



**ADB Accountability Mechanism  
Compliance Review Panel**

**Annual Monitoring Report 2006-2007  
to the Board of Directors  
on  
CRP Request No. 2004/1  
on the Southern Transport Development Project in Sri Lanka  
(ADB Loan No. 1711-SRI[SF])**

**27 December 2007**



## Contents

	Page
About the Compliance Review Panel .....	iii
Acknowledgements .....	iv
Abbreviations, Glossary and Note .....	v
Map .....	vii
<b>I. Introduction .....</b>	<b>1</b>
<b>II. Description of the Project .....</b>	<b>2</b>
A. Scope .....	2
B. Agencies and Financing .....	2
C. Status of Project .....	2
<b>III. Request, Panel Investigation and Board Decision.....</b>	<b>3</b>
A. Request .....	3
B. Panel Investigation .....	4
C. Board decision.....	5
<b>IV. Conduct of Monitoring Review and Course of Action .....</b>	<b>5</b>
<b>V. Activities and Findings .....</b>	<b>6</b>
A. Progress in Achieving Compliance.....	7
B. General Recommendations.....	7
C. Specific Recommendations .....	8
<b>VI. Conclusions.....</b>	<b>22</b>
<b>VII. Next steps .....</b>	<b>24</b>
<b>Appendixes</b>	
1. Compliance Review Panel Recommendations .....	25
2. Course of Action to Implement the Recommendations of the Compliance Review Panel (CRP) .....	27
3. List of Persons Met .....	37
4. Photos from the CRP Monitoring Mission .....	40



## About the Compliance Review Panel

The Compliance Review Panel (CRP) is a 3-member independent body, appointed by the Board of Directors (Board) of the Asian Development Bank (ADB). The Panel carries out the compliance review phase of the ADB Accountability Mechanism. People who are 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 Mechanism.

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

Currently, the Panel consists of Augustinus Rumansara as Chair and Antonio La Viña as Member. Panel member, Mr. Richard Bissell whose term ended on 11 December 2007, participated in the preparation of the draft of this report that was sent to the Board Compliance Review Committee for its clearance.

**Augustinus Rumansara** is an Indonesian national. Before joining the CRP, he worked with the private sector in Indonesia at BP (formerly British Petroleum) as Vice-President for Integrated Social Strategies. Prior to that, he worked for many years with civil society organizations from grassroots community groups to regional and international NGO advocacy networks. His work included facilitating advocacy activities of Indonesian NGOs with national and foreign governments, and multilateral development banks to promote concerns for human rights, equity and justice, people's participation, good governance, sustainable development, and environment conservation.

**Antonio La Viña** is a Philippine national. He is presently Dean, Ateneo School of Government, Philippines and Philippine country representative, Ashoka: Innovators for the Public. Prior to this, he was a Senior Fellow and Program Director at the World Resources Institute, USA; the Undersecretary for Legal and Legislative Affairs and Attached Agencies at the Department of Environment and Natural Resources, Philippines; and law professor at the University of the Philippines. He was the cofounder, trustee, researcher and policy director for the Legal Rights and Natural Resources Center/Kasama sa Kalikasan – Friends of the Earth, Philippines.

**Richard Bissell**, a United States national, is an international economist currently serving as a senior executive with the National Academy of Sciences, Washington, DC. He has worked extensively in the past on enhancing community participation in development with the World Commission on Dams, the World Bank Inspection Panel, and the United States Agency for International Development.

For more information on the CRP, visit [www.compliance.adb.org](http://www.compliance.adb.org).

## **Acknowledgements**

The Compliance Review Panel (CRP) wishes to acknowledge and record its thanks to the following for cooperating with the CRP, communicating their views, and/or assisting the CRP in its monitoring of the remedial measures for the Southern Transport Development Project (STDP):

- STDP affectees including the ones that requested a compliance review (Requesters)
- Officials from the Government of Sri Lanka, including those from the Ministry of Finance and Planning, the Ministry of Highways, the Road Development Authority, and the Central Environmental Authority, as well as officials from Sri Lankan institutions, including the University of Moratuwa
- ADB Management and staff at ADB Headquarters and at ADB's Sri Lanka Resident Mission
- Members of the ADB Board of Directors
- Japan Bank for International Cooperation (JBIC) officials in its Representative Office in Colombo
- STDP consultants including Finnroad, Roughton International Ltd., Sarvodaya Economic Enterprise Development Services (Gte) Ltd., and Centre for Poverty Analysis, and
- NGOs including NGO Forum on ADB, Green Movement of Sri Lanka, Centre for Environmental Justice, and Friends of the Earth Japan.

## Abbreviations, Glossary and Note

### Abbreviations

ADB	Asian Development Bank
AP	affected people/person
BCRC	Board Compliance Review Committee
BME	benefit monitoring and evaluation
CA	Course of Action
CEA	Central Environmental Authority
CEPA	Centre for Poverty Analysis
CRP	Compliance Review Panel
CT	combined trace
DS	divisional secretary
EIA	environmental impact assessment
EMP	Environmental Management Plan
ERM	External Resettlement Monitor
FT	final trace
GOSL	Government of Sri Lanka
IRP	income restoration program
JBIC	Japan Bank for International Cooperation
km	kilometer
LARC	Land Acquisition and Resettlement Committee
MC	Management Consultant
MIS	Management Information System
MOH	Ministry of Highways
MOU	Memorandum of Understanding
NDF	Nordic Development Fund
OM	Operations Manual
PCC	Project Coordination Committee
RDA	Road Development Authority
RIP	Resettlement Implementation Plan
RRP	Report and Recommendation of the President
RSC	road safety component
SEA	supplementary environmental assessment
SEEDS	Sarvodaya Economic Enterprise Development Services (Gte) Ltd.
SEIA	Summary Environmental Impact Assessment
SHC	southern highway component
SLRM	Sri Lanka Resident Mission
STDP	Southern Transport Development Project
TA	technical assistance
TOR	terms of reference

## **Glossary**

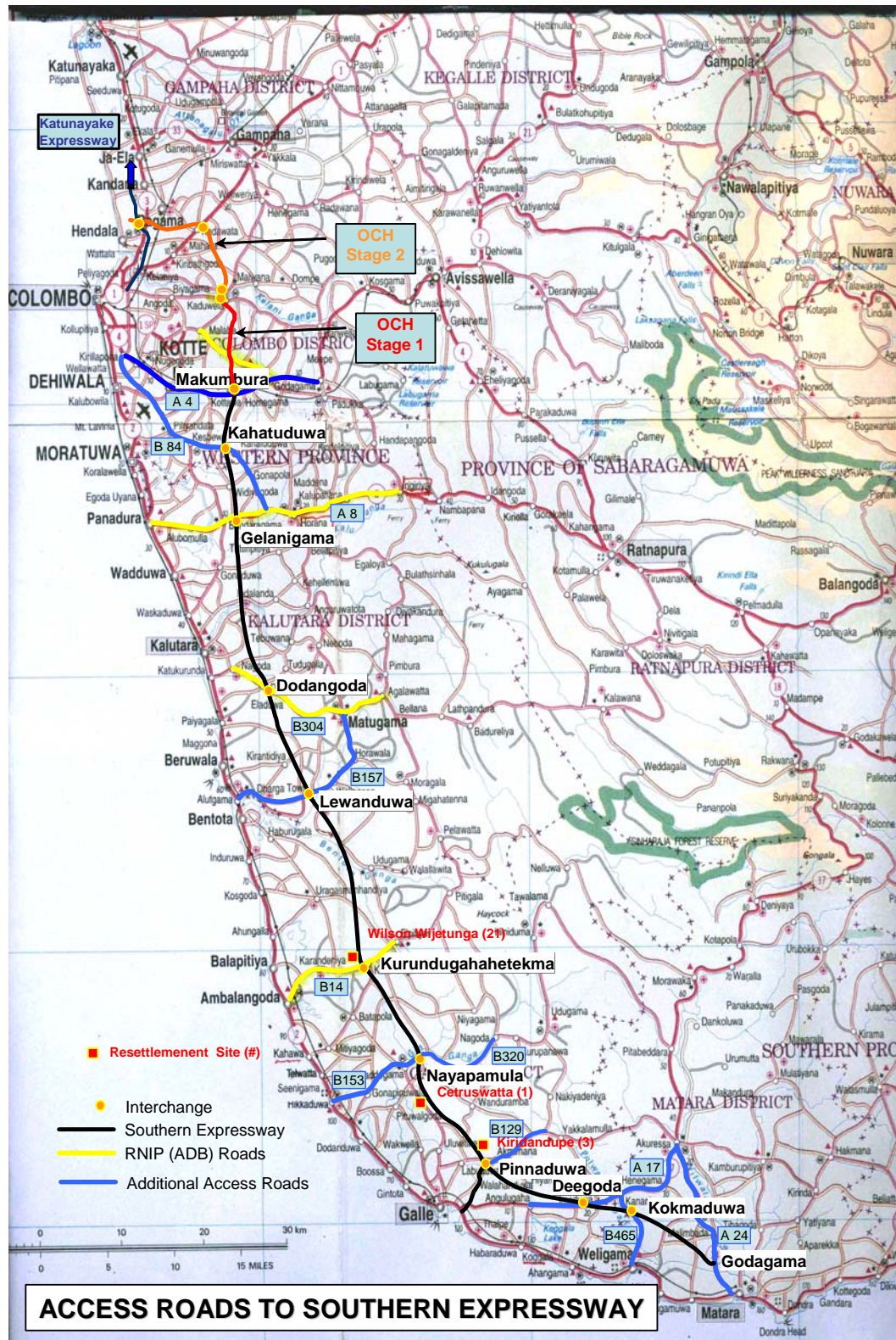
*pradeshiya sabha*      local government authority

## **Note**

In this report, "\$" refers to US dollars.



