

**Asian Development Bank Accountability Mechanism  
Compliance Review Panel**

**Annual Monitoring Report 2007–2008  
To the Board of Directors  
On  
Compliance Review Panel Request No. 2004/1  
On the Southern Transport Development Project in Sri Lanka  
(Asian Development Bank Loan No. 1711-SRI [SF])**

**15 May 2009**



## Contents

	Page
About the Compliance Review Panel.....	iii
Acknowledgements .....	iv
Map.....	vi
<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 the Project .....	2
<b>III. Request, Panel Investigation and Board Decision.....</b>	<b>3</b>
A. Request for Compliance Review .....	3
B. Panel Investigation .....	4
C. Board Decision .....	5
<b>IV. The Monitoring Review and Course of Action.....</b>	<b>5</b>
<b>V. Activities and Findings.....</b>	<b>5</b>
A. Progress in Achieving Compliance.....	6
B. General Recommendations.....	7
C. Specific Recommendations.....	8
<b>VI. Conclusions.....</b>	<b>17</b>
<b>VII. Next steps .....</b>	<b>17</b>
<b>Appendixes</b>	
1. Compliance Review Panel Recommendations .....	18
2. Course of Action to Implement the Recommendations of the Compliance Review Panel (CRP) .....	20
3. List of Persons Met .....	30
4. Photos from the CRP Monitoring Mission .....	33



## About the Compliance Review Panel

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

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

As of the preparation of this Report, CRP consists of two members, Mr. Antonio La Viña and Ms. Anne Deruyttere. However, Mr. Augustinus Rumansara, whose term as chair ended on 13 December 2008,\* participated in the preparation of the initial drafts of this Report.

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

**Anne Deruyttere** is a citizen of Belgium with over 30 years of experience with social safeguard issues, sustainable development, and poverty reduction. Until 2007, she was the Chief of the Indigenous Peoples and Community Development Unit at the Inter-American Development Bank (IDB), prior to which she worked with IDB's Environment and Operations Evaluation Offices. She coordinated the preparation and public consultation of IDB's policies on involuntary resettlement and on indigenous issues, she is a frequent speaker and lecturer, and she has written many studies and reports on indigenous peoples, culture and development, and community participation. She holds graduate degrees in economics from the University of Louvain (Belgium) and Edinburgh University (United Kingdom). Recently, she has consulted on indigenous peoples' issues at the International Fund for Agricultural Development and the German Development Cooperation Agency (GTZ) and is currently at the World Bank.

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

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\* Mr. Rusdian Lubis was appointed by the ADB Board of Directors as CRP Chair for a 5-year term effective 12 March 2009.

## **Acknowledgements**

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

- STDP-affected persons including those persons who requested the compliance review;
- officials from the Government of Sri Lanka, including from the Ministry of Finance and Planning, the Ministry of Highways and Road Development, the Road Development Authority, and the Central Environmental Authority;
- Asian Development Bank (ADB) Management and staff at ADB headquarters and at ADB's Sri Lanka Resident Mission;
- members of the ADB Board of Directors;
- representatives of the Japan International Cooperation Agency at its representative office in Colombo;
- STDP consultants including Finnroad, Roughton International Ltd., Pacific Consultants International, Centre for Poverty Analysis, and Sarvodaya Economic Enterprise Development Services (Gte) Ltd., former Road Development Authority consultant for the income restoration program;
- Egis BCEOM International, the consultant for land use planning for the southern highway corridor.

## **Abbreviations**

ADB	Asian Development Bank
BCRC	Board Compliance Review Committee
BME	benefit monitoring and evaluation
CEA	Central Environmental Authority
CEPA	Centre for Poverty Analysis
CRP	Compliance Review Panel
EIA	environmental impact assessment
EMP	environmental management plan
GOSL	Government of Sri Lanka
IRP	income restoration program
JBIC	Japan Bank for International Cooperation
km	kilometer
MIS	management information system
OM	Operations Manual
PPMS	project performance management system
RDA	Road Development Authority
RIP	resettlement implementation plan
RRP	Report and Recommendation of the President
RSC	road safety component
SEA	supplementary environmental assessment
SLRM	Sri Lanka Resident Mission
STDP	Southern Transport Development Project

## **Note**

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

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

## Map



## I. Introduction

1. In December 2004, the Compliance Review Panel (CRP or Panel) registered a request for compliance review of 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). CRP determined that the request was eligible, and the Board of Directors (Board) of the Asian Development Bank (ADB) authorized a compliance review by CRP. The Panel reviewed and investigated the request and submitted its findings and recommendations to the Board in June 2005 which the Board approved.<sup>2</sup>

2. Following the Board decision, the Panel has been monitoring ADB Management's implementation of remedial actions and recording its observations in its annual monitoring reports posted on the CRP website.<sup>3</sup> This "Third Annual Monitoring Report on STDP" examines the progress on the range of issues in the Panel's final report and utilized the course of action designed by Management to implement the Board-approved remedial actions as the framework for its review. CRP also discussed and obtained feedback from ADB staff at headquarters and in its Sri Lanka Resident Mission (SLRM),<sup>4</sup> the Japan International Cooperation Agency (JICA), STDP consultants, and officials from the Government of Sri Lanka (GOSL) and STDP-affected persons<sup>5</sup> during the Panel's third monitoring mission in Sri Lanka from 12 to 18 November 2008.

3. In accordance with paragraph 48 of CRP operating procedures, a draft of this "Third Annual Monitoring Report on STDP" was submitted to the Board Compliance Review Committee (BCRC) on 30 March 2009.

4. This report outlines the following:

- a description of STDP with its scope and cofinanciers;
- a brief account of Management's actions to comply with the Board-approved recommendations to bring the Project into compliance, recognizing those measures taken by Management up to 1 November 2008 as well as information provided by Management following the Panel's discussions with ADB staff up to 28 February 2009;
- the salient issues and findings identified by CRP in its monitoring work;
- CRP's conclusions and recommendations on Management's measures to comply with the Board-approved recommendations and to bring the Project into compliance.

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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> The reports and other related information on the STDP request are at <http://www.compliance.adb.org/dir0035p.nsf/alldocs/ELLN-6NH8JG?OpenDocument>.

<sup>4</sup> ADB's South Asia Department has delegated STDP administration to SLRM.

<sup>5</sup> The CRP monitoring mission included a 3-day field visit to the project area where the Panel met GOSL officials and STDP-affected persons including the requesters.

## II. Description of the Project

### A. Scope

5. The original STDP Loan has two components: the southern highway component and the road safety component.<sup>6</sup> The highway component consists of the construction of a new highway linking Colombo with Galle, the capital of the Southern Province of Sri Lanka, and Matara while the road safety component addresses Sri Lanka's serious road traffic accident situation. The highway will be about 126 kilometers (km), and a 5.6 km Galle access road will also be constructed. STDP also supports policy and institutional reform in its two-fold primary objective: to spur economic development in the southern region and to significantly reduce the high rate of road accidents. STDP's secondary objective is poverty reduction.

### B. Agencies and Financing

6. The original ADB project for STDP was funded by ADB, JBIC,<sup>7</sup> GOSL, the Nordic Development Fund and the Swedish International Development Cooperation Agency. 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%). The Swedish International Development Cooperation Agency finances consulting services for the road safety component while the Nordic Development Fund finances consulting services and equipment for that component as well as project management consulting services for the highway component until December 2008. ADB is also providing a supplementary loan for a total amount of \$90 million for the highway component.

7. With respect to the 126.2 km highway, JBIC is financing around 66.6 km of the northern part while ADB was to finance 59.6 km of the southern portion as well as the 5.6 km Galle access road.

