

Two Case Studies from USAID's Multilateral Development Bank Project Review Team

Author: Victor Bullen

Co-authors: Alexis Erwin, Leslie Johnston

Affiliation: United States Agency for International Development, Multilateral Development Bank Team

Abstract

U.S. law directs the United States Agency for International Development (USAID) to strengthen the environmental and social performance of the multilateral development banks (MDB) in which the United States is a shareholder. This direction stems from recognition by the U.S. Congress in the 1980s that some MDB-funded projects caused egregious environmental and social harms in addition to producing development benefits. To implement this directive, USAID leads field reviews of selected MDB projects that are particularly likely to have significant adverse impacts on the environment, natural resources, public health or indigenous peoples. Field reviews yield constructive findings and recommendations that are shared with MDBs and other stakeholders and published in public reports.

This paper introduces USAID's process for reviewing MDB projects and provides two case studies. First, USAID's review of the \$200M World Bank Improved Rural Connectivity Project in Zambia affirmed the bank's rationale and design approach. It recommended that regulatory ministries be included in the project's capacity building component, and that a Pesticide Management Plan be developed to account for diverse risks associated with improved farm-to-market roads. Second, USAID's review of the \$34M World Bank Tina River Hydropower Project in the Solomon Islands commended the project's principle of 'no land loss.' Recommendations centered on managing invasive species and establishing a new protected area. In both cases, World Bank project staff considered all and adopted some of USAID's recommendations. These cases and the broader body of knowledge produced through past field reviews suggests that USAID reviews are an important supplement to the MDB environmental and social impact assessment process and can improve project design and implementation.

Introduction

Title XIII of the International Financial Institutions (IFI) Act of the United States of America¹ directs the U.S. Government (USG) to strengthen the environmental and social performance of each MDB in which the USG is a shareholder.²

Toward this end, USAID, through its MDB Team, leads³ reviews of selected MDB projects in consultation with the U.S. Departments of the Treasury⁴ and State and relevant U.S. federal

¹ Title XIII of the International Financial Institutions Act, as amended through Public Law 113-188, enacted November 26, 2014.

² African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group.

³ Reviews are conducted pursuant to Section 1303(a)(1) and (3) of the IFI Act and Section 7060(c)(7)(E) of Public Law 113-235.

agencies. USAID conducts independent, technical analyses of the environmental and social impacts of MDB projects to improve the projects' design and implementation as well as MDB safeguards. USAID has developed principles to guide its work.⁵

USAID selects projects for review that are particularly likely to have significant adverse impacts on the environment, natural resources, public health, or indigenous peoples. The purpose of these reviews is to provide recommendations that could identify, avoid, or mitigate adverse impacts. USAID conducts several reviews per year, shares its reviews with MDBs and other stakeholders, and makes them available in public reports.⁶

These reviews are similar to those conducted by independent advisory panels of MDB projects with particularly sensitive environmental and social issues, but are initiated and conducted by a bilateral aid agency and not at the request of MDBs or borrowers.

Scope

USAID frames its analysis for reviews using MDB safeguard policies and guidance, relevant U.S. legislation, and international best practice standards. Analysis may focus on any aspect of environmental and social assessment and management.⁷ USAID may focus on environmental and social issues formally raised to MDBs by the USG through policy reviews or other processes. Findings and recommendations may highlight good practice and areas for improvement.

Methods

These two cases studies were chosen because many of their recommendations were adopted by WB staff and improved project design. The aim of the reviews was to understand key environmental and social issues from a diversity of perspectives. The field review team triangulates methods of review as much as practicable by using multiple data and information collection techniques, sources and analysts. Recommendations are based on information available at the time of the site visit or shortly thereafter via the following means:

- Identification and review of project documents, including the environmental and social impact assessment (ESIA) if completed, MDB safeguard policies as they relate to the project⁸, documents from related MDB and bilateral development projects, and technical literature;
- Interviews with subject matter experts;
- Semi-structured and un-structured interviews with stakeholders;

⁴ MDB Team reviews are distinct from, but related to, the interagency loan reviews and other MDB oversight functions led by the U.S. Department of the Treasury.