## Map





## I. Introduction

1. In December 2004, the Compliance Review Panel (CRP or Panel) registered a request for compliance review (Request) on the Southern Transport Development Project<sup>1</sup> (STDP or Project) in Sri Lanka. The Request was submitted by the Joint Organization of the Affected Communities of the Colombo Matara Highway (Requesters). The CRP determined that the request was eligible, and the Board of Directors (Board) of the Asian Development Bank (ADB) authorized the CRP to conduct a compliance review. The Panel reviewed and investigated the request and submitted to the Board its Final Report with its findings and recommendations in June 2005. The Board decision was to approve the Panel recommendations.<sup>2</sup>

2. Following the Board decision, the Panel has been monitoring ADB Management's implementation of remedial actions. The Panel's first annual monitoring report for 2005-2006 (First Annual Monitoring Report)<sup>3</sup> was submitted to the Board in July 2006. This report serves as the Panel's Second Annual Monitoring Report on the progress in complying with the Board decision and bringing the Project into compliance. In carrying out its monitoring task, the CRP has examined the range of issues covered in its Final Report; utilized the Course of Action (CA) designed by Management to implement the Board-approved remedial actions as the framework of its review; and noted various views expressed by ADB staff, NGOs, and civil society on the implementation of the CA. The CRP has also discussed and obtained feedback from ADB staff in its Headquarters and in its Sri Lanka Resident Mission (SLRM),<sup>4</sup> Japan Bank for International Cooperation (JBIC), STDP consultants, officials from the Government of Sri Lanka (GOSL), and STDP affectees<sup>5</sup> during the Panel's monitoring mission in Sri Lanka from 25 October to 1 November 2007.

3. In accordance with paragraph 48 of the CRP Operating Procedures, the CRP forwarded on 22 November 2007 a draft report to the Board Compliance Review Committee (BCRC) for its review. The CRP finalized this report in consultation with the BCRC.

4. This monitoring report outlines the following:

- a description of the STDP, with its scope and cofinanciers
- a brief account of Management's measures to comply with the Board-approved recommendations and to bring the Project into compliance, recognizing those measures taken by Management up to 1 November 2007 as well as information provided by Management following the Panel's discussions with ADB staff up to 7 November 2007
- the salient issues and findings identified by the CRP in its monitoring work and

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<sup>1</sup> 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.

<sup>2</sup> The recommendations are included here in Appendix 1, taken from paragraphs 267 and 268 of the CRP Final Report. This report and other related information on the STDP request are available at <http://www.compliance.adb.org/dir0035p.nsf/alldocs/ELLN-6NH8JG?OpenDocument>.

<sup>3</sup> Available: [http://www.compliance.adb.org/dir0035p.nsf/attachments/STDP-MonitoringReport2006.pdf/\\$FILE/STDP-MonitoringReport2006.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/STDP-MonitoringReport2006.pdf/$FILE/STDP-MonitoringReport2006.pdf)

<sup>4</sup> The STDP has been delegated by South Asia Department (SARD), the operations department, to SLRM to administer the project.

<sup>5</sup> The CRP monitoring mission included a 4-day field visit to the project area where the Panel met GOSL officials and STDP affectees including the Requesters.

- CRP's conclusions and recommendations on Management's measures to comply with the Board-approved recommendations and to bring the Project into compliance.

## II. Description of the Project

### A. Scope

5. The STDP has two components – a southern highway component (SHC) and a road safety component (RSC).<sup>6</sup> The SHC consists of the construction of a new highway linking Colombo with Galle, the capital of the Southern Province of Sri Lanka, and Matara; and the RSC is to address Sri Lanka's serious road traffic accident situation. The highway will be about 128 km, and in addition, a 6-km Galle access road. STDP also supports policy and institutional reform. STDP has a 2-fold primary objective: to spur economic development in the southern region of Sri Lanka and to significantly reduce the high rate of road accidents. The STDP's secondary objective is poverty reduction.

### B. Agencies and Financing

6. STDP is funded by ADB; JBIC; GOSL; the Nordic Development Fund (NDF); and the Swedish International Development Cooperation Agency (Sida). The total Project cost was estimated in ADB's Report and Recommendation of the President (RRP) at \$295.9 million, with main financing from JBIC (40%), ADB (30%) and GOSL (26%) as the borrower.<sup>7</sup> Sida finances consulting services for the RSC while NDF finances consulting services and equipment supply under the RSC, and project management consulting services for the SHC.<sup>8</sup> Based on surveys and detailed designs, the Panel understands that the actual highway construction is 126.2 km, with JBIC financing 66.6 km of the northern part of the highway component and ADB financing 59.6 km of the southern portion. ADB is also financing the 6-km Galle access road in the ADB section of the Project highway. STDP is implemented by the Road Development Authority (RDA) as executing agency for the SHC.

### C. Status of Project

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

8. As of 31 October 2007, about \$80 million or 84% of the ADB loan has been disbursed. All contract awards under the ADB loan have been made and the project progress under the ADB section is 71%. In June 2006, the loan closing date scheduled on 31 December 2006 was extended to 30 June 2008. The ADB section has one package for a 2-lane highway. The contract was awarded in January 2003 with scheduled completion by April 2006. ADB's midterm

<sup>6</sup> ADB. 1999. *Report and Recommendation of the President (RRP) to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Southern Transport Development Project (R189-99)*, at <http://www.adb.org/Documents/RRPs/SRI/rrp-R189-99.pdf> at para. 47.

<sup>7</sup> *Ibid.*, para. 55.

<sup>8</sup> *Ibid.*, ii.



review for the Project in August 2006 stated that the contract completion date scheduled for February 2008 is likely to be extended by a further period. The Panel understands from SLRM that a restructuring of this contract into two packages is underway: package one with funding from ADB will include completion of civil works for two lanes and expansion to a 4-lane highway together with the Galle Access Road, and package two with funding from a new cofinancier or GOSL will include completion of civil works for two lanes and expansion to a 4-lane expressway for the southern 30 km of the highway. The JBIC section has two contract packages: package one for a 4-lane highway, closest to Colombo, was awarded in August 2005, and package two for a 2-lane highway was awarded in March 2006 with scheduled completion by September 2009 and March 2010, respectively. These two contracts are now scheduled to be completed by February 2010 and August 2010. The Panel understands from SLRM that the JBIC package two is also being restructured to a 4-lane highway. The civil works have been delayed due to various issues including those related to resettlement, delay in handing over of sites to the contractors, soil conditions which were not determined at the time of bidding, and slow progress of works by the contractors.<sup>9</sup>



ADB section of the highway under construction

### **III. Request, Panel Investigation and Board Decision**

#### **A. Request**

9. The Requesters filed a request for compliance review in December 2004. They claimed that the harm suffered or to be suffered by them as a result of noncompliance by ADB with its operational policies and procedures under the Project will be loss of homes, loss of livelihoods, damage to the environment, degradation to wetlands, dispersion of integrated communities, damage to five temples, negative effects of resettlement, and human rights violations.

<sup>9</sup> Project Information Update of the STDP at <http://www.adb.org/Documents/PIDs/26522013.asp> last updated on 3 October 2007 and accessed on 22 November 2007.

10. The Requesters specifically stated alleged violations of ADB's operational policies and procedures which have caused harm to them, including environment; involuntary resettlement; incorporation of social dimensions in ADB operations; governance; economic analysis; benefit monitoring and evaluation; gender and development in ADB operations; processing of loan proposals; and formulation and implementation of loan covenants.

11. The Requesters sought remedies from ADB including:

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

## B. Panel Investigation

12. The Panel's investigation was carried out from January to June 2005. The investigation revealed the following findings which Management needed to take into consideration in implementing the Panel recommendations, which were stated in the CRP Final Report:

- (i) **Operations Manual (OM) Section 20:<sup>10</sup> Environmental Considerations in Bank Operations.** The CRP found that Management cannot be satisfied with the sufficiency of the environmental impact assessment (EIA) done in 1999 and the ensuing Environmental Findings Report (EFR) for the ADB section. Also, the Galle access road had not received an adequate review of its environmental impacts, and some stretches of the FT well away from the CT [Combined Trace] need more attention. Public information and participation in the environmental review process had been inadequate since late 1999.
- (ii) **OM Section 21:<sup>11</sup> Gender and Development in Bank Operations.** The CRP found ADB out of compliance before Board approval where no gender analysis was done although the RRP stated that the Project had significant impact on women. After Board approval, the commitments made for special gender action plans had not appeared in the implementation or monitoring details of the Project.
- (iii) **OM Section 22:<sup>12</sup> Benefit Monitoring and Evaluation.** The CRP, in reviewing both the benchmark analysis in the project documentation, as well as the monitoring system that has been developed to date, came to the conclusion that the Project could not be in compliance with this OM until further steps were taken.

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<sup>10</sup> Issued 7 January 1997.

<sup>11</sup> Issued 7 January 1997.

<sup>12</sup> Issued 7 January 1997.

- (iv) **OM Section 40:<sup>13</sup> Formulation and Implementation of Loan Covenants.** Since the CRP found that various policies and commitments have not remained in compliance over time, especially with regard to resettlement, the failure of Management to restore compliance was, by itself, a matter of non-compliance with OM Section 40 since many of the issues involved commitments made at Board approval, and in the RRP and the Loan Agreement.
- (v) **OM Section 47:<sup>14</sup> Incorporation of Social Dimensions in Bank Operations.** The loss of compliance with this OM Section derived in part from the shifting of the traces, along with an absence of analysis of the Galle access road. The emphasis of the OM, however, is on the vulnerability of certain population groups and households, which needed to be identified and assisted throughout the process to ensure they were better off after the project is completed. The weakness of the Management Information System (MIS) and the rudimentary income restoration program were serious breaches of compliance that pose major challenges to bring the Project back into compliance with this OM.
- (vi) **OM Section 50:<sup>15</sup> Involuntary Resettlement.** The CRP concluded that compliance with this OM Section had been problematic since Board approval, with significant shifts of the trace without public participation. The CRP was also concerned about Management's inattention to independent monitoring and the need for supporting performance in the areas of compensation and resettlement.
- (vii) **Project Administration Instruction (PAI) No. 5.04:<sup>16</sup> Change in Project Scope or Implementation Arrangements.** The CRP identified a number of major changes in the Project that might normally trigger a review by the operations department, and believed that the Project is out of compliance until a formal determination on the change of scope issue has been settled.

### C. Board decision

13. In July 2005, the Board deliberated on the CRP Final Report, including the Panel's recommendations which were both general and STDP-specific. The Board approved the Panel recommendations (see Appendix 1).

### IV. Conduct of Monitoring Review and Course of Action

14. The CRP's terms of reference (TOR) for monitoring are spelled out in paragraph 47 of the CRP Operating Procedures: "CRP will monitor implementation of any remedial actions approved by the Board as a result of a compliance review. Unless the Board specifies a different timetable, CRP will report as frequently as required or at least annually for a period of 5 years to the Board on implementation of Board decisions related to remedial measures, including its determination of the progress in bringing the project into compliance."

15. Mr. Rumansara, CRP Chair, is the Lead Post-Decision Monitor for this monitoring review and he was assisted by Mr. Bissell and Mr. La Viña, CRP Members, and the CRP secretariat.

