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USAID'S REVIEW OF MULTILATERAL DEVELOPMENT BANK ASSISTANCE PROPOSALS AND PROJECTS

Likely to Have Adverse Impacts on
the Environment, Natural Resources,
Public Health, and Indigenous Peoples

April 2017

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USAID Review of Multilateral Development Bank Assistance Proposals and Projects Likely to Have Adverse Impacts on the Environment, Natural Resources, Public Health and Indigenous Peoples

Introduction

The U.S. Agency for International Development (USAID) submits this report in compliance with Title XIII of the International Financial Institutions (IFI) Act.¹ The IFI Act instructs USAID to report to Congress on proposals before the multilateral development banks² (MDBs) that are likely to have adverse impacts on the environment, natural resources, public health, or indigenous peoples.

This report covers a six-month period (September 2016 through February 2017) and provides information regarding USAID's performance of its duties under Title XIII of the IFI Act to the relevant House and Senate committees.

USAID/Washington works with its field missions, as well as other U.S. Government agencies, including the Department of Treasury (Treasury), the Department of State (State), the Environmental Protection Agency (EPA), and the Offices of the U.S. Executive Director (OUSEDs) at the MDBs.

MDB Proposal and Project Review

MDB proposals and projects with the potential for adverse environmental and social impacts are initially identified by USAID/Washington and field missions, EPA, State, Treasury and other U.S. Government agencies, OUSEDs of the MDBs, and/or nongovernmental organizations and independent researchers. The criteria for selecting identified MDB projects for USAID Title XIII review include consideration of the potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples, as well as MDB project classification.

¹ Title XIII International Financial Institutions Act of 1977, as amended, includes amendments of 1988 and 2005 Foreign Operations Appropriations Acts. Section 1303(3)(c) instructs USAID to identify assistance proposals likely to have adverse impacts on the environment, natural resources, public health, or indigenous peoples. The proposals identified are transmitted to designated Congressional Committees.

² Multilateral Development Banks as defined in Section 1307(g): "In this title, the term 'multilateral development bank' means the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the African Development Bank, the African Development Fund, the Asian Development Bank, the Inter-American Development Bank, the Inter-American Investment Corporation, any other institution (other than the International Monetary Fund) specified in section 1701(c)(2), and any subsidiary of any such institution.

To increase the effectiveness of the Title XIII process, USAID engages in the MDB project proposal process as early as possible, typically through site visits and interviews with local, regional and international stakeholders. USAID continues this interaction with relevant stakeholders during the latter stages of the project proposal process when all of the environmental and social documentation is available. The U.S. Department of the Treasury reviews USAID MDB reports to Congress.

USAID's exercise of its Title XIII responsibilities includes pre-MDB board vote field reviews³ and post-MDB board vote field monitoring reviews. During the period covered by this report, USAID completed no pre-MDB board vote field reviews and five post-MDB board vote field monitoring reviews. Three MDB proposals and projects for potential future review are also identified.

1. Post-MDB Board Vote Field Monitoring Reviews: Field-based monitoring reviews of an MDB-financed project under implementation are conducted any time over the life of financial assistance of the project. Monitoring reviews are carried out on MDB projects that were reviewed pursuant to USAID's Title XIII reporting responsibilities. These reviews evaluate the incorporation and effectiveness of U.S. Government recommendations and assess the adequacy of MDB safeguard policies to assist in improving these policies and their implementation. The criteria for selecting MDB projects for monitoring review include consideration of their potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples. The projects in this category are:

- India - South Asia Subregional Economic Cooperation Road Connectivity (AH-48) (ADB)
- Paraguay - Minerva Beef Project (IFC)
- Thailand - Tenasserim Biodiversity Corridor Initiative (ADB)
- Laos - Nam Theun 2 Hydropower Project (WB/ADB)
- Laos - Nam Ngiep 1 Hydropower Project (ADB)

2. MDB Proposals and Projects for Potential Future Review: USAID maintains a list of MDB proposals and projects with potential environmental and social impacts. The projects on the list fall into two categories: a) pre-MDB board vote, and b) post-MDB board vote.

a) Pre-MDB board vote: USAID and Treasury maintain "upstream" lists of proposals at various stages of development