⁵ Principles are as follows: Consult broadly in selecting projects and conducting reviews; Leverage USG technical expertise; Promote constructive dialogue regarding findings and recommendations with MDB staff, governments, and other stakeholders; and Remain flexible in responding to opportunities.

⁶ USAID MDB Team public reports: <http://gemini.info.usaid.gov/egat/envcomp/mdb.php>.

⁷ These include screening; scoping; borrower capacity; analysis of alternatives; baseline data; direct, indirect, and cumulative impacts; and impacts from associated facilities.

⁸ In these case studies the World Bank's Operational Policy/Bank Procedures on Environmental Assessment (OP/BP 4.01), OP/BP 4.10 – Indigenous Peoples, OP/BP 4.12 - Involuntary Resettlement and other OP/BPs were used.

- Biophysical and social observations.

Case 1: Zambia – Improved Rural Connectivity Project

This World Bank \$200-million loan to the Government of the Republic of Zambia (GRZ) will upgrade and maintain 4,200 km of feeder roads in six of the country’s 10 provinces, construct drainage structures along the same roads, construct agricultural facilities nearby, and build the capacity of road-related agencies.⁹

Timeline: The World Bank completed the ESIA in December 2016, USAID conducted a field review including a site visit in February 2017, and the WB board approved the project in May. Illustrative findings and recommendations are:

1. USAID supports the development rationale for this project. Most of the stakeholders consulted strongly agreed with the WB’s premise that improved rural roads will support agricultural productivity.

Recommendation: Coordinate with the GRZ, other governments, and key financiers to develop a multi-stakeholder cumulative impact analysis that accounts for roads and other linear infrastructure being developed across Zambia.

2. The project requires close management to avoid problems typical to road projects.

Recommendation: Consult project-affected communities regarding viable alternatives to sand mining and maintenance of road infrastructure. Further, implementation requires best-in-class borrow pit management and decommissioning to prevent injury and drowning, and to manage health risks of standing water. Given limited funding, seek opportunities to establish and support community-based road maintenance.

3. Improving roads will likely facilitate wildlife trafficking and forest degradation. The GRZ has limited human, financial, and logistical capital to manage these risks.

Recommendation: Engage local environmental and civil society organizations that are working to prevent further trade and trafficking in illegal wildlife products. Further, include the Department of National Parks and Wildlife and the Department of Forestry in the project’s capacity building component to avoid creating an institutional imbalance by strengthening the capacity of industrial/road agencies but not that of regulatory/environmental agencies.

4. Government projects must adhere to the National Gender Policy of 2000. However, there is no act of Parliament to back this Policy and, therefore, no legal recourse for not following its requirements. Moreover, road projects tend to employ youth.

Recommendation: Translate the project’s Gender Assessment to a practical, specific

⁹ It includes a provision to support the government in responding to a qualified disaster or emergency. It was approved by the board on 4 May 2017.

Gender Action Plan. Hire or consult a Gender Specialist. Ensure that implementation instruments prohibit the hiring of underage labor so that youth stay in school.

5. Sensitization campaigns regarding labor-community relations and the spread of disease are helpful; but curfews and codes of conduct are difficult to enforce. Based on observation of other road projects in the area, the GRZ and contractors have limited capacity to provide sanitation, control pollutants, and manage risks associated with increasing agricultural production.

Recommendation: Adhere to best practices (e.g., the World Bank Note on temporary project-induced labor influx and recommendations of the World Bank Global Gender-Based Violence Task Force) to limit fraternization and prevent the spread of diseases and other health conditions. Develop and monitor the implementation of a Pesticide Management Plan to identify and mitigate adverse impacts of the foreseeable increased use of agricultural inputs following the construction of new agriculture facilities and the improvement of farm-to-market roads.

Case 2: Solomon Islands – Tina River Hydropower Development Project

The Tina River Hydropower Development Project (HDP) is a priority development project for the Solomon Islands Government (SIG). The project's development objectives are to: 1) reduce the high cost of electricity and end the country's near-total reliance on diesel fuel for power; and 2) improve the livelihoods of project-affected communities through community benefit sharing arrangements.