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<sup>13</sup> Issued 12 December 1995.

<sup>14</sup> Issued 7 January 1997.

<sup>15</sup> Issued 7 January 1997.

<sup>16</sup> Issued December 2001.

ADB Vice President (Operations 1) is the focal point for ADB Management in implementing the remedial actions, while the Director General, South Asia Department (SARD) is responsible for the day-to-day activities.

16. ADB Management prepared a CA as required under the Panel's recommendations to implement the Board-approved remedial measures and initially provided it to the CRP on 31 August 2005, the deadline specified in the CRP recommendations. Management has provided a series of updates to the CRP periodically since that point in time.

## **V. Activities and Findings**

17. For this monitoring report, the CRP reviewed four progress reports on the implementation of the CA provided by ADB Management dated 1 September 2006, 31 March 2007, 15 May 2007, and 2 October 2007, along with other documents and information provided at the request of the Panel.<sup>17</sup>

18. The CRP discussed with or obtained information from ADB staff in its Headquarters and in SLRM; GOSL officials including those from the Ministry of Finance and Planning, the Ministry of Highways (MOH), RDA, and the Central Environmental Authority (CEA); STDP consultants; STDP affectees; and civil society through in-person interviews, email, telephone, and/or teleconference. The CRP discussed with SLRM updates on the implementation of the CA. The latest CA update provided by SLRM to the Panel as of 1 November 2007 is in Appendix 2 (with the last column on "Compliance Status" filled in by the Panel based on its determination of the progress made on each recommendation).



Panel meeting with STDP project staff in ADB section of the highway

<sup>17</sup> The information included back-to-office reports covering ADB's midterm review mission of STDP in August 2006, and review missions of STDP and fact-finding and other missions for supplemental financing loan of STDP from July 2006 to September 2007.



19. The CRP contacted the Board member representing Sri Lanka on GOSL consent for site visit, and with consent given, the Panel carried out a field visit from 25 October to 1 November 2007. The Panel was assisted by Mr. Prisanth Demel, an interpreter, during the field visit. In addition to consultations in Colombo with SLRM staff, STDP consultants, and GOSL officials, and JBIC, the Panel fielded a 4-day visit to the project area and met with RDA officials and STDP affectees, including the Requesters. The Panel also visited sites of environmental impact along the highway and 4 STDP resettlement sites (Annasigalahena, Pemrockwatta, and Diyagama in JBIC section and Pathirajawatta in ADB section). The list of some of the persons met by the Panel during the mission is in Appendix 3. Some photos from the Panel monitoring mission are in Appendix 4.

#### **A. Progress in Achieving Compliance**

20. The CRP provided two categories of recommendations resulting from its investigation in this Project – measures addressing issues that may cause difficulties in complying with ADB's operational policies and procedures in ADB-assisted projects, and measures relevant to current implementation problems necessary to bring the Project into compliance. The Panel records below for each recommendation, the progress in achieving compliance, its findings on the effectiveness in complying with the recommendation, and its determination on compliance status. This status is reflected in the last column of the updated CA in Appendix 2. Unless otherwise specified, the cut-off date for the Panel's assessment is 7 November 2007, based on the Panel's discussions with and feedback from ADB staff.

#### **B. General Recommendations**

**21. General Recommendation 1: Management should review selected road projects as to how changes of scope may make the application of environment and resettlement policies more difficult.**

- The Panel has received and reviewed the draft report from Management. This report helpfully brings out the issues raised by the differentiation of "minor" from "major" changes in scope. In the interest of transparency, the Panel suggests that this draft report be finalized and be made available to the public and posted on the website. The lessons from the report should be reflected in future project decisions as well as in training of ADB staff undertaking infrastructure projects.
- The Panel finds that Management has complied with this recommendation.

**22. General Recommendation 2: Management should 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.**

- The Panel has received from Management the draft report on this matter. This report makes useful findings for ADB staff, given the frequency with which infrastructure projects are cofinanced on a parallel or joint basis. In the interest of transparency, the Panel suggests that this draft report be finalized and be made available to the public and posted on the website.
- The Panel finds that Management has complied with this recommendation.

**23. General Recommendation 3: Management should develop additional guidance for ADB's *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.**

- Management has been working on the update of the Handbook since July 2004, with final drafting dependent on several other tasks: completion of the technical assistance (TA) REG-6091 on Capacity Building for Resettlement Risk Management being carried out in the People's Republic of China, India, and Cambodia; and the Safeguards Policy update.
- There is also a delay in the implementation of this recommendation. The CA report now states that Management expects to complete the Handbook update in 2008, after Board consideration of the ADB Policy Statement on Environment and Social Safeguards. Lessons to be drawn from the STDP continue to emerge for the Handbook revision. For instance, the encouraging launch by the implementing agency of its new Environmental and Social Division, to implement the Environmental Management Plan (EMP) should receive sustained attention from the SLRM as such capacity-building is a long-term challenge.
- The Panel finds that Management has not complied with this recommendation. Compliance will be reached when the Handbook is revised to include the guidance mentioned in this recommendation.

**24. General Recommendation 4: Management should provide to the CRP with a copy to the Board, by 31 August 2005, a course of action (CA) with timelines on implementation of these measures for the CRP's monitoring and reporting to the Board.**

- Compliance was confirmed by the Panel in its First Annual Monitoring Report.

### **C. Specific Recommendations**

**25. Specific Recommendation 1: Management should 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.**

- In its First Annual Monitoring Report, the Panel noted that the supplementary environmental assessment (SEA) will not be reviewed or approved by the CEA, as it considers the 1999 EIA to be adequate under Sri Lankan law to cover the subsequent changes in and additions to the road alignment. The Panel expressed concern that, in the absence of any public consultation by GOSL on the SEA, ADB should make arrangements for the SEA to be available to the public for a specified comment period.
- The University of Moratuwa submitted a "draft final report" in August 2006 of the SEA and Updating of the EMP for JBIC Section, and for ADB Section and Galle Port Access Road along with an Addendum of January 2007. This Addendum was a response from the University of Moratuwa study team to the comments

from RDA and ADB on the report of August 2006. In March 2007, at a Project Coordination Committee (PCC)<sup>18</sup> meeting, it was decided that it was not necessary to pursue additional changes. The Management Consultant's Monthly Report of February 2007 dated 12 March 2007 in Appendix 4 states that the "Final report is not necessary" and that the matter is "closed".

- In reviewing the draft final report of the SEA and the Addendum, the Panel finds that SEA study included a focus on impacts and mitigation measures on the deviations of the CT and FT on both the ADB and JBIC sections. The Panel recognizes that there has been some level of public consultations carried out in both ADB and JBIC sections through rapid assessment, walkthrough surveys along sample stretches of the highway, and focus group discussions with affected communities. Summaries of the content of those consultations, however, were not provided. As a result, the Panel is unable to assess the quality of such consultations in order to ensure compliance with ADB policy.
- ADB posted the Summary Environmental Impact Assessment (SEIA)<sup>19</sup> dated April 2007 on its website. This SEIA consists of findings of the 2005 and 2006 environmental assessments for the Project of two assessments – the SEA and the Environmental Impact Assessment of Expansion to four lanes. Management indicates that the Summary is based on the combination of the August 2006 draft final report and the January 2007 addendum.
- The Panel notes that the references to consultation in the various documents related to the SEA of August 2006 and the Addendum of January 2007 are not adequately summarized in the SEIA and are simply given in one sentence (para. 128).<sup>20</sup> The Panel also notes that as the SEIA is focused more on the Environmental Impact Assessment of expansion to four lanes than the SEA, and little attention has been paid to the consultation process under the SEA.
- The SEIA also fails to take seriously the issue of culturally significant sites along the Final Trace. The final draft report of the SEA cites a number of historic temples and archeological monuments, some of which would have to be moved or reduced in order to accommodate the highway. These sites are not reflected in the SEIA.
- The Panel has confirmed from SLRM that ADB will make available the draft final report of the SEA and the Addendum to the public if requested. In the interest of transparency, the Panel suggests that the report and addendum be posted on the ADB website even though this disclosure is not required by the public communications policy.
- The Panel finds that Management has complied with this recommendation, despite the Panel's reservations on the documentation relating to consultation and the treatment of the culturally significant sites.

<sup>18</sup> The PCC is chaired by RDA. It meets monthly to coordinate activities between the ADB and JBIC sections and is attended by ADB staff.

<sup>19</sup> ADB. 2007. *Environmental Assessment Report, Sri Lanka: Southern Transport Development Project*. Manila. Available: <http://www.adb.org/Documents/Environment/SRI/26522-SRI-SEIA.pdf>.

<sup>20</sup> This sentence states: "Under the SupEA [SEA], work stream consultation was carried out with local authorities and other parties near the Final Trace and people relocated."

**26. Specific Recommendation 2: Management should 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 for the Project.**

- Management has undertaken a series of steps to meet this recommendation, including completion by the University of Moratuwa of an updated SEA in August 2006 and Updating of the Environmental Management Plan (EMP). The SEA provided the technical basis for the update of the EMP and the responsibility of SLRM was to verify the revisions, if any, to the EMP that are suggested by this draft final report. The updated EMP incorporating comments from ADB were forwarded to CEA. The Panel notes from the CA report that the updated EMP was sent to CEA for endorsement and the endorsement was obtained in September 2007. The Panel finds that CEA found the revised version of the EMP "acceptable"<sup>21</sup> as well as "officially issued a consent for the document to be used in the Project implementation".<sup>22</sup> Important amendments to the EMP in its final version dated May 2007 include valuable expansion of the role of irrigation and hydrological expertise, recognition of the risks in blocked drainage patterns, increased attention to spoil disposal, additional precautions in major cut operations and revegetation of slopes, and control of blasting activities.
- The Panel finds that the final version of the EMP meets the Panel's recommendation in incorporating findings from the SEA on the deviations of the FT from the CT and the recommended mitigation measures. Monitoring the implementation of the EMP is ongoing under the leadership of the supervising consultants for the JBIC section and the ADB section. The RDA is only in the last year beginning to stand up as an independent unit to take on this monitoring function. The CEA chairs bi-monthly meetings of the environmental coordination and monitoring committee, which are regularly attended by SLRM staff.
- The Panel has identified two current issues. A special challenge for monitoring the EMP is emerging in the southern 30 km of the ADB section, now that the contractor has shifted its focus away from this section. Important environmental protection measures were not taken before that shift, and the latest monsoon season has caused additional damage along the highway. In addition, the likely introduction of a new financier and contractor on the same section of the highway will introduce risks of weak performance on the EMP unless proactive steps are taken.
- The Panel finds that Management has complied with this recommendation, but will monitor this recommendation as a result of changing circumstances noted above.