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

### C. Status of the Project

9. 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 following delays in complying with loan effectiveness conditions, particularly the submission of a satisfactory resettlement implementation plan (RIP). All cofinancing agreements are in place. The original STDP loan closing date was extended to 31 December 2010.

10. STDP has suffered cost overruns, especially due to increased costs for civil works. Several factors have contributed to this increase including (i) price escalation due to delays, (ii) undetermined geo-technical and soil conditions, and (iii) an increase in value-added tax. In addition, the delay in bringing the Project into compliance has increased the cost of consulting

<sup>6</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* (R189-99), at <http://www.adb.org/Documents/RRPs/SRI/rrp-R189-99.pdf>, para. 47.

<sup>7</sup> The Japan International Cooperation Agency and the Japan Bank for International Cooperation were merged in October 2008 with JICA as the surviving entity.

services, mainly because of the additional time required to supervise construction. The ADB supplementary loan of \$90 million for the highway component was approved by the Board in March 2008. The supplementary loan finances (i) cost overruns for restructuring construction from Kurundugahahetekma to the Pinnaduwa Interchange to complete the two-lane highway and to expand the carriageway to a four-lane highway and to complete the Galle access road, (ii) consultancy services for construction supervision and project management, and (iii) road safety equipment. The supplementary loan excluded the last 30 km from the Pinnaduwa Interchange to Godagama which was also excluded from the original loan through the restructuring of the civil works contract. GOSL is now responsible for funding the completion of this section. The STDP supplementary loan has a closing date of 30 December 2010.

11. As of 28 February 2009, about \$91 million of the original ADB loan and \$16 million of the supplementary loan had been disbursed. The civil works contract restructured under the ADB loan had been awarded, and progress on the ADB section had reached 71.39%.

12. The JBIC section has two contract packages. Package 1 for a four-lane highway closest to Colombo was awarded in August 2005, and package 2 for a two-lane highway was awarded in March 2006. As of 28 February 2009, progress on the JBIC section was 52% for package 1 and 43.8% for package 2. These two contracts are now scheduled to be completed by February 2010 and August 2010, respectively. The Panel understands that JBIC package 2 is also being restructured into a four-lane highway.

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

#### **A. Request for Compliance Review**

13. 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 would include the loss of homes, the loss of livelihoods, damage to the environment, the degradation of wetlands, the dispersion of integrated communities, damage to five temples, negative effects of resettlement, and human rights violations.

14. The requesters specifically stated that the sections of the ADB Operations Manual (OM) that were violated and thus caused them harm were those on environment, involuntary resettlement, incorporation of social dimensions in ADB operations, governance, economic analysis, benefit monitoring and evaluation, gender and development in ADB operations, processing loan proposals, and formulation and implementation of loan covenants.

15. The requesters sought remediation from ADB including:

- (i) full compensation for resettlement;
- (ii) a gender analysis;
- (iii) reconsideration of the best alignment for the road trace in order to minimize the number of persons to be resettled;
- (iv) an initial social assessment for the final trace;
- (v) provision of adequate land for replacement;
- (vi) completion of an environmental impact assessment (EIA) for the final trace;
- (vii) full consultation with affected people after completion of the new assessment documents;

- (viii) as first steps, suspension of disbursements under the loan and a full investigation of the highway by an independent committee.

## B. Panel Investigation

16. 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's recommendations in its final report.

- (i) **Operations Manual (OM) Section 20:<sup>8</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 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>9</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>10</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.
- (iv) **OM Section 40:<sup>11</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>12</sup> Incorporation of Social Dimensions in Bank Operations.** The failure to comply 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

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<sup>8</sup> Issued 7 January 1997.

<sup>9</sup> Issued 7 January 1997.

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

<sup>11</sup> Issued 12 December 1995.

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

income restoration program were serious breaches of compliance that pose major challenges to achieve compliance under this OM.

- (vi) **OM Section 50:<sup>13</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>14</sup> Change in Project Scope or Implementation Arrangements.** The CRP identified a number of major changes in the Project that should trigger a review by the operations department, and believed that the Project will not comply until a formal determination on the change of scope issue has been settled.

### C. Board Decision

17. In July 2005, the Board deliberated on the final CRP report including on the Panel's recommendations that were both of a general nature and specific to STDP. The Board approved the Panel's recommendations (see Appendix 1).

## IV. The Monitoring Review and Course of Action

18. CRP's terms of reference for monitoring are spelled out in paragraph 47 of its 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."

19. Mr. Augustinus Rumansara, CRP Chair, was the lead post-decision monitor for this monitoring review; he was assisted by CRP members Antonio La Viña and Anne Deruyttere and the CRP secretariat. For purposes of completing the "Third Annual Monitoring Report on STDP," Mr. La Viña, who led the monitoring mission to Sri Lanka in November 2008, replaced Mr. Rumansara as the lead post-decision monitor. ADB Vice President (Operations 1) is the focal point for ADB Management in implementing the remedial actions, while the Director General of ADB's South Asia Regional Department is responsible for day-to-day activities.

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

## V. Activities and Findings

21. For this "Third Annual Monitoring Report on STDP," CRP reviewed progress reports on the implementation of the course of action provided by ADB Management dated 31 March 2008

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<sup>13</sup> Issued 7 January 1997.

<sup>14</sup> Issued December 2001.

and 30 September 2008, respectively, together with other documents and information provided at the request of the Panel.

22. CRP obtained information from ADB staff at headquarters and in SLRM; from GOSL officials including the Ministry of Finance and Planning, the Ministry of Highways and Road Development, RDA, and the Central Environmental Authority (CEA); from STDP consultants; and from the requesters and other affected persons through personal interviews and site visits, email, telephone, and/or teleconferences. A summary of the latest Management report dated 30 September 2008 on progress regarding the implementation of the course of action and the Panel's findings on the status of compliance is presented in Appendix 2.

23. The Panel carried out a mission in Sri Lanka from 12 to 18 November 2008.<sup>15</sup> In addition to consultations in Colombo with SLRM staff, STDP consultants, GOSL officials, and JBIC, the Panel conducted a 3-day visit to the project area and met with RDA officials and STDP affected persons, including the requesters. The Panel also visited sites along the highway where construction had had an environmental impact and STDP resettlement sites in Akmeemana and Diyagamawatta and met affected persons in Bandaragama and in the Galle area. The Panel was assisted by an interpreter<sup>16</sup> during the visit to the project area. The list of the persons met by the Panel during the Mission is in Appendix 3. Some photos from the Mission are included in Appendix 4.

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

24. CRP provided two categories of recommendations after its investigation of this Project. The first category is a set of four general recommendations with a scope wider than that of the Project. The second is a set of 15 special recommendations for implementation issues that could directly bring the Project into compliance. For each of the recommendations listed, the Panel records progress in achieving compliance, its findings on the effectiveness of complying with the recommendation, and its determination of the status of compliance. This status is reflected in the last column of the updated course of action in Appendix 2. Unless otherwise specified, the cut-off date for the Panel's assessment is 28 February 2009.