The 15-MW, \$240-million Tina River HDP¹⁰ consists of a 72-meter-high dam with over 30 villages and hamlets within the project area. There will be no physical displacement, however, there will be economic displacement as some access to natural resources and livelihood activities will be adversely impacted.

Timeline: USAID conducted a field review that included a site visit in August 2016, the WB completed the ESIA in that same month, and the board approved the project in June 2017. Illustrative findings and recommendations are:

1. The Tina River HDP made a significant effort to ensure that customary landowners were appropriately identified through the development of an indigenous terrain map and became active participants in the project. The project adopted the underlying principle of "no loss" with respect to the project-affected landowners and communities. This approach necessitates continuous cycles of interaction and consent over the life of the project to maintain community support rather than a one-off consent process.

¹⁰ The WB, Government of Australia, Green Climate Fund, Economic Development Cooperation Fund of the Government of Korea, and the Abu Dhabi Fund for Development approved project financing in 2017. The ADB is expected to approve financing in 2018.

Recommendation: USAID believes this principle and process should be considered a model for proposed development projects involving indigenous peoples.

2. The SIG designed the Tina River HDP project to provide development and capacity building opportunities prior to, and during construction. The SIG's initial investments in these communities will be expanded upon through the WB-managed Japan Social Development Fund for the stand-alone Community Benefit Sharing Project, managed as a complementary project with the Tina River HDP.

Recommendation: USAID recommended that similar stand-alone community capacity building programs are a standard component for development projects, specifically hydropower projects.

3. The Tina River upper catchment is undisturbed primary montane forest where at least 75 percent of known species are endemic. The project has the potential to impact the upper catchment through increased access and the modification of the aquatic ecosystems.

Recommendation: Establish the Tina River upper catchment as a protected area.

Current status: This recommendation is outside of the direct control of the WB and the SIG, however, the WB has included project financing to conduct studies and consultations with landowners towards the establishment of a protected area.

4. Invasive and feral species are major threats to the biodiversity of the upper Tina River catchment. The access road and increased human movement will result in increased access to the watershed for invasive and feral species.

Recommendation: Develop a robust program during the construction and operation phase to prevent the spread of invasive and feral species into the catchment.

Current status: The WB plans to reach out to the Secretariat of the Pacific Regional Environment Programme for guidance with the Invasive Species Management Plan, which the developer will then complete and implement during construction and operations.

5. Most fish species in the Solomon Islands depend on 'ridge-to-reef' migratory corridors to complete their life cycle. The Tina River, which eventually discharges into the Tenaru Bay, is important habitat for sea-going aquatic species. The bay also provides a feeding habitat for marine species that enter the mouth and lower reach of the river.

Recommendation: Expand biological baseline data and monitor the Toni River and downstream aquatic systems.

Current status: The monitoring plan framework provides for baseline and ongoing monitoring at eight sites along the Tina and downstream areas. Downstream and off-set monitoring will be added to the water quality and aquatic species monitoring activities.

Summary and Conclusion

The findings and recommendations from these two cases pertained to environmental and social issues equally. Both cases recommended additional plans: a pesticide management plan in Zambia and an interim development plan in the Solomon Islands; MDB project teams agreed to pursue the recommended plans. Both cases recommended analysis of cumulative impacts and the value and relevancy of strategic environmental assessment. Additionally, USAID reviews can highlight positive practice and innovative approaches that can be considered models for other MDB projects. For example, the WB plans to use the successful community benefit sharing agreement from the Tina River HDP in other hydropower projects.

USAID field reviews may be especially effective when conducted early (preferably before the ESIA has been completed) so there is sufficient time for MDB staff to consider findings and recommendations and incorporate them into the project design, as appropriate. Yet, these cases and the broader body of knowledge produced through reviews suggests that USAID field reviews are an important supplement to the MDB environmental and social assessment process regardless of when they are conducted and can yield meaningful improvements in the design and implementation of projects.