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<sup>21</sup> Response letter from CEA to Director, Project Management Unit of STDP which was received by RDA on 26 April 2007.

<sup>22</sup> Minutes of PCC Meeting of 17 April 2007.



Panel meeting with a self-relocated project affectee (extreme right) in her house in JBIC section of the highway

**27. Specific Recommendation 3: Management should review the cofinancing arrangements in the STDP with a view to strengthening policy compliance for the whole project.**

- ADB undertook discussions with JBIC on joint strengthening of compliance in September/October 2005, with a view to ensuring strong monitoring of project compliance with the safeguard documents covering both segments of the highway: EMP, RIP, and the income restoration program (IRP). The signature of the joint Memorandum of Understanding (MOU) described below, along with the monthly meetings of the PCC, focused on underpinning the day-to-day policy coordination. With the completion of the MOU, Management considers the issue closed.
- ADB plays a leading donor role in road projects in Sri Lanka. The RRP presented to the Board for its approval covered the entire Project, with total project cost of various cofinanciers, including JBIC. The management consultant services from Finnroad were paid by a third cofinancier, NDF. On JBIC cofinancing, after Board approval of the Project, the Project has effectively been treated as two separate projects, with ADB and JBIC having their own detailed design consultants and administering their respective components.
- Following on the discussion of this issue in the Panel's Final Report, that the two parallel cofinanciers needed to make clear the application of ADB's environmental and involuntary resettlement policies to both sections, ADB and JBIC negotiated an MOU, which was signed on 31 March 2006. The Panel noted in its First Annual Monitoring Report that it was concerned about the MOU in that

Management has not taken steps to ensure strengthening of policy compliance for the whole project, as stated in the Panel recommendation. While there is some utility in the MOU, the mere affirmation of existing frameworks (EMP, RIP, and IRP) to the entire highway does not settle basic questions about policy frameworks. The Panel notes that ADB held with JBIC a joint midterm review of STDP from 16 to 25 August 2006.

- During the Panel's monitoring visit this year, the Panel noted a single EMP, RIP, and IRP is applied to the whole project and that the activities of the external resettlement monitor engaged by ADB cover both ADB and JBIC sections.
- The Panel is concerned about the likely introduction of another cofinancier in the near future to fund the construction of the southern 30 km of the highway. Steps need to be taken before those negotiations are completed to ensure all parties know that ADB policy standards on involuntary resettlement and environment apply to the entire highway. With the current vacuum in that southern segment of the highway, there is limited authority on the ground to ensure ADB's continued compliance for the entire highway.
- The Panel finds that Management has complied with this recommendation as far as the cofinancing arrangements of ADB and JBIC is concerned. The Panel will continue to monitor this recommendation to ensure that cofinanciers apply ADB's policy standards on involuntary resettlement and environment to the whole project.

**28. Specific Recommendation 4: Management should conduct an analysis of gender issues on the Project and ensure that the programs under the Project adequately address these gender issues.**

- ADB has looked at gender issues in two approaches to bringing compliance – as a discrete topic and in the context of the IRP. It launched a monitoring process that involved both the External Resettlement Monitor (ERM) and with Sarvodaya Economic Enterprise Development Services (Gte) Ltd. (SEEDS), the NGO in charge of implementing the IRP.
- A consultant (from Center for Creative Response and Consultancies (Pvt) Ltd) was tasked with conducting a study of gender concerns and after comments from SLRM on a draft, that report was finalized and submitted in June 2006. In the report, the consultant highlighted the following issues that needed to be addressed: reactivate or reform the housing societies to ensure the integration of the communities in the resettlement sites; implementing training programs or micro credit finance for women who have lost their alternative sources of income as a result of being relocated; and issuance of title deeds for the affected persons so that they can be used as collateral to obtain loan facilities to commence new businesses with women-headed households securing possession of these deeds to provide them with security.
- The Panel, in the course of discussion with ADB staff at SLRM, was informed by SLRM that a copy of this report would be provided to the public if requested.

- In its First Annual Monitoring Report, the Panel urged ADB to exercise a coordinated approach in terms of integrating the various reports generated by the various STDP consultants such as the Centre for Poverty Analysis (CEPA) under TA 4748-SRI on Independent External Monitoring of Resettlement Activities of the Southern Transport Development Project and SEEDS under the IRP, and using the emerging databases such as MIS to have a consistent approach in terms of remedial actions taken under the Project for both sections.
- The Panel notes that SLRM is addressing the gender issues and priority actions required through activities carried out by CEPA in the external resettlement monitoring, and SEEDS which is implementing the IRP. Management reports in its latest CA that the MIS is being strengthened incorporating data on women's needs and interventions are being carried out through the IRP.
- The Panel finds that Management has complied with this recommendation. Nevertheless, the Panel will continue to monitor this recommendation actively to ensure strong follow-through in integrating the conclusions of the gender report into the various aspects of the project, from resettlement to income restoration.

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

- In its First Annual Monitoring Report, the Panel found that Management has not complied with this recommendation because all affected families have been moved and some have not yet received full compensation, and that any attempt to achieve compliance on this issue has been overtaken by events.
- The Panel understands that all payments have been completed in the ADB section by January 2007 and that 99% of payments have been completed in the JBIC section as of 30 June 2007.<sup>23</sup> Since all portions of the trace have been turned over to contractors, presumably all affected households have been moved. The Panel notes that continuing disputes exist with some APs who received "statutory payments" and not the incentives provided to many relocating families. In particular, disagreements continue over the basis of paying or denying the ex gratia payment of 25% of compensation amount for vacating premises at the stipulated time. It has now been explained to the Panel that 34 APs were denied the 25% if they (1) continued to oppose land surveys, preparation of condition reports and holding title inquiries after the judgment of the Supreme Court on 20 January 2004; (2) were not interested in accepting statutory compensation, Land Acquisition and Resettlement Committee (LARC)/Super LARC payments offered, and refrained from handing over physical possession of lands on the date fixed by the divisional secretary (DS); (3) accepted statutory compensation, LARC/Super LARC payments and later decided to not hand over vacant possession of lands on the date fixed by the DS; or (4) were APs against whom the DS filed cases for eviction in the Magistrate Court under section 42(2) of the Land Acquisition Act. In general, MOH decided that APs would not be entitled to the 25% ex gratia payment if their objections to land acquisition caused considerable delays in construction and additional expenses to the government.

<sup>23</sup> Appendix 4 of Management Consultant's Monthly Report No. 54 (July 2007) dated 5 September 2007.

- The Panel points out that, by a memo of 1 December 2006 from SLRM to Vice President (Operations 1) on a determination on processing of a major change in scope for the Project, (which determination was approved on 7 December), the issue of compensation is re-opened with regard to 31 households "living on the border of the right-of-way who still need to be relocated as a result of adjustments in the slope of cuts or embankments to ensure safety and prevent erosion." The Panel understands that as of 30 April 2007, for the ADB section, 117 land lots are subject to acquisition and that 33 houses are subject to removal of which 27 houses have been removed after paying full compensation and for the JBIC section, 367 land lots are subject to acquisition and that two house buildings are subject to removal. The Panel understands that in the case of land lots, not all compensation has been paid where the land was not occupied by a house. It is also possible that additional properties will need to be acquired, especially where road construction cuts in the hills and proven to be inadequate and stabilization will require additional property to be taken.
- An additional issue of emerging importance is the failure of those relocated to resettlement sites to receive their new title deeds in a timely fashion. This is important not only for security of tenure in the property itself, but also in permitting the legal possession of land assets to serve as the basis for investment and income growth. As part of the economic recovery of the APs, and for the growth of the region as a whole, SLRM needs to press for rapid action on the issuance of title deeds. According to the Management Consultant's Quarterly Report No. 18 (April-June 2007) dated 31 July 2007, out of a total 510 title deeds to be issued, only 310 had been issued. In other words, only 60% of the title deeds have been processed as of the date of this latest report.
- Even though the Panel's recommendation is considered overtaken by events, the continuing importance of resettlement and compensation issues require the Panel to monitor the implementation of this recommendation for the outstanding cases in the ADB and JBIC sections as mentioned above.
- The Panel appreciates the steps taken by Management to address the remaining issues of compensation despite the initial failure to achieve compliance. The Panel concludes, additionally, that there are important lessons from the noncompliance with the involuntary resettlement policy, including the provision of full compensation by actual payment before moving out, to be included in the ADB's *Handbook for Resettlement: A Guide to Good Practice* and in future review of the involuntary resettlement policy.

**30. Specific Recommendation 6: Management should determine whether or not there has been a change of scope in the Project, as provided in Project Administration Instruction No. 5.04.**

- In its First Annual Monitoring Report, the Panel stated that Management did not appear to have addressed the basic question as to whether a change of scope should have been undertaken when major changes in the trace were made with resulting socio-economic impacts, including dramatic increases in resettlement cost figures and the number of affected people. The Panel had hoped that the ADB would address that question immediately rather than wait for other events as by not addressing this issue, directions and guidance to staff in handling



similar situations will not be clear. In terms of the original recommendation, the question of compliance has been overtaken by events, and Management's decision to delay the change of scope until the project was at an advanced state of implementation.

- Management has chosen to interpret this recommendation as an opportunity to undertake a change of scope with multiple dimensions, and the necessary studies, including an SEA, as part of that process by a memo of 1 December 2006 from SLRM to Vice President (Operations 1), which change of scope was approved on 7 December 2006.
- This change of scope memo states that the supplemental environmental assessment was carried out in 2005 and 2006 consequent to the change from the CT to the FT as well as construction of the Galle access road, and that the deviations from the CT to the FT changed resettlement impacts. In terms of social impact, the change of scope consideration confirmed that the alignment shift to the FT would increase the number of families to be resettled by at least 61% – from 816 to 1,315, and the number of commercial and other structures by 200% – from 50 to 151. This memo also specified the additional 31 households to be compensated and resettled by mid 2007. The paper thus confirms what some of those adversely affected had maintained all along, that the final alignment decision was causing, contrary to ADB guidance, a substantial increase in those who would have to be resettled and compensated.
- The Panel understands that the timetable for the change of scope memo is for the Board of Directors to consider it in January 2008. This will be considered as part of a package to include a supplementary loan as well as a restructuring of the Project to bring in a new cofinancier.
- The Panel finds that Management has partially complied with the recommendation in moving towards final processing of the change of scope by the Board.