25. As of 28 February 2009, of the 19 recommendations, Management has complied with 15, it has partially complied with 2, and it has not complied with 2. Complying with general recommendation 3 will depend on Board approval of the updated ADB safeguard policy. The Panel has noted that some preparatory work on revising the handbook on resettlement has been completed and believes that Management will be able to complete revisions by incorporating lessons learned from STDP. Regarding specific recommendation 5, which could no longer be complied with because events had overtaken the opportunity for timely compliance, the Panel nevertheless urges Management to work closely with RDA to ensure that affected persons, and those that may be affected by future construction activities will be fully compensated in a manner consistent with the provisions of the existing resettlement plan for acquiring land and for fair compensation of construction-related impacts. Regarding specific recommendation 7, the Panel urges Management to ensure that the Land Use Planning of the Southern Highway Corridor Technical Assistance Project (TA 7065-SRI) addresses the issues faced by persons whose livelihood was affected negatively by the project. Regarding specific recommendation 9, the Small Scale Capacity Development Technical Assistance Project on

<sup>15</sup> The Panel members who conducted the field visit were Mr. Antonio La Viña and Ms. Anne Deruyttere. Staff from the Office of the Compliance Review Panel Ms. Teresita S. Capati, Compliance Coordination Officer and Ms. Josefina Miranda, Senior Compliance Program Assistant, joined the Panel in its meetings and site visits.

<sup>16</sup> Mr. Aku Esufali.

Strengthening Road Development Authority in Implementation of the Environmental Management Plan of the Southern Transport Development Project (S-CDTA-7239-SRI), Management should be able to work closely with RDA to bring the monitoring requirements into compliance. These four recommendations will be monitored by the Panel. CRP also encourages Management to continue monitoring the implementation of the other recommendations to maintain compliance and to include the implementation of the course of action in its progress report.

26. Among the problems still faced by the Project, the Panel is particularly concerned about the southernmost 30 km of the highway, including uncertainty over its financing. Failure to complete this section will not only risk the loss of the potential benefits of the highway but will also have the potential to cause future adverse environmental and social impacts. In addition, the Panel is concerned about the flooding that continues to be a significant issue for affected persons. Questions remain on whether the remedial measures taken were and remain sufficient to minimize this threat. These two issues—uncertainty over the last 30 km and flooding—are of the highest priority; the Panel urges Management to emphasize solutions to address them.

## **B. General Recommendations**

**27. 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.**

- Compliance was confirmed by the Panel in the “Second Annual Monitoring Report for STDP.” As recommended in the previous CRP monitoring report, Management posted the report “Review of Experience in the Application of Environment and Involuntary Resettlement Policies to Road Projects with Change in Alignment or Footprint” on the ADB website on 9 December 2008. Management has indicated that the results of this review have been disseminated to staff in its internal safeguard training program.

**28. 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.**

- Compliance was confirmed by the Panel in the “Second Annual Monitoring Report for STDP.” The report “Review of Experience in the Application of ADB’s Environment and Involuntary Resettlement Policies to Road Projects with Cofinancing Arrangements” was posted on the ADB website on 9 December 2008.

**29. 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.**

- In the “Second Annual Monitoring Report on STDP,” the Panel found that Management had not complied with this recommendation; however, the Panel noted that Management had been working on updating the handbook since July 2004, which would include inputs from the technical assistance project REG-6091 on Capacity Building for Resettlement Risk Management in the People's Republic of China, India, and Cambodia. The revised handbook is to be published after the Board approves the safeguard policy update which is expected to happen by the second quarter of 2009.
- Compliance will be reached when the handbook is revised and will include the guidance mentioned in this recommendation.

**30. 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 the “First Annual Monitoring Report for STDP.” The Panel regularly receives reports on the progress of implementation of the course of action submitted by Management.

### **C. Specific Recommendations**

**31. 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.**

32. In the “Second Annual Monitoring Report for STDP,” the Panel found that Management had complied with this recommendation but expressed reservations on the documentation of consultations conducted under the supplementary environmental assessment (SEA) as well as on the treatment of culturally significant sites in the summary environmental impact assessment (SEIA). The Panel had suggested in the second report that (i) ADB should make arrangements for the SEA to be available to the public for a specific commenting period and (ii) the August 2006 draft final report of the SEA and January 2007 addendum should be posted on the ADB website even though its disclosure is not required under ADB's public communications policy.

33. In Management's implementation progress reports on the CRP recommendations as of March 2008 and September 2008, it was reported that the SEA prepared by the University of Moratuwa had been posted on the ADB website on 17 April 2008 and that RDA had created a link to it on its website. Management also reported that (i) the environmental management plan (EMP) that had been revised to incorporate the recommendations of the SEA and the EIA for the four-lane expansion was posted on the ADB website on 9 January 2008 and on the RDA website on 11 January 2008 and (ii) the environmental impact monitoring report for the period July-December 2007 had been submitted by RDA and was posted on the ADB website on 8 May 2008 and on the RDA website on 22 May 2008.

34. Based on this progress, the Panel finds that Management continues to comply with this recommendation.

**35. 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 (EMP) for the Project.**

36. In its “Second Annual Monitoring Report for STDP,” the Panel found that Management had complied with this recommendation; however, during its monitoring mission in November 2008, the Panel was informed that the civil works for the southernmost 30 km of the highway will no longer be funded by the ADB loan. It was expected that a consortium of local contractors would restart the construction of this section in the latter part of 2008. The Panel identified two main issues with these arrangements: (i) potential environmental problems that could emerge if no environmental protection measures had been undertaken by the previous contractor and (ii) the risk that, given a new contractor and a new financier, important environmental protection measures required under the EMP might not be implemented.

37. Management reported that the revised EMP based on the SEA and EIA for the four-lane highway had been endorsed by CEA on 3 September 2007. Since then, the revised EMP had become a reference for all contractors. It also covers the southernmost 30 km of the ADB-section that is now the responsibility of GOSL. While construction has been abandoned in this section, the current contractor remains responsible for environmental protection measures in the area and activities such as clearing lead-away drains and desilting culverts. While these activities continue to be carried out, the Panel notes that reports on SLRM field inspections and environmental monitoring committee meetings indicate that environmental problems continue to occur, especially with regard to siltation and other problems related to excess soil from earth works. These problems persist not only in the southernmost 30 km of the ADB section but also in many other areas along the highway.

38. The Panel notes that two additional environmental experts, one international staff member from the contractor and one international staff member from the supervision consultant, have been deployed since October 2007 to strengthen the implementation of the EMP including in the southernmost 30 km of the ADB section. It is also noted that Management has guided the CEA in implementing the EMP and is undertaking regular field inspections. Management also indicated that (i) the EMP report for the period July-December 2007 had been submitted and was posted on the ADB website on 8 May 2008 and on the RDA website on 22 May 2008 and (ii) the Small Scale Capacity Development Technical Assistance Project on Strengthening Road Development Authority in Implementation of the Environmental Management Plan of the Southern Transport Development Project (S-CDTA-7239-SRI) was approved on 12 February 2009.

39. During the Panel's site visit, affected persons emphasized their concerns about increased flooding and raised questions about whether the remedial measures taken were sufficient to minimize this threat.

40. While the Panel finds that Management continues to comply with this recommendation, it suggests that Management intensify its efforts in working with RDA in order to strengthen environmental protection activities including remedial approaches for addressing environmental problems related to the last 30 km of the highway. The Panel is particularly concerned about the uncertainty over the financing of these last 30 km as failure to complete the highway will not only negate its potential benefits but would also increase the likelihood that current environmental and social problems in that portion of the highway would become irreversible. Together with the flooding issue raised in the preceding paragraph, the Panel considers the uncertainty over the last 30 km of the highway to be a very serious concern that should be given the highest priority by Management.

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

42. In its “Second Annual Monitoring Report for STDP,” the Panel found that Management had complied with this recommendation pertaining to the ADB/JBIC cofinancing arrangements for the Project; however, in light of the current situation with the southernmost 30 km, the Panel recommended that Management should ensure that ADB’s policy standards on involuntary resettlement and environment that apply to the entire Project will be followed by the new cofinanciers of this section.

