanka Resident Mission

Mr. Richard Vokes, Country Director
Mr. Munawar Alam, Head, Portfolio Management Unit
Mr. Aruna Uddeeptha Nanayakkara, Project Implementation Officer (Road and Transport)
Ms. Manjula Amerasinghe - Project Implementation Officer
Mr. Amarasena Gamaathige, Social Sector/Resettlement Officer
Ms. Nelun Gunasekera, Gender Specialist

Project affectees met at the following places

JBIC Section

Mr. R.P.M. Hidalaaratchi and wife H.D.J. Gunatulleke
Mr. Munidasa Walpola and Mrs. E. K. Manel
Mr. M. S. Perera
Mrs. G. Karunawathi
Ranjani Perera and Sunny Alwis
Nanda Piyaseeli and Ranjith Gunathilaka

ADB Section

Mr. Martin Polhena
Mr. Jayarathna Amarasingha
Mr. R. A. Jayatissa
Mrs. M. Renuka