**31. Specific Recommendation 7: Management should assist in the income restoration program and the establishment of household benchmarks through the Management Information System (MIS) for the APs as called for in the Resettlement Implementation Plan (RIP).**

- ADB provided assistance through TA 4315-SRI on Road Sector Master Plan to the revision and updating of the MIS to record land acquisition, resettlement and compensation information, and the Management Consultant (MC) has taken a key role in virtually completing the transfer of data from paperwork to the database. The Panel notes from SLRM that the data records for both ADB and JBIC sections have been updated in the MIS. In January 2007, the responsibility of the MIS was transferred from the Management Consultant to the STDP's Project Management Unit (Deputy Director/Land).<sup>24</sup> An MIS Manager in RDA was recruited in February 2007 to improve and maintain the MIS and the MC continues to provide assistance for data input and output.

<sup>24</sup> Management Consultant's Land Acquisition and Resettlement Monthly Progress Report No. 44 – January 2007, Appendix 7.

- Management now reports the use of the MIS to record income will be applied primarily to those living in the resettlement sites. Such a limited approach is not recommended in ADB policies or best practices, and while it may represent an expansion of RDA capacity, it is clearly not sufficient if the intent of the MIS is to contribute to monitoring the income restoration of all people directly impacted by the highway and resettlement.
- In its First Annual Monitoring Report, the Panel raised potential problems with regard to the robustness of the database, and it now appears that not all of those problems have been rooted out. The Panel notes that the MIS data has been found by CEPA to contain incomplete information on compensation such as many of the payments made by the LARC, delayed payments for utilities like electricity and water, and interest payments. Also, the use of the MIS system by RDA and donors should be extended as a management tool to the local level for the staff working at the regional offices. Management reports that it has met with RDA staff responsible for the MIS in order to improve its accuracy and impact, and maintains continuous monitoring of the MIS activity.
- ADB continues to monitor the launch and implementation of Phase 1 of the IRP. The IRP was submitted to ADB in January 2006. The Panel reviewed the progress on the IRP, especially the plans for implementation. The Panel found the IRP to be a work in progress. The award of the contract to SEEDS to deal with issues in both ADB and JBIC sections has been a step forward. The SEEDS contract is for 3 years from September 2006 to implement the IRP. The objective of the IRP is to address the socioeconomic impacts and ensure the successful restoration of incomes, improvement of living standards, income earning capacity and production levels of project-affected households within a 3-year period. The program will assist 1,050 APs, including 256 vulnerable women-headed households. Both vulnerable and severely affected households are qualified for assistance under this program.
- The design report from SEEDS made it clear that the IRP would not be easy – 16 factors were cited as likely barriers to income restoration, ranging from hostile attitudes of the APs to the scattered nature of the self-relocated APs. In its final methodology, SEEDS decided to focus on five actions: (i) development of Housing Societies as strong sustainable community-based organizations; (ii) development of micro finance program for Housing Society members; (iii) establishment of income generating programs to restore livelihoods of 1,050 APs; (iv) improvement of micro environment with household gardens for 1,050 people within 3 years; and (v) increase employability of youths through information technology and English education. These strategies are in the process of being modified to reflect the situation on the ground. For instance, the weakness of housing societies makes it difficult to get the micro finance schemes off the ground. Likewise, the attitudes of some APs toward "dependency" means that "self-help approaches" have to be set aside in some cases. Management has pressed the contractor for improvements in the IRP, including placing more staff on the ground and giving priority to registration and mobilization of the housing societies. Management reports that it has met monthly with SEEDS, CEPA, and RDA to speed up implementation of the IRP. Site meetings are also held frequently involving SLRM staff.

- ADB's joint midterm review mission of August 2006 concluded, with regard to the IRP, that the implementation plan was "satisfactory".<sup>25</sup> Subsequent developments have shown that the plan was in fact unrealistic and will need considerable, recurrent modification with support from SLRM to make it effective.
- SEEDS is currently engaged in awareness building, selection of suitable APs, and preparation of business plans for small-scale businesses. Women and the disabled are to be given priority. According to the updated CA, SLRM staff are working with RDA and SEEDS to strengthen the IRP and overcome the obstacles that have delayed implementation such as ineffective public information campaigns and addressing concerns that APs may not be interested in the IRP. Given the weakness of the housing societies and the skepticism of the APs, the IRP is likely to require more hands-on assistance from SLRM to be successful. A site visit was carried out by SLRM in May 2007 to review progress, with some useful suggestions made. The Panel is concerned about the short-term contract (3 years) under which SEEDS is attempting to carry out its work. For the training and institution-building tasks envisioned in income restoration, it is likely that more time will be needed, especially since the economic stimulation from the new highway will not occur until 2010 at the earliest.
- The Panel finds that Management has partially complied with this recommendation. Full compliance will be achieved when the MIS is functional and when the implementation of the IRP is assessed by the Panel to be effective in meeting its objectives.



Mr. Rumansara (left) at a meeting with STDP project staff on the JBIC section of the highway

<sup>25</sup> Back-to-Office-Report of the Midterm Review of 29 August 2006, paragraph 13.

**32. Specific Recommendation 8: Management should ensure that full project information, especially the essential elements of the RIP, be provided in an appropriate language to each household already affected or in the alignment to be affected, rather than simply making it available at the district offices.**

- ADB has undertaken rather intensive monitoring to determine whether affectees have full information about the details of their entitlement. The evidence was quite mixed over the course of the project. ADB has thus decided, in consultation with RDA and MOH, to take additional measures to provide supplementary information to the affected people.
- This new brochure was, according to the updated CA, made available electronically in English in December 2006 and in Sinhala in February 2007. In a recent visit to the RDA website ([www.rda.gov.lk](http://www.rda.gov.lk)), however, the postings are more likely to confuse a reader than to inform. The top document, available in English, Sinhala, and Tamil, is identified as "New Compensation Package for Land Acquisition and Resettlement." The actual title on the document is "Ex-Gratia Package for the People Affected by Highway Projects." A family or business displaced by the STDP might mistakenly think this applies to them. Instead, the new publication on the website developed in response to the request from ADB is titled "Southern Transport Development Project New Challenges Report" in Sinhala, but nothing in English. The resettlement benefits in the first document are only partially consistent with the compensation spelled out for the STDP. The Panel concludes that affectees are probably more confused than ever about their actual rights if they access RDA electronic information sources.
- The Panel urges Management to assist RDA in updating its website to clarify its message to public readers about these several documents.
- The printed brochure in Sinhala was made available to RDA in February 2007 for distribution on the ground to affectees. It is known that RDA/STDP/Project Management Unit (PMU) sent copies of the brochure to field offices in March 2007 for distribution to each resettled family. The Panel received a list of the sites for distribution of the pamphlets throughout the project area. ADB Management reports in the updated CA that "about 10,000 copies" have been distributed. The Panel reviewed the contents of the publication in English. It concluded that the description of benefits in the brochure is a useful step forward, but that it cannot take the place of the specific provisions of the RIP entitlement matrix. The brochure serves the purpose of sensitizing affected people to the general areas for which compensation is available. For categorical and precise definition of their rights, APs will need to continue to refer to the terms of the RIP. There is not even adequate information in the RIP, for instance, with regard to the ex gratia 25% payment discussed above in Specific Recommendation 5. There is no single source of published information where APs would have learned in advance the situations in which the consequence would be loss of this 25% payment.
- The Panel concludes that there has been progress on this issue, and with the stated reservation, finds that Management has complied with this recommendation.

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

- Two approaches have been undertaken in the project to handle these issues. At the local level and to meet short-term needs, grievance redress committees were created, and more recently complaint centers have been established in each of the four regional RDA offices. Secondly, ADB recruited through TA 4748-SRI (and in coordination with JBIC) an independent ERM team. After a selection process, CEPA was hired and mobilized in April 2006. CEPA now has more than a year of experience on this project, with its draft report on phase 3 activities submitted in April 2007. Meetings with stakeholders were held in May and June.
- The Panel has reviewed the phase 3 report and is impressed by the thoroughness of the work and the solid evidence-based findings provided by CEPA about the strengths and weaknesses of the resettlement process to date. While the first two phases took some time – with evident frustration by some APs that the ERM was not a more proactive intervention mechanism – it is clear from the phase 3 report where effort needs to be invested to resolve problems with the implementation of the IRM. Now that 31 of 32 resettlement sites have been handed over to *pradeshia sabhas* (local government authorities) for maintenance, the role of the independent external monitors will increase in importance to ADB. Unfortunately, the MIS data base appears to suffer from continuing deficiencies, as demonstrated in the "triangulation" survey work of the ERM in comparing the data in the MIS, the information in the regional offices sheets, and the views of the APs.
- The Panel notes that SLRM plans to task CEPA to review the grievance redress committees and complaint centers, to determine their effectiveness in meeting public concerns about the impacts of the highway. There are various important issues that could be taken up in phase 4 of CEPA's work, e.g., whether common property has been replaced, the broader issues of livelihood restoration, and the impact of the loss of agricultural land (including household gardens).
- The Panel concludes that there is progress on this recommendation over the past year and finds Management has partially complied with this recommendation. The Panel will continue monitoring of this recommendation. Full compliance will be achieved with the completion of Phase 4 of CEPA's work. The Panel underscores the inclusion of all AP concerns in phase 4 of CEPA's work and the incorporation of ERM's research findings into the related work components of the Project.

**34. Specific Recommendation 10: Management should require immediate provision of utilities and infrastructure to resettlement sites.**

- ADB utilizes the monthly PCC meetings to monitor progress on upgrading the resettlement sites. The PCC reviewed a stocktaking exercise in 2005 and contracts were awarded to correct problems. The Panel notes that in March 2007 a special team assigned by RDA and the MC carried out a review of the status of the 32 resettlement sites. SLRM provided the Panel with a report based on the review which contained detailed information on the improvements needed in the

resettlement sites.<sup>26</sup> The Panel notes that all activities related to improvements of infrastructure of resettlement sites will be completed within 2007 and future maintenance works will be carried out by the local authorities in participation with the housing committees. The Panel urges Management to ensure the completion of improvements and work needed in the resettlement sites.