43. It is noted in Management’s last report that the revised EMP based on the SEA and EIA for a four-lane highway was endorsed by CEA on 3 September 2007 and is being implemented by all contractors working on this Project. The revised EMP is also covering the southernmost 30 km of the ADB section, the financing of which is now the responsibility of GOSL. However, as noted in the previous section, of special concern is the maintenance of current construction works and the potential additional environmental and social problems caused by the delay in construction, as well as the need to ensure that future contract arrangements will provide adequate environmental and social safeguards.

44. The Panel finds that Management continues to comply with this recommendation and recommends that Management further monitor the implementation of the EMP given the uncertainty regarding the financing arrangements for the southernmost 30 km of the highway.

**45. 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.**

46. In its “Second Annual Monitoring Report for STDP,” the Panel found that Management had complied with this recommendation but stated that it would continue to actively monitor this recommendation to ensure strong follow through in integrating the conclusions of the gender report into the various aspects of the Project, from resettlement to the IRP.

47. In its March and September 2008 reports, Management stated that the recommendations in the gender analysis report of June 2006 were being implemented through the IRP and that RDA’s MIS for affected persons was continuously being updated, as verified by SLRM staff, to provide gender-disaggregated data. Management also reported that SRLM had conducted a workshop on gender issues in the transport sector on 5 and 6 June 2008 as a step toward addressing this recommendation.

48. The Panel found that since its previous monitoring report, additional progress had been made on integrating gender issues in the IRP now managed by RDA. The Panel noted the hiring of gender specialists on the team that manages the implementation of the IRP. It also noted that the current IRP, which was revised after the contract with Sarvodaya Economic Enterprise Development Services (Gte) Ltd. ended and RDA took over the responsibility for its implementation, encourages the active participation of women in the housing association component and provides continued support for the home gardening program. However, despite progress in these two IRP components, the Panel indicated its concern regarding the drastic reduction in the original number of affected persons eligible for income restoration from 1,050, including 256 vulnerable female-headed households, to only 27 (also see specific recommendation 7).

49. While progress has been made on the MIS which now includes gender-disaggregated data, the system is still under development and continues to be of limited use in the tracking and monitoring of the situations of affected persons as it does not yet include post-resettlement information. The Panel noted the efforts to network the various project information databases, including the MIS, and looks forward to the continued development of an effective monitoring system that tracks progress, results, and impacts. While all resettlement sites have now been turned over to local authorities, RDA needs to continue monitoring the implementation of RIP- and IRP-related activities, especially the remaining utility and infrastructure work which should help improve the living conditions and security of women.

50. The Panel finds that Management has continued to comply with this recommendation, but suggests that it carefully review the income restoration component of the IRP and advise RDA accordingly.

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

52. In its “Second Annual Monitoring Report for STDP,” the Panel concluded that Management had not complied with this recommendation as all attempts to achieve compliance had been overtaken by events. However, the Panel indicated its intention to monitor delays in issuing new title deeds to people relocated to resettlement sites, compensation for land plots without houses, and the likelihood that additional property would have to be acquired.

53. During this monitoring mission, the Panel was informed that title deeds had been fully issued to 85% of the 829 persons relocated in the 32 resettlement sites, that 5% were beyond RDA's control (family disputes, court cases), and that 10% had experienced delays. Compared with the previous year when only 310 title deeds had been issued, this was significant progress. With regard to the acquisition of land handed over to the contractors in 2004, 449 plots representing about 1.5% of the total value of the compensation remain unpaid (3.5% including interest). However since 2004, an additional 696 plots had to be acquired, 40% of which have been paid for in the ADB section and 49% of which have been in the JBIC section.

54. The Mission also noted that compared with the previous year, significant improvements had been made on mitigating construction-related impacts such as blasting, dust, and damage to agricultural land and property. These measures include compensation for short-term, construction-related impacts and increased safety along service roads and underpasses. According to the information provided by RDA, of the total of 6,887 complaints received by 30 October 2008, 99% had been acted upon.

55. While significant progress has been made on resettlement and compensation, especially in the resettlement sites, the Panel nonetheless expressed concerns regarding (i) the potential need for further land acquisition for the four-lane expansion, (ii) delays in the construction of the southernmost 30 km and at the interchanges (including resettling people who have settled in the right-of-way of the interchanges), and (iii) other measures to offset prolonged disruption in the livelihoods of families caused by the construction delays.

56. While the original recommendation can no longer be complied with, the Panel took note of the progress made on recommendations to remediate resettlement and compensation issues and encouraged Management to continue supporting GOSL in ensuring that any additional land acquisition as well as any social impacts due to delays in construction are addressed in conformity with the RIP and ADB's policy on involuntary resettlement.

**57. 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.**

58. It is noted that on 6 March 2008, the Board approved the major change in the Project's scope to cover the change from the original alignment to the final alignment based on CEA recommendations.<sup>17</sup>

59. The Panel thus finds that Management has complied with this recommendation.

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

61. In, its "Second Annual Monitoring Report for STDP," the Panel found that Management had partially complied with this recommendation noting that the MIS was still not fully functional at that time. CRP would therefore continue to assess the implementation of the IRP with regard to meeting its objectives.

62. The review of the report submitted by Management shows that the IRP is now managed directly by RDA and that its scope and content have been revised given the limited success with the implementation of the original IRP contracted out to Sarvodaya Economic Enterprise Development Services (Gte) Ltd. The Panel acknowledges that the addition in the revised IRP of the housing association support program is highly relevant as is the continuation of the home gardening program benefiting resettled women. However the Panel is concerned about the significant reduction in the number of people eligible for the income support program from 1,050, including 256 vulnerable female-headed households, to only 27. The Panel recognizes that for many affected persons, this support may no longer be relevant given that they have managed to re-establish or improve their livelihoods during the long period following their compensation or resettlement. However, during the Panel's site visits and consistent with some of the findings of the resettlement monitoring consultant (the Centre for Poverty Analysis [CEPA]), the Panel observed that in addition to female-headed households, several affected persons are poverty stricken, especially those who previously operated small businesses or who lost agricultural land. The Panel also heard complaints from affected persons that the prolonged delays in the completion of the Project had put their lives on hold and had worsened their situations.

63. The Panel took note of the Urban Development Authority's initiative, financed by ADB by means of the technical assistance project, "Land Use Planning of The Southern Highway Corridor" (TA 7065-SRI), to start land use planning for the corridor and for all of the interchanges along the expressway. CEPA as well as some of the affected persons interviewed noted the importance of land use planning as a tool to help restore livelihoods. Given its role in financing land use planning, the Panel considers that Management is in a good position to facilitate coordination among RDA, the Urban Development Authority, and other institutions involved in planning and managing development along these interchanges and to ensure consistency with IRP and RIP activities and objectives.

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<sup>17</sup> At the same time, the Board also approved a supplementary loan of \$90 million [Loan 2413-SRI: Southern Transport Development Project (Supplementary)] to finance the project's cost overruns and also for expanding the highway to a four lanes.

64. The Panel finds that Management continues to be in partial compliance with this recommendation. It urges Management to carefully review the reduction in scope of the income restoration component of the IRP, to closely monitor and facilitate land use planning along the highway and its interchanges, and to ensure that the MIS is fully operational so that it can be an effective tool in land use planning efforts and can help create economic opportunities for the local population, including those whose livelihoods were most affected by STDP.

**65. 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.**

66. The Panel concluded in its "Second Annual Monitoring Report for STDP" that Management had complied with this recommendation but expressed reservations about the effectiveness of the information on entitlements that had been provided to affected persons. In particular, the Panel was concerned about the misleading titles of several translated versions of the brochure posted on the RDA website, e.g., the description of benefits in the Sinhala brochure which paled in comparison with the specific provisions of the RIP entitlement matrix and the absence of any information regarding the 25% *ex-gratia* payment granted to affected persons who vacate their premises at the stipulated time. Because of this, the Panel urged Management to assist RDA in updating its website and in clarifying its message to the public.

67. In its September 2008 progress report, Management cited the following actions that had been taken to address the concerns of the Panel: (i) the Sinhala brochure with an entitlement matrix was disseminated to affected households; (ii) an addendum to the RIP, translated into Sinhala, was distributed to divisional secretaries' offices and was posted on the RDA website on 11 October 2007; and (iii) an English and a Sinhala version of the RIP and entitlement matrix was posted on the project website (Tamil language brochures were considered unnecessary since affected persons are mainly Sinhalese). The Panel noted that the S-CDTA 7239-SRI has a component to strengthen sharing information with affected persons.

68. Having noted the availability of these information sources and initiatives, the Panel was still concerned about (i) complaints regarding the lack of specific information on the progress of construction and related activities, (ii) feedback on those complaints, and (iii) the completion of infrastructure on resettlement sites. As these issues directly affect livelihoods, the Panel suggests that Management encourage the Government to increase its on-the-ground communication efforts to improve affected persons' understanding of events, to dispel misinformation, to avoid unnecessary claims, and to help to create a more constructive and conflict-free environment.

69. During its site visits, the Panel found people who were very satisfied with their resettlement and compensation but also found a high level of discontent, not only among the requesters but also among other affected persons. While acknowledging that resettlement and compensation had benefited many households, especially in the resettlement sites, people expressed concern that many of their complaints had not been addressed and that benefits were not spread equally. Given the persistent anger and discontent among the requesters and the feeling that they had been marginalized and discriminated against because they had filed the complaint, including the withholding of the 25% entitlement for vacating their plots in a timely fashion, the Panel suggests that Management seek ways to directly communicate with the affected persons in order to facilitate the government's resolution of any legitimate outstanding issues.

70. While the Panel finds that Management continues to comply with this recommendation, it encourages Management to facilitate on-the-ground communication with affected persons and to promote direct dialogue with the complainants.

**71. 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.**

72. In its "Second Annual Monitoring Report for STDP," the Panel found that Management had partially complied with this recommendation and stated that full compliance would be achieved upon the completion of phase 4 of the work of CEPA, the external resettlement monitor, under Technical Assistance Project 4748-SRI: "Independent External Monitoring of Resettlement in STDP." The Panel emphasized that all concerns of affected persons should be included in phase 4 of CEPA's work and that CEPA's research findings should be incorporated into the related components of the Project. The Panel also noted that SLRM planned to task CEPA with a review of the effectiveness of the grievance redress committee and of the complaint centers.

73. Phase 4 of CEPA's work commenced in July 2007, and Management submitted the second, third, and fourth quarterly reports of CEPA in its September 2008 progress report covering the period 1 October 2007 to 30 June 2008. Based on this review, SLRM noted several shortcomings and omissions in CEPA's work. Acknowledging these problems, the Panel nevertheless found many of CEPA's findings and recommendations to be highly relevant, especially with regard to restoring livelihoods, and suggests that these recommendations be given serious consideration by RDA and the land use planning authorities. In addition, as long as the IRP and RIP are not concluded and further land acquisition and resettlement is anticipated and that additional social issues could arise from further delays in the completion of the southernmost section of the highway, the Panel suggests that Management take the necessary measures to ensure the adequate monitoring of the RIP, the IRP, and related social issues.

74. While the Panel considers that the creation of the monitoring and evaluation system within the Environment and Social Division (ESD) of RDA is a positive development, as long as this system is not fully operational there is a need for Management to continue reviewing progress and advising the CEA on the monitoring and evaluation of STDP and its impacts.

75. Therefore, while recognizing the efforts by Management to support the development of efficient monitoring and evaluation systems, the Panel finds that there continues to be a need for Management to address the further development and integration of the various monitoring and evaluation systems. Therefore, the Panel continues to find only partial compliance with this recommendation. Compliance will be achieved when the ESD is fully operational.

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

77. While this recommendation has been complied with as stated in its "Second Annual Monitoring Report for STDP," the Panel observed that there continue to be issues with the utilities and infrastructure in some of the resettlement sites. The Panel was informed that in January 2008, the last of the 32 resettlement sites had been turned over to local authorities (*pradeshiya sabhas*) who were issued the resources to complete the remaining work.

78. Management mentioned in the March 2008 report that RDA was re-assessing needs at the resettlement sites. During the SLRM site visits on 28 and 29 January 2008 to review the status of the implementation of the IRP, additional land acquisition, and other issues related to infrastructure improvements in the resettlement sites, SLRM noted that basic utilities (water and electricity) and infrastructure improvements had been provided in all but eight resettlement sites but that not all services were in place. While the responsibility for completion now lies with the local authorities, the Panel understands that RDA continues to have a role in monitoring and enforcing the implementation of the work that was part of the resettlement plan and therefore encourages continued monitoring by Management.

79. Based on the foregoing, the Panel finds that Management has continued to comply with this recommendation but recommends that Management continue to monitor implementation.

**80. Specific Recommendation 11: Management should require 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.**

81. In its "Second Annual Monitoring Report for STDP," the Panel found Management had complied with this recommendation. In its report of September 2008, Management stated that the recommendations of the gender analysis report had been incorporated into the IRP which is now being implemented by RDA. However, as noted in specific recommendation 4, while there is no indication that the recommendations from the gender study have been incorporated into the revised IRP, the Panel acknowledges that the newly created RDA team in charge of implementing the IRP includes gender experts. It also notes that in its activities to support home gardens and to strengthen the housing associations, the current IRP places emphasis on benefiting and facilitating the participation of women.

82. On the basis of these developments, the Panel finds continued compliance with this recommendation.

**83. 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.**

84. In its "Second Annual Monitoring Report for STDP," the Panel found that Management had not complied with this recommendation as the methodology to be used was still being developed by the management consultant and future financing for benefit monitoring and evaluation (BME) activities had not been determined. In addition, the Panel was concerned that in determining overall project benefits, ADB work on BME largely focused on macroeconomic indicators rather than on specific individual or household indicators. The Panel was further concerned that the ultimate goals indicated in the BME report of April 2007 were the enhancement of overall policy development in transport sector projects, improvement in project selection, and increased project performance and efficiency rather than assessing the socio-economic impact on affected persons and the economic development in the project area.

85. In its memo of 28 July 2008, Management submitted the "Report of the Project Performance Management System (PPMS) Study," that included the STDP PPMS performance indicator framework (PIF) and the action plan for its implementation. The PPMS replaced the BME during the processing of the supplementary loan for STDP. Management stated in its memo that the PPMS had been developed in accordance with OM Section J1/OP of 24 January

2006. The report provided the findings of the PPMS study undertaken from April to June 2008 in which the major outputs include the STDP PIF and the action plan.

86. In its September 2008 progress report, Management stated that SLRM had recruited a staff consultant who started work on 24 March 2008 to assist RDA in getting baseline data for the PPMS. The consultant had also provided a week of training on PPMS monitoring to the staff of the ESD at RDA. Management designated ESD as the focal agency for applying the PPMS in project activities, for updating the PPMS and for reporting quarterly on it to ADB. In accordance with the PPMS action plan, the first quarterly update of the PIF was done during the third quarter of 2008.

87. With the establishment of the PPMS and PIF and the submission of the report, the Panel finds that Management has complied with this recommendation.