- The Panel noted its concern in its First Annual Monitoring Report about potentially diminished on-site monitoring by the ADB (through RDA, ERM, and IRM) when the current round of improvements is completed. Management now reports that 31 of 32 resettlement sites have complete construction of basic services, drainage, internal roads and access roads, and they are now in the hands of the *pradeshiya sabhas*. The Panel was able to confirm completion of these works through sample visits at four resettlement sites. Management indicates continuing monitoring to the degree of receiving regular monthly reports at the PCC.
- The Panel also notes that CEPA's 2007 report on phase 3 activities identifies the quality of the utilities provided at the resettlement sites such as poor road surfacing or too steep a gradient and poor drainage systems. In response to Panel inquiries, it was told that these issues are being addressed, either before or after the sites are handed over to the *pradeshiya sabhas*. Confirming the completion of this work requires proactive monitoring by SLRM.
- The Panel finds that Management has complied with this recommendation. The Panel will continue to monitor the provision of facilities and infrastructure in the remaining site.

**35. Specific Recommendation 11: Management should 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 APs.**

- ADB focused on the IRP and the ERM's TOR to ensure that adequate attention has been paid to gender issues. ADB expects that the IRP will be the principal vehicle for assuring that women will obtain appropriate assistance. SLRM has a gender specialist staff who follows this issue closely.
- SLRM commissioned a report on gender issues, and incorporated the report findings into the IRP. Much now depends on the ability of SEEDS to retain a focus on gender issues in implementing the IRP. It should be noted, positively, that the TOR for hiring of staff by SEEDS to work in the IRP included a Team Leader where "special attention has to be paid for the affected women, women headed families and vulnerable families" as well as Project Officers/Livelihood Development Assistants with experience in "livelihood development/women in development" programs and experience in implementing programs with grassroots level communities. SLRM has asked that SEEDS provide consistent data with gender differentiation in its regular monitoring reports and progress meetings. Insofar as data is already available, the IRP is finding strong uptake by the women APs for the various interventions of SEEDS to help them raise their

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<sup>26</sup> RDA's letter to CEA of 17 May 2007.



income, whether through home gardens, microfinance loans, or new small businesses.

- The Panel finds that Management has complied with this recommendation.



Panel discussing with project affectees in ADB section of the highway

**36. Specific Recommendation 12: Management should 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.**

- The work of ADB on BME is largely focused on macroeconomic indicators as a way of determining the overall benefits for the population in the area of the project. It does not attempt to collect or interpret data at the individual or household level. Much of the work in the past year by SLRM has been to simplify the BME based on a set of indicators developed in the course of the Midterm Review Mission in August 2006. In the process of simplification, the methodology has been narrowed down to a set of values that can be collected through desk studies and readily available data in government or public sources. It should be pointed out, however, that the BME studies are also expected to conduct community-based participatory activities, such as focus discussion groups, to augment the data bases. The methodology remains a work in progress, which is now in the hands of MC for preparation and under review by ADB.
- The future of the BME is unclear. The BME report of April 2007 refers to "limited resources to collect the information and lack of institutional procedures and staffing" in the selection of BME indicators. The Panel is also concerned with this report which states that "The ultimate target for the [BME] exercise, in addition to the direct Project related evaluation, is to enhance the policy development in

transport sector projects, improving selection of projects, project performance and efficiency in terms of deliveries and policies as defined by the Government." The BME should assess the socioeconomic impact on the target beneficiaries and the economic development of the project area as a whole. In addition to the methodological issues, the future financing of the work is not yet determined. The preliminary design work has been financed with NDF support, which is terminating operations. SLRM envisions a gradual process of incorporating the work into ongoing GOSL operations.

- The Panel finds that Management has not complied with this recommendation.

**37. Specific Recommendation 13: Management should assist in the preparation of an additional assessment of project beneficiaries along the FT to establish baseline information for BME activities.**

- The Panel notes that the data in the Inventory of Losses is synthesized with the IRP data, which together provide the baseline for the BME along the FT. The Panel has been informed by SLRM staff that this data task has been completed for both ADB and JBIC sections.
- The framework for BME will be updated in the context of designing the supplementary financing loan which the Panel understands is scheduled for Board consideration in January 2008. Management expects the framework to include outputs, indicators of achievement, and means of verification of social issues. As of 7 November 2007, the Panel has not been provided with a copy of this framework for review.
- The Panel finds that Management has partially complied with this recommendation.

**38. Specific Recommendation 14: Management should 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.**

- Compliance was confirmed by the Panel in its First Annual Monitoring Report, subject to regular updating.

**39. Specific Recommendation 15: Management should 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.**

- Compliance was confirmed by the Panel in its First Annual Monitoring Report.

## **VI. Conclusions**

40. The CRP finds that ADB's implementation of the general and project-specific remedial actions has resulted in significant progress in complying with the Board's remedial actions and bringing the project into compliance. The spectrum of compliance status is as follows:



- Management has complied with General Recommendations 1, 2, and 4 and Specific Recommendations 1, 2, 3, 4, 8, 10, 11, 14 and 15
- Management has partially complied with Specific Recommendations 6, 7, 9, and 13 and
- Management has not complied with General Recommendation 3 and Specific Recommendations 5, and 12.

41. The Panel notes that Management has over the past year taken sufficient actions for the Panel to move the compliance rating on many individual recommendations to a higher category, and appreciates the progressive steps taken by Management in ensuring project compliance in implementing the Board-approved remedial actions.

42. The Panel is concerned by the increase in numbers of families displaced under the Project due to land acquisition over the years from about 800 at project design to "an estimated 1,338 families" as of 9 April 2007.<sup>27</sup> The Panel notes that in the SEIA, it is stated that "No additional land is required. However, if for some unforeseen reason further resettlement and compensation are needed (perhaps for borrow pits), this can be conducted in line with the approved resettlement plan and its addendum".<sup>28</sup> ADB's Report and Recommendation of the President on this Project stated that "up to 800 families may need to be relocated"<sup>29</sup> and "it is anticipated that the final number of families to be affected by the Project could be substantially less than presently estimated".<sup>30</sup> Given ADB's lead role in this project, and the magnitude of this greenfield project for RDA, the Panel recommends that Management takes steps to ensure that the compensation and relocation of any additional displaced families, as a result of construction requirements, be carried out at a standard at least equal to, and preferably better, than the coverage in the RIP.

43. People who live along the right-of-way continue to suffer serious damage as a result of construction impacts identified in all of the monitoring documents. Attention will have to be paid by SLRM and additional staff on the ground to ensure these adverse effects do not increase. These objections range from highly specific issues associated with construction activities such as noise, dust, and cracks in buildings caused by rock blasting activities to broad anxieties related to the disruption of cultural norms and loss of common community property, and as the CEPA phase 3 report stated, "the loss of the traditional/ancestral village and the lifestyle that goes with it."<sup>31</sup>

44. The decision by the GOSL<sup>32</sup> to delay opening of the completed 2-lane sections of the highway until all four lanes are constructed will postpone the promised benefits of the STDP for several years, as late as 2010 or 2011. Management needs to consider carefully how to manage the failure to meet expectations, especially on those populations in the project area who have come to expect much in the way of economic growth. It may require a reconsideration of the scope of the IRP, an extension in terms of beneficiaries and increased scale of effort for the APs. It may suggest advancing the development plans for the interchange locations for the highway to stimulate economic activity in advance of the highway's actual opening.

<sup>27</sup> CEPA's End of Phase 3: Report of 18 June 2007, paragraph 3.

<sup>28</sup> SEIA, paragraph 137.

<sup>29</sup> Paragraph 80.

<sup>30</sup> Paragraph 81.

<sup>31</sup> Paragraph 117.

<sup>32</sup> Management Consultant's Quarterly Progress Report No. 17 (January–March 2007), Appendix 8.

45. It has been important, in the monitoring process, to ensure that many different views of affected people have been represented. The CRP will continue to be inclusive in engaging all parties, including affected people, whether Requesters or not, in carrying out its activities.

46. It is important for ADB to ensure that, with the likely introduction of another cofinancier to fund the construction of the southern 30 km highway, its policy standards on involuntary resettlement and environment need to be applied to the whole project.

47. In terms of compliance categories, there has been significant progress since the First Annual Monitoring Report. The improvement in achievement of compliance over the last 2 years has come about through dedication of staff in SLRM and the building of capacity in the implementing agencies to meet ADB standards. Management reports four people in the SLRM with dedicated responsibilities to being engaged with the STDP and bringing it into compliance. With regard to the STDP, implementation has not yet reached the halfway point, and Management cannot afford to be less than proactive in addressing apparent and emerging risks in the Project. Compliance is not a one-time checking of boxes; it requires continued engagement with a project such as the STDP and the continually changing impacts on the ground.

48. The CRP will continue to monitor the implementation of the Board-approved remedial actions.

## **VII. Next steps**

49. The CRP will provide to the Board in 2008 its Third Annual Monitoring Report, following consultation with the BCRC.

/S/ Augustinus Rumansara  
Chair, Compliance Review Panel  
27 December 2007

### 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's 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 ADB's *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 (APs) 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 the APs 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 the APs.
- (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 APs.
- (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)

#### Progress Report as of 1 November 2007

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
Para 267 (i)	Review selected road projects as to how changes of scope may make the application of environment and resettlement policies difficult	Not complied with	The review was completed. Findings and recommendations of the review are submitted herewith.		Complied with (see para. 21 of the CRP Second Annual Monitoring Report).
Para 267 (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.	Not complied with	The review was completed. Findings and recommendations of the review are submitted herewith.		Complied with (see para. 22 of the CRP Second Annual Monitoring Report).
Para 267 (iii)	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.	Not complied with	The Handbook will be finalized incorporating additional guidance regarding major infrastructure projects within three months of the Board approval of ADB's Safeguard Policy Statement (SPS) on Environment and Social Safeguards. The Board review of the SPS is now scheduled for 2008.		Not complied with. Compliance will be reached when the Handbook is revised to include the guidance mentioned in this recommendation (see para. 23 of the CRP Second Annual Monitoring Report).

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
	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.				
Para 267 (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.	Complied with			Complied with (see para. 24 of the CRP Second Annual Monitoring Report).
Para 268 (i)	Assess the environmental impacts of the Galle access road (GAR) and any stretch of the ADB section on the Final Trace (FT) different from the combined trace (CT) including consulting project-affected people (AP).	Partially complied with	<p>The Supplementary Environmental Assessment (SEA) Study was completed. The Summary covered SEA and EIA study for 4-lane and was disclosed on ADB Website on 18 April 2007 after the Peer review on 14 February 2007.</p> <p>Public consultations were carried out during the field work of SEA and EIA.</p> <p>The EMP was revised to incorporate the recommendations of SEA and EIA for 4-lane facility. The revised EMP was submitted to CEA, the coordinator of</p>	<p>The proposed supplementary loan includes environmental costs amount to \$2 million which covers the costs of lead-off drainage, as recommended by SEA and EIA</p> <p>The engineering design for the slope standard is now being reviewed by CSC</p>	Complied with despite the Panel's reservations on the documentation relating to consultation and the treatment of the culturally significant sites (see para. 25 of the CRP Second Annual Monitoring Report).