**88. 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.**

89. In its "Second Annual Monitoring Report for STDP," the Panel found that Management had partially complied with this recommendation. Since then, the framework for the BME covering the final track was updated and was used in the STDP supplementary loan approved by ADB's Board of Directors in March 2008.

90. With the approval of the supplementary loan for STDP and the replacement of BME with the design monitoring framework on which the PPMS was based (see the discussion under specific recommendation 12), the Panel finds that Management has complied with this recommendation. The PPMS is now the main instrument used in monitoring and evaluating impact during the implementation of the Project.

**91. Specific Recommendation 14: Management should update the Project Profile (PP), or its equivalent Project Information Document, on the ADB website, on which the latest posting is 15 March 2000, at least on a monthly basis including full information on all categories, until the Project is brought into compliance.**

92. In its "First Annual Monitoring Report for STDP," the Panel found that Management had complied with this recommendation but that it required regular updating.

93. The project information document<sup>18</sup> for both the original and supplementary loans for the Project posted on the ADB website was subsequently updated on 5 February 2008, on 11 April 2008, on 17 June 2008, on 8 July 2008 and on 8 September 2008 with the latest update on 6 March 2009.

94. Based on these updates, the Panel finds that Management continues to comply with this recommendation.

**95. 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.**

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<sup>18</sup> The Panel noted that the project profile had been replaced by the project information document under the public communication policy approved by ADB on 22 April 2005 and had been uploaded onto the ADB website after the approval of the technical assistance concept paper and had been updated since then.

96. In the first report, the Panel found that Management had complied with this recommendation. Bi-annual updates on the course of action are provided to the Panel by Management.

## **VI. Conclusions**

97. The Panel concludes in this “Third Annual Monitoring Report for STDP” that considerable progress has been made in implementing the Panel’s recommendations to bring STDP into full compliance. Of the original 19 recommendations, Management has not complied with 4. Of those four, Management has partially complied with two (specific recommendations 7 and 9) and has not complied with two (general recommendation 3 and specific recommendation 5). In the case of specific recommendation 5, due to changing circumstances, the original recommendation could not be complied with, yet the same issues with additional resettlement and compensation continue to exist, especially in the southernmost 30 km of the highway.

98. For purposes of CRP monitoring, the four recommendations that are not in compliance require continued attention. To maintain the status of the other recommendations, the Panel recommends that Management continue to monitor the course of action, given the significant changes in the original project scope and implementation. These changes continue to raise concerns similar to those originally identified by CRP and endorsed by the Board, especially regarding the implementation of the EMP in the southernmost 30 km stretch of the highway and the additional land acquisition and income restoration that may be required due to construction delays or additional construction requirements.

99. As indicated in the relevant sections of this report, of most concern to the Panel are two major issues that must be addressed promptly and adequately: delays related to the southernmost 30 km of the highway and the problem of flooding. The Panel considers these two issues to be of the highest priority and urges Management to give precedence to addressing them.

100. Finally, while the Panel recognizes that significant progress has been made in the past 3 years since the CRP report was approved by ADB’s Board of Directors, the Panel observes that affected persons, including the requesters, continue to have unresolved grievances. While the Panel recognizes that its mandate does not include solving specific issues and concerns affecting individuals or families, it encourages Management to consider direct communication with affected persons in order to facilitate the resolution of any legitimate outstanding issues.

## **VII. Next steps**

101. The CRP, after consultation with the BCRC will provide the Board in 2009 with its fourth annual monitoring report.

/S/ Antonio La Viña  
Member  
Compliance Review Panel  
15 May 2009

/S/ Anne Deruyttere  
Member  
Compliance Review Panel

### 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 February 2009**

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	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	Complied with	The review was completed. The report from the review on findings and recommendations was disclosed thru ADB website on 9 December 2008.		Complied with.
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.	Complied with	The review was completed. The report from the review on findings and recommendations was disclosed thru ADB website on 9 December 2008.		Complied with.
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 3 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 2009.	Compliance will be achieved when the handbook is updated.	Not complied with.

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	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.
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.	Complied with	<p>The supplementary environmental assessment (SEA) Study was completed. The summary covered SEA and EIA study for a four-lane and was disclosed on ADB website on 17 April 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 a four-lane facility. The revised EMP was endorsed by CEA, the coordinator of the environmental monitoring</p>	Panel suggests that Management continues to work with RDA to ensure that EMP is implemented.	Complied with.

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	Future Actions	Compliance Status determined by the CRP
			committee, on 3 September 2007 and posted in ADB's website on 9 January 2008 and RDA's website on 11 January 2008. The environmental monitoring report for July-December 2007 was posted in ADB's website on 8 May 2008 and RDA's website on 22 May 2008.		
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 GAR in the environmental management plan (EMP) for the Project.	Complied with	<p>SLRM undertook an environmental monitoring mission on 30 August 2007 and 6 November 2007.</p> <p>The CSC is revising the civil work contract (variations) to include the provisions for implementing EMP</p> <p>Additional 2 environment experts (international consultants) have been deployed since 15 October 2007.</p> <p>The S-CDTA to strengthen RDA in implementing EMP of STDP was approved on 12 February 2009.</p>	<p>To maintain compliance, Panel suggests that Management continues in monitoring the implementation of EMP not only for the highway section under construction but also the last 30 km that is now waiting for financing.</p> <p>The Panel suggests that Management should intensify its efforts in working with RDA to implement mitigation measures and address the flooding and environmental problems associated with the temporary abandon work for the last 30 km of the highway.</p> <p>In addition, Management should also intensify its efforts to work with RDA to provide better public outreach to inform affected people about the progress in handling environmental impact associated with the project highway</p>	Complied with.

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	Future Actions	Compliance Status determined by the CRP
Para 268 (iii)	Review the cofinancing arrangements in the STDP with a view to strengthening policy compliance for the whole Project.	Complied with	ADB and JBIC agreed on a common RIP, IRP and updated EMP which satisfy the safeguard policy requirements for the entire Project.	Panel suggests that Management should ensure that the same RIP, IRP and updated EMP will be implemented for the last 30 km of the highway that will be finance by GOSL with its own arrangement	Complied with.
Para 268 (iv)	Conduct an analysis of gender issues in the Project and ensure that the programs under the Project adequately address these gender issues.	Complied with	<p>A gender analysis has been completed. The study concludes that in terms of compensation payment there is no discrimination against women. The recommendations of the report are being implemented through the income restoration program.</p> <p>The efforts to integrate gender issues in the IRP are now in progress. The RDA has also hiring gender specialist among the team implemented IRP. The MIS has included gender-disaggregated data.</p>	Panel concerns on drastic reduction in the original number of affected persons eligible for income restoration assistance from 1050 including 256 vulnerable female-headed households to only 27. Therefore, Panel suggests Management carefully review the revised IRP and advise RDA accordingly.	Complied with.
Para 268 (v)	Require that all affected persons be fully compensated by actual payment before they are moved.	Not complied with	<p>GOSL has paid as compensation of \$43 million for involuntary land acquisition.</p> <p>Total number of land plots paid is 10,273 (5,289 in ADB portion; 4,984 in JBIC/JICA portion).</p> <p>For ADB section, all affected persons are compensated. While for JBIC/JICA section 130 plots have payments still on hold by the divisional secretaries owing to (i) difficulties in tracing people (ii)</p>	The Panel recommends that Management continues to monitor the implementation of compensation for additional land acquisition based the RIP and addendum of the RIP and also monitor the compensation for short-term construction-related impacts.	<p>Not complied with.</p> <p>While the original recommendation can no longer be complied with as any attempt to do so has been overtaken by events, CRP will continue to monitor additional land acquisition and related social impacts associated with changes and delays in construction</p>

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	Future Actions	Compliance Status determined by the CRP
			<p>disputed land titles, and (iii) unclaimed payments.</p> <p>Title deeds have been issued to 85% of the 829 persons relocated to resettlement sites, another 15% are still on hold of which 5% are beyond RDA's control due to family disputes and court cases and 10% are due to delayed land acquisition.</p> <p>An additional 696 plots have been obtained since 2004. The addendum to the RIP was posted on the ADB website on 16 July 2007. It has been translated into Sinhala and posted on RDA website on 11 October 2007.</p> <p>With regard to the compensation for short-term construction-related impacts, of the 6887 complaints received through October 2008, 99% were acted upon.</p>		
Para 268 (vi)	Determine whether or not there has been a change in the scope of the Project, as provided in Project Administration Instruction 5.04.	Partially complied with	ADB Management determined that there had been a change of scope in the Project in December 2006. The Board approved the change on March 2008.		Complied with.
Para 268 (vii)	Assist with the IRP and the establishment of household benchmarks through the MIS for affected persons as called for in the RIP	Partially complied with	<p>Given the limited success with the implementation of IRP by Sarvodaya Economic Enterprise Development Services (Gte) Ltd., the IRP was revised and is now implemented by RDA.</p> <p>The revised IRP still includes</p>	Despite the routine report submitted to SLRM, the Panel recommends that Management carefully review the reduction in scope under the revised IRP. It should be noted that the CEPA report still	Partially complied with.

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	Future Actions	Compliance Status determined by the CRP
			<p>support programs for the housing association and home gardening components. However, there was reduction in the number of persons eligible for the income support program from 1050 to 27.</p> <p>The SLRM has provided several training programs to improve the MIS at RDA. The MIS is also being upgraded to use the system developed at the ESD.</p> <p>The income restoration program was established based on the RIP. The program was implemented in early 2006. Up to September 2007, 800 persons, especially vulnerable persons, had participated in the program. They were selected for the programs from the information provided by Sarvodaya Economic Enterprise Development Services (Gte) Ltd. which conducted workshops to identify them.</p> <p>RDA is now reviewing the established targets of the program in order to focus on vulnerable persons and to expand the scope of skill training programs for their benefit.</p>	<p>indicates several affected persons are poverty stricken, especially female-headed households and people who previously operated small business or lost agricultural land. In addition, the Panel also noted complaints by affected persons about their deteriorating livelihoods due to prolonged construction delays.</p> <p>Since ADB finance the technical assistance project for land use planning along the highway corridor, the Panel believes that SLRM is in a good position to facilitate coordination between RDA and the Urban Development Authority to ensure consistency with IRP and RIP activities and objectives especially in creating economic opportunities for the local population, including those whose livelihoods were affected by the project highway.</p> <p>Compliance will be achieved (i) when the review on the IRP shows that all affected persons needing income support are included in the revised IRP and (ii) the MIS is fully operational.</p>	

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	Future Actions	Compliance Status determined by the CRP
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.	Complied with	<p>Resettlement information in the form of a brochure in Sinhala with the entitlement matrix has been disseminated to affected households.</p> <p>The addendum to RIP has been translated into Sinhala and distributed to district secretaries' offices and was posted on the RDA web site on 11 October 2007.</p> <p>English and Sinhala version of the RIP and the entitlement matrix are posted on the Project website.</p>	The Panel is concerned about complaints regarding the lack of specific information on progress on construction activities and feedback on complaints. Therefore, the Panel suggests that Management closely monitor the plan to strengthen the disclosure of information to affected people under S-CDTA 7239-SRI and to promote direct dialogue with them.	Complied with.
Para 268 (ix)	Help establish monitoring of resettlement activities by a well-staffed, independent institution that forwards concerns from affected people concerns to RDA for urgent action.	Partially complied with	<p>ADB in coordination with JBIC and RDA recruited the Centre for Poverty Analysis (CEPA) as an independent external resettlement monitor reporting to ADB. To avoid loss of information and delays in transferring files and data, CEPA will perform supplementary monitoring and will audit the monitoring carried out by the Project's management consultant.</p> <p>CEPA initiated monitoring activities in 2006 and has verified all the resettlement data in a sample of 400 land plots; has gathered additional information as necessary from workshops and field visits and surveys; and has provided an independent perspective and advice to the management consultant and RDA on resettlement implementation and</p>	<p>The Panel considers that the creation of monitoring and evaluation capacity at the ESD at RDA is a positive development; however, the system is not fully operational and therefore, Management still needs to continue to review progress and to advise the CEA on monitoring and evaluation STDP and its impacts.</p> <p>Compliance will be achieved when the ESD is fully operational.</p>	Partially complied with.

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			<p>on monitoring and evaluation.</p> <p>CEPA completed phase III of its independent monitoring and commenced phase IV in July 2007 and had submitted a quarterly report covering 1 October 2007 to 30 June 2008. Based on its review, SLRM noted several shortcomings and omissions in phase IV.</p>		
Para 268 (x)	Require immediate provision of utilities and infrastructure to resettlement sites.	Complied with	<p>In all, 24 resettlement sites have been provided with basic service such as water for drinking and bathing, electricity, surface water drainage, internal roads and access roads; 8 have not.</p> <p>All 32 resettlement sites have been completed and were handed over to local authorities in January 2008.</p>	The Panel observed that not all basic services were in place and therefore suggests that Management continue monitoring the implementation of this recommendation.	Complied with.
Para 268 (xi)	Require a special emphasis in the RIP and the income restoration program on women, if necessary by allocating additional staff to track their recoveries.	Complied with	<p>It is reported that recommendations from the gender analysis report have been incorporated into the IRP, which is now being implemented by RDA. The IRP, especially the home garden and housing association components, has benefited and facilitated the participation of women.</p> <p>The RDA team for implementing the IRP has included gender experts.</p>	The Panel does not find that the recommendations from gender study have been incorporated into the revised IRP and therefore suggests that Management carefully review the revised IRP (see action on specific recommendation 4).	Complied with.
Para 268 (xii)	Assist in the preparation of a detailed project framework for benefit	Not complied with	In conjunction with the processing of the supplementary loan for STDP, the framework for BME is	Continued to update the PPMS and PIF	Complied with.

Item	CRP Recommendations	Compliance status determined by CRP in its Second Annual Monitoring Report	Progress up to February 2008	Future Actions	Compliance Status determined by the CRP
	monitoring and evaluation (BME) activities to include outputs, indicators of achievements, and means of verification of social issues.		<p>being updated into the project design and monitoring framework. This framework includes outputs, and indicators of achievements.</p> <p>Based on the design framework, a performance indicator framework (PIF) has been prepared to replace the BME. The project performance management system (PPMS) study for STDP done during April-June 2008 includes the PIF and action plan.</p> <p>Management recruited a staff consultant to assist RDA in getting data for the PPMS and a week of training on the PPMS for ESD staff was held. ESD will continue to update the PPMS</p>		
Para 268 (xiii)	Assist in the preparation of an additional assessment of project beneficiaries along the FT to establish baseline information for BME activities.	Partially complied with	The BME covering FT was included in the design framework, which was used as the basis in formulating the PPMS.		Complied with.
Para 268 (xiv)	As the latest posting is 15 March 2000, until the Project is brought into compliance, update the project profile or the project information document on the ADB website at least on a monthly basis with full information for all categories.	Complied with	The project information document had been posted on ADB website and is being updated regularly.		Complied with.