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
			Environmental Monitoring Committee, on 24 January 2007. The CEA endorsed the revised EMP on 3 September 2007.		
Para 268 (ii)	Ensure the incorporation of the environmental impact assessments and the recommended mitigation measures of any stretch of ADB section on the FT different from the CT and of the Galle Port Access Road in the Environmental Management Plan (EMP) for the Project.	Not complied with	<p>See above</p> <p>Report submitted to CRP</p> <p>SLRM undertook an environmental monitoring mission on 30 August 2007 and recommended actions to ensure compliance.</p> <p>International consultant deployed on 15 October 2007.</p>	<p>The CSC is revising the civil work contract (variations) to include the provisions for implementing EMP</p> <p>To strengthen the implementation of EMP, a SSTA is being process. It will assist RDA through ESD in establishing the monitoring implementation of EMP.</p> <p>The CSC is now in process of hiring an environmental consultant (international) to strengthen its environmental monitoring aspects which are currently done by a national consultant.</p>	Complied with, but the Panel will monitor this recommendation as a result of changing circumstances noted in the project (see para. 26 of the CRP Second Annual Monitoring Report).
Para 268 (iii)	Review the cofinancing arrangements in the STDP with a view to strengthening policy compliance for the whole Project.	Partially complied with	<p>ADB and JBIC agreed on a common RIP, IRP and EMP which satisfy the safeguard policy requirements for the entire Project. ADB-JBIC MOU now proceeds on this premise.</p> <p>Land acquisition in both ADB and JBIC has been carried out by employing the RIP approved by ADB on November 2002.</p> <p>The Income Restoration Program</p>	CEA endorsed the revised EMP in 2007. ADB will discuss with JBIC the possibility of applying the endorsed EMP in JBIC section.	Complied with as far as cofinancing arrangement of ADB and JBIC is concerned. The Panel will continue to monitor this recommendation to ensure that cofinanciers apply ADB's policy standards on involuntary resettlement and environment to the whole project (see para. 27 of the CRP Second Annual Monitoring Report).

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
			<p>(IRP) has been implemented in both ADB and JBIC sections.</p> <p>The approved EMP 2005 has been implemented in both ADB and JBIC section. It is important to note that the civil works contract document in JBIC section explicitly include the requirement to implement approved EMP 2005.</p> <p>High value civil works in both sections require separate supervision consultants. Nonetheless, at the project level, the PMU assisted by the MC is responsible to overseeing the overall project implementation.</p> <p>At RDA, Environment and Social Division (ESD) is gradually absorbing its role as an independent agency within RDA to monitor the implementation of environmental and social safeguards of STDP.</p> <p>At the inter-departmental level, the Environmental Monitoring Committee (EMC) chaired by CEA Chairman consider STDP as one project.</p>		
Para 268 (iv)	Conduct an analysis of gender issues on the Project and ensure that the programs under the Project adequately address these gender issues.	Partially complied with	<p>Gender Analysis study has been completed. The study concludes that in terms of compensation payment there is no discrimination against women.</p> <p>The recommendations of the</p>	<p>SLRM will continue to monitor the implementation of recommendations of the Gender Analysis Report.</p> <p>RDA's MIS is being strengthened since the</p>	Complied with. The Panel will continue to monitor this recommendation actively to ensure strong follow-through in integrating the conclusions of the gender report into the various



Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
			<p>Gender Analysis Report are being implemented through the income restoration program.</p> <p>The gender specialist at SLRM is taking an active role at the coordination level through IRP progress review, and other coordination meetings.</p> <p>The MIS is continually being updated and has also been verified by SLRM staff, and now gives gender- disaggregated data.</p>	program does not provide adequate gender-disaggregated data.	aspects of the project, from resettlement to income restoration (see para. 28 of the CRP Second Annual Monitoring Report).
Para 268 (v)	Require that all AP be fully compensated by actual payment before they are moved.	Not complied with	<p>The Government has paid as compensation \$41 million for involuntary land acquisition.</p> <p>Total number of land lots paid is 10,273.</p> <p>266 lot payments are still on hold by the Divisional Secretaries owing to (i) difficulties in tracing AP, (ii) disputed land titles, and (iii) unclaimed payments.</p> <p>Resettlement Brochure in Sinhala was disclosed to all APs and it contains important project and resettlement information. Extra copies are kept at public locations such as DS offices and with GSDs.</p> <p>The addendum to RIP was posted on ADB website on 16 July 2007. It has been translated in to Sinhala and posted on RDA website on 11 October 2007.</p>	SLRM will monitor the progress on payment of compensation, issuance of Compensation Certificates, Title Certificates, and monitor the implementation of RIP.	Not complied with. The Panel's recommendation has been overtaken by events. The Panel appreciates the steps taken by Management to address the remaining issues of compensation despite the initial failure to achieve compliance. The Panel concludes, additionally, that there are important lessons from the noncompliance with the involuntary resettlement policy (see para. 29 of the CRP Second Annual Monitoring Report).

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
Para 268 (vi)	Determine whether or not there has been a change of scope in the Project, as provided in Project Administration Instruction 5.04.	Not complied with	<p>ADB Management determined that there has been a change-of-scope in the Project in December 2006.</p> <p>The Summary SEA was disclosed on 18 April 2007 on ADB website.</p> <p>The addendum to Resettlement Plan was disclosed on website on 16 July 2007.</p> <p>The draft Board paper has been edited.</p>	The Board paper on Change-of-Scope is being prepared and will be submitted to the Board together with the supplementary loan papers for approval.	Partially complied with. Full compliance will be achieved with the final processing of the change in scope by the Board (see para. 30 of the CRP Second Annual Monitoring Report).
Para 268 (vii)	Assist in the income restoration program (IRP) and the establishment of household benchmarks through the Management Information System (MIS) for the AP as called for in the Resettlement Implementation Plan (RIP).	Not complied with	<p>The MIS has been revised and updated to include all land lots of the deviation from CT to FT and the Galle Access Road.</p> <p>The SLRM has provided several training programs to improve the MIS system at RDA.</p> <p>The use of MIS to measure income will be limited to the recorded people and especially who are living at the resettlement sites.</p> <p>The income restoration program was established based on RIP. The program has been implemented from early 2006. Up to September 2007, 800 APs, especially vulnerable APs participated in the program. They were selected for the programs from the information provided by SEEDS which conducted workshops to identify</p>	<p>SLRM staff are working with RDA to implement a sustainable income restoration program for APs, especially to vulnerable groups.</p> <p>To improve the income restoration program RDA is now checking whether the majority of affected</p>	Partially complied with. Full compliance will be achieved when the MIS is functional and when the implementation of the IRP is assessed by the Panel to be effective in meeting its objectives (see para. 31 of the CRP Second Annual Monitoring Report).

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
			<p>them.</p> <p>RDA is now reviewing the established targets of the program in order to focus on vulnerable APs and to expand the scope of skill training programs for their benefit.</p>	households recorded in the MIS are participating in the program.	
Para 268 (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 district offices.	Partially complied with	<p>(a) Resettlement information in Sinhala with entitlement matrix has been have been disseminated to affected households.</p> <p>(b) a survey is being conducted to verify the extent of dissemination of RIP entitlement matrix to APs.</p> <p>(c) Based on (and during) the survey, additional project information, including essential elements of the RIP, is provided to affected families, if needed.</p> <p>(d) English and Sinhala version of RIP and entitlement matrix are posted on the project website</p> <p>(e) Brochure in Sinhala has been distributed (Tamil distributions not considered necessary as APs are mainly Sinhalese).</p>	<p>Addendum to RIP will be distributed to the APs in Sinhala.</p> <p>The addendum to RIP translated in Singhala and distributed to DS offices and posted on RDA web site on 11 October 2007.</p>	Complied with (see para. 32 of the CRP Second Annual Monitoring Report).
Para 268 (ix)	Help establish well-staffed monitoring of resettlement activities by an independent institution, forwarding concerns to RDA for urgent actions from AP.	Partially complied with	(a) ADB recruited through a TA in coordination with JBIC and RDA an independent External Resettlement Monitor (ERM) reporting to ADB. To avoid loss of information and delays in transferring of files and data, the MC continues to gather data and reporting on resettlement implementation. The ERM will	<p>Complaint Centres provides better and easy access to APs to lodge grievances. The complaint centres are gradually taking over the grievance redress committee functions.</p> <p>ERM to review the grievance</p>	Partially complied with. Full compliance will be achieved with the completion of Phase 4 of the work of the Centre for Poverty Analysis (CEPA). The Panel underscores the inclusion of all AP concerns in phase 4 of CEPA's work and the incorporation of

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
			<p>perform supplementary monitoring and will audit the monitoring carried out by MC.</p> <p>(b) ERM initiated monitoring activities in 2006 and has verified all resettlement data of a sample of 400 land lots; gathered additional information as necessary from workshops and field visits and surveys; has provided an independent perspective and advice to MC and RDA on resettlement implementation and M&amp;E.</p> <p>(c) Completed the Phase III of independent monitoring and submitted to ADB its final report.</p> <p>SLRM recruiting an individual consultant to update the implementation progress of RIP. The consultant is expected to be on board by end November 2007.</p>	<p>redress progress and report to RDA based on the sample study</p> <p>A "workshop panel" of experts review the methodology and findings of ERM periodically.</p> <p>The newly-established Environment and Social Division (ESD) of RDA will progressively take over the M&amp;E functions of STDP. In this regard, the sample frame, M&amp;E methodology, and the information extraction methods employed by ERM will help ESD to embark of this important task. ERM, during Phase IV of the TA will engage ESD in M&amp;E activities of STDP. This would facilitate the taking over of the monitoring function of STDP by ESD from ERM, and ESD's learning of resettlement monitoring and evaluation methodology.</p> <p>CEPA and RDA agreed on the monitoring to include ESD staff in phase IV monitoring. A meeting to finalize this is scheduled for 6 November 2007.</p>	ERM's research findings into the related work components of the Project (see para. 33 of the CRP Second Annual Monitoring Report).
Para	Require immediate	Partially complied with	The resettlement sites have been	(a) SLRM to monitor through	Complied with. The Panel

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
268 (x)	provision of utilities and infrastructure to resettlement sites.		<p>provided with basic service such as water for drinking and bathing, electricity, surface water drainage, internal roads and access roads.</p> <p>30 of 32 resettlement sites have been completed and handed over to local authorities. 1 more site handed over in October 2007 totaling 31 out of 32.</p>	<p>MC and ERM and through its own staff, if needed, the conditions and improvements at resettlement sites.</p> <p>(b) SLRM to ensure that RDA undertakes additional actions as required to address the shortcomings, if any.</p> <p>(c) Two resettlement sites to be handed over to local authorities by June 2008.</p>	will continue to monitor the provision of facilities and infrastructure in the remaining site (see para. 34 of the CRP Second Annual Monitoring Report).
Para 268 (xi)	Require a special emphasis in the RIP and the income restoration program for women, if necessary by allocation of additional staff to track their recovery as AP.	Partially complied with	<p>Recommendations from the Gender Analysis Report have been incorporated into the IRP and being implemented</p> <p>SLRM provided inputs into IRP TOR and designs ERM TOR to ensure incorporation of gender dimensions in IRP development</p>	SLRM monitors gender dimensions in the implementation of the RIP and IRP, including allocation of dedicated staff, if necessary	Complied with (see para. 35 of the CRP Second Annual Monitoring Report).
Para 268 (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 of social issues.	Not complied with	<p>In conjunction with the processing of the supplementary loan of STDP, the framework for BME is being updated into the Project Design and Monitoring Framework. This framework includes outputs, indicators of achievements..</p> <p>The baseline data is provided in the report submitted by RDA on 27 April 2007.</p>		Not complied with (see para. 36 of the CRP Second Annual Monitoring Report).

Item	CRP Recommendations	Compliance status determined by CRP in its First Annual Monitoring Report	Progress up to 1 November 2007	Future Actions	Compliance Status determined by the CRP
Para 268 (xiii)	Assist in the preparation of an additional assessment of project beneficiaries along the FT to establish baseline information for BME activities.	Not complied with	(a) RDA has synthesized IoL and IRP data on Final Trace of the expressway and presented in a report which provides the baseline for BME along the FT.  (b) The MC had developed the BME indicators.	Data collection is yet to be started.	Partially complied with (see para. 37 of the CRP Second Annual Monitoring Report).
Para 268 (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.	Complied with	(a) SLRM has posted additional information and created a shortcut on SLRM Site Page to facilitate access.  (b) SLRM has completed Project Website redesign with DER's assistance  (c) ADB and RDA has established link between their respective STDP web pages.  (d) SLRM has expanded website coverage to include full project information. English and Sinhala versions of RIP and the full entitlement matrix are posted on the STDP website		Complied with (see para. 38 of the CRP Second Annual Monitoring Report).
Para 268 (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.	Complied with	Progress Report as of 30 <sup>th</sup> September 2007 has been completed.	Annual updates hereafter until CRP certifies that the progress is adequate and satisfactory.	Complied with (see para. 39 of the CRP Second Annual Monitoring Report).

## **List of Persons Met**

### **Ministry of Finance and Planning**

Mr. P. B. Jayasundara, Secretary  
Mr. R. A. Jayatissa, Deputy Secretary  
Mr. N. J. Baranasuriya, Additional Secretary, Ministry of Highways  
Mr. B. Abegunawardane, Director General, Department of National Planning  
Mr. A. M. D. Bandusena, Director, Department of National Planning  
Ms. Malanie Gamage, Additional Director General, External Resources Department  
Mr. Anura Ranasinghe, Deputy Director, External Resources Department

### **Ministry of Highways**

Mr. S. Amarasekera, Secretary

### **Road Development Authority**

Mr. M. B. S. Fernando, Chairman  
Mr. S. Mehandan, Project Director, STDP  
Mr. H. M. Wimalasinghe, Deputy Director (Lands), Project Management Unit

### **Environmental and Social Division, RDA**

Mr. R. H. Karnakanda, Director  
Mr. S. Hudson U. de Silva, Deputy Director  
Mr. P. I. B. Lenadan, Deputy Director  
Ms. R. M. Shakila Rathnayake, Database Management Officer  
Mr. L. S. Liyanage, Resettlement Officer  
Ms. D. P. Adikari, Consultant, RDA  
Mr. G. M. S. W. B. Gajasinghe, Environmental Officer

### **Central Environment Authority**

Mr. Udaya Prabath Gammanpila, Chairman  
Ms. Pusan Gunasena, Director General  
Mr. Kumari Kulatilak, Assistant Director, Operation Planning and Monitoring  
Ms. Kanthi de Silva, Director, Environmental Impact Assessment

### **Japan Bank for International Cooperation**

Mr. Atshushi Kaneko, Chief Representative, Representative Office in Colombo

### **FinnRoad**

Mr. Mauri Möttönen, Team leader  
Mr. Nandasena Maddugoda, Environment and Social Impact Monitoring Specialist

### **Roughton International Ltd.**

Mr. Colin A. Marshall, Team Leader

### **University of Moratuwa**

Prof. N. T. Sohan Wijesekera, Professor, Civil Engineering

### **Centre for Poverty Analysis**

Ms. Priyanthi Fernando, Executive Director

Ms. Nilakshi de Silva, Senior Professional  
Ms. Neranjana Gunetilleke, Senior Professional  
Ms. Karin Fernando, Senior Professional

**Sarvodaya Economic Enterprise Development Services (Gte) Ltd.**

Ms. Indrani Hettiarachchy, Deputy Director, Banking  
Mr. Kithsiri Wijemarnasooriya, Team Leader, STDP/Income Restoration Program  
Mr. P. D. P. Sanjeewa, Project Manager  
Mr. Shakila Wijewardene, Managing Director  
Dr. Sunil Liyanage, Director, Training and Enterprise Services

**STDP Project Staff, JBIC Section**

Mrs. T. S. Silva, Project Manager  
Mr. P. H. K. Dayaratne, Team Leader, Land Acquisition and Resettlement  
Mr. I. C. R. Fernando, Deputy Director, Engineering  
Mr. G. D. Wijedasa, Project Engineer, Bandaragama Office  
Mr. D. A. Kanaheya Aracheko, Project Engineer  
Mr. W. M. Jayasiri Perera, Resettlement Officer  
Mr. D. L. Nalin Indika, Environmental Impact Monitoring Officer  
Mr. J. H. S. C. Kumara, Resettlement Officer  
Mr. D. Nadeeka Nilani, Social Impact Monitoring Officer  
Ms. G. V. Saman Kumari, Social Impact Monitoring Officer  
Ms. J. M. S. C. Jayawardana, Resettlement Assistant  
Mr. M. P. N. Madhurangani, Environmental Impact Monitoring Officer  
Mr. P. Wijesuria, Resettlement Officer  
Mr. J. M. Suranga Chamara, Resettlement Assistant

**STDP Project Staff, Asian Development Bank (ADB) Section**

Ms. T. D. Wijewardena, Project Manager  
Mr. D. M. Somarathna, Team Leader, Land Acquisition and Resettlement  
Mr. M. S. Nilawfer, Supervising Engineer  
Mr. P. A. Kodikara, Project Engineer  
Mr. D. Sarath Algama, Resettlement Officer  
Mr. K. G. Kalyani, Resettlement Officer  
Mr. U. S. N. Karunnatileke, Environmental Impact Monitoring Officer  
Mr. Y. Renuka, Social Impact Monitoring Officer

**ADB Sri Lanka Resident Mission**

Mr. Richard Vokes, Country Director  
Mr. Munawar Alam, Senior Project Specialist  
Ms. Nishanti Manjula Amerasinghe, Project Implementation Officer  
Mr. K. M. Tilakaratne, Implementation/Program Officer  
Mr. Amarasena Gamaathige, Social Sector/Resettlement Officer  
Ms. Nelun Gunasekera, Gender Specialist  
Mr. Aruna Nanayakkara, Project Implementation Officer

**Project affectees met at the following places:**

**JBIC Section**

1. Mr. G. Munidasa Walpola and his wife Mrs. E. K. Manel
2. Mr. Cyril Mundy and his wife Mrs. Heather Mundy



3. Mr. Sunil Ranjith Dayaratne
4. Ms. Lalani Chandrika
5. Mr. H. D. J. Gunatilaka and his wife Mrs. R. P. M. Hiddallarachchi
6. Mrs. M. D. Gunawardena
7. Mr. H. D. Piyasena
8. Mr. Cyril Buddadasa and about 30 villagers

**ADB Section**

1. Mrs. A. K. Maginona and her son Mr. P. A. Erick Bandula
2. Ms. Susila Dahanayake
3. Mr. Sarath Authukorale
4. Mr. L. D. L. Pathmasiri
5. Mr. A. Siripala
6. Mr. V. J. Piyadasa
7. Mr. R. G. Ariyapala, his daughter Ms. Janitha Thisserra and his son Mr. Gayan Nandana
8. Mr. R. Amarasena
9. Mr. W. G. Anurapasenathi
10. Mr. C. Idipilly

**Annasigalahena Resettlement Site**

1. Mrs. M. D. Kanthi Gunarathna
2. Mrs. Dayarodrigo

**Pemrockwatta Resettlement Site**

1. Mr. J. M. S. E. Suranga Jayawardana and his wife Mrs. G. V. Samankumari
2. Mr. M. D. Ronald Rupasinha and his wife Mrs. M. D. Padmini

**Pathirajawatta Resettlement Site**

1. Ms. N. Kumudhini
2. Mr. Russal Munasingha
3. Mrs. Nadika Kumari Samanmali

**Diyagama Resettlement Site**

1. Mrs. I. K. Priyanthi
2. Mr. P. Kularatna
3. Mrs. Pathmasamarakoon, wife of Mr. K. Premasiri

### Photos from the CRP Monitoring Mission



Photo 1: JBIC section of the highway under construction



Photo 2: Panel members discussing with project affectees in JBIC section of the highway





Photo 3: A self-relocated project affectee's home garden in the JBIC section of the highway



Photo 4: Discussion with project-affected people in the JBIC section of the highway





Photo 5: Discussion with project affectees in Annasigalahena, an STDP resettlement site



Photo 6: Mr. Rumansara with a project affectee assisted by Mr. Demel (translator) in her home garden in Annasigalahena, an STDP resettlement site





Photo 7: A house in Pemrockwatta, an STDP resettlement site



Photo 8: Mr. Rumansara (right) with Ms. T. S. Silva, STDP Project Manager-JBIC section and project affectees (also housing society officials) in Pemrockwatta, an STDP resettlement site