<b>Item</b>	<b>CRP Recommendations</b>	<b>Compliance status determined by CRP in its Second Annual Monitoring Report</b>	<b>Progress up to February 2008</b>	<b>Future Actions</b>	<b>Compliance Status determined by the CRP</b>
Para 268 (xv)	By 31 August 2005, provide CRP with, a course of action with timelines on implementation of these measures and copy the Board so that CRP can monitor and report to the Board.	Complied with	Progress report as of 30 September 2008 had been completed and submitted.	Annual update hereafter until CRP certifies that the progress is adequate and satisfactory.	Complied with.

## **List of Persons Met**

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

Mr. Sumith Abeysinghe  
Secretary, MOF and DG External Resources

### **Ministry of Highways**

Mr. S. Amarasekara, Secretary/Chairman, RDA

### **Road Development Authority**

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

### **STDP Project staff- Head Office**

Mr. S. Meihandan, Project Director  
Mr. A.H.M. Nizar, Deputy Project Director (Lands)  
Mr. H. M. Wimalasinghe, Deputy Project Director (Environmental & Social)  
Mr. P.H.K. Dayaratne, Consultant (Land Acquisition and Resettlement)  
Mr. T.M. Ariyaratne, Income Restoration Program Specialist  
Mr. M.M.S. Premanathne, Resettlement Assistant  
Mr. M.J. M. Adhil, MIS Assistant

### **STDP Project Staff, JBIC Section**

Mr. M.G. Moses, Deputy Director (Eng.), JBIC Section- Package 1  
Mr. I.H. Upali, Deputy Director (Eng.), JBIC Section- Package 2  
Mr. G. D. Wijedasa, Project Manager, JBIC Section  
Mr. A. C. Kanaheraarachchi, Project Engineer, JBIC Section- Package 2  
Mr. P. Wijesooriya, Resettlement Officer, Dodangoda Office  
Ms. K.A.C. Malkanthi, Technical Officer, Bandaragama Office  
Mr. Rajarathne Wijesinghe, Social Mobilizer, Bandaragama Office  
Mr. D. L. Nalin Indika, Environmental Impact Monitoring Officer, Bandaragama Office  
Mr. C.P.R. Jayawardana, Environmental Impact Monitoring Officer, Dodangoda Office  
Ms. D. Nadeeka Nilani, Social Impact Monitoring Officer, Bandaragama Office  
Ms. G. V. Saman Kumari, Social Impact Monitoring Officer, Dodangoda Office  
Mr. J.M.S.C. Jayawardana, Resettlement Assistant, Dodangoda Office  
Mr. J.H.S.C. Kumara, Resettlement Assistant, Bandaragama Office

### **STDP Project Staff, ADB Section**

Mr. I. C. R. Fernando, Deputy Director (Eng.), ADB- Northern Section  
Ms. T. D. Wijewardena, Deputy Director (Eng.), ADB- Southern Section  
Mr. G.D. Thilakasiri, Deputy Project Director/Project Manager, ADB Section  
Mr. M.S. Nilawfer, Senior Engineer, ADB Section  
Ms. M.G.D. Jeewani, Engineer, ADB Section

### **Environmental and Social Division, Road Development Authority**

Mr. S. Hudson U. de Silva, Deputy Director  
Mr. P.J.P. Lenadora, Deputy Director  
Mr. Sarange Gajasinghe, Environmental Officer  
Ms. L. S. Liyanage, Resettlement Officer  
Mr. D.A. Dissanayake, Database Management Officer

**Egis BCEOM International**

Ms. Girlie Labastilla  
 Team Leader for ADB TA 7055-SRI  
 Land Use Planning of the Southern Highway Corridor

**Central Environment Authority**

Ms. Ramani Ellepola, Deputy Director General/EMA  
 Ms. Kanthi de Silva, Director, Environmental Impact Assessment  
 Mr. K.G.S. Jayawardane, Deputy Director, Environmental Impact Assessment  
 Mr. Thushara S.C. Pieris, Assistant Director, Environmental Impact Assessment

**Japan Bank for International Cooperation**

Mr. Atsushi Kaneko, Chief Representative, Japan International Cooperation Agency  
 Sri Lanka Office

**Pacific Consultants International**

Mr. U.S. Maithripala, Environment Specialist  
 Mr. D.K. Angammana, Environment Specialist

**FinnRoad**

Mr. Kari Saari, Team leader  
 Mr. Nandasena Maddugoda, Social and Environment Specialist  
 Mr. D. P. C. Meegoda, Deputy Team Leader  
 Mr. Saman Hapuarachchi, Environment Specialist

**Roughton International Ltd.**

Mr. Inderjeet Singh, Team Leader  
 Dr. Ravi Shankar, Environment Specialist  
 Mr. Sarath Wijesinghe, Environment Specialist

**Centre for Poverty Analysis**

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

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

Mr. P. D. P. Sanjeewa, Senior Manager-Projects

**ADB Sri Lanka Resident Mission**

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

**Project affectees met at the following places****JBIC Section**

1. Mrs. W.K.G. Priyangani
2. Mrs. Heather Mundy
3. Mr. Sunil Ranjith Dayaratne

4. Mr. E.K. Manel Walpola
5. Mr. P.S. Wesumperuma
6. Mr. Henry Gunatillake
7. Mr. H.D.D.C. Gunatillake
8. Mrs. W.H.L. Chandrika
9. Mr. M.A. Sunil Perera
10. Mrs. Yasapala Vithanage and son Mr. Bandula Rohan Vithanage
11. Mrs. M. D. Gunawardena
12. Mr. R.P.M. Hidalla Arachchi
13. Mr. H. D. Piyasena
14. Mr. Ajith Kumara
15. Mrs. T.G. Lalitha Padmini
16. Mr. A.D. Cyril Buddhadasa

Mr. A.D.K. De Silva  
Pradeshiya Sabha Officer, Baddegama

**ADB Section**

1. Ms. Susila Dahanama
2. Mr. Sarath Authukorale
3. Ms. U.G. Lakshmi Shanti
4. Ms. Mangalika Athukorale
5. Ms. S.M. Dahanayaka
6. Mr. M.G. Jayaratne
7. Mr. Ranjith Kumara Pathirana
8. Mr. P.A. Erik Bandula

### Photos from the CRP Monitoring Mission



Photo 1: Panel meeting with Secretary, Ministry of Highways.



Photo 2: RDA staff giving an overview of the MIS for the STDP to the Panel.



Photo 3: Meeting at the Bandaragama Field Office at the start of the CRP site visit.



Photo 4: Panel site visit with one of the resettled families in the Diyagamawatta Resettlement site.



Photo 5: Panel meeting with RDA and construction supervision consultants (Roughton International and Pacific Consultants International).



Photo 6: Panel meeting with the affected persons in Bandaragama (JBIC section)



Photo 7: Panel's site visit to one person affected by flooding in Kalutara District (JBIC section).



Photo 8: Panel's site visit in Akmeemana (ADB section) where a two-lane bridge will be built.



Photo 9: Panel interviewing some affected persons in Galle (ADB section).



Photo 10: Panel's visit to one self-relocated family in the Galle area (ADB section).



Photo 11: Unfinished house of one self-relocated family in Akmeemana whose house was built right beside a cliff.



Photo 12: View from the house built on the edge of a cliff in Akmeemana.



Photo 13: An underpass in the ADB section of the project highway.



Photo 14: An underpass under construction in the ADB section.



Photo 15: Panel meeting with a self-relocated family in Galle (ADB section) whose house was built a few meters from the project highway.



Photo 16: Additional access road linking an elevated section of the project highway where flooding reportedly occurs.



Photo 17: Construction site in the last 30 km of the ADB southern section of the project highway.



Photo 18: A section in the last 30 km of the ADB southern section of the project highway.



Photo 19: Panel and RDA staff at the end of the last 30 km of the ADB southern section of the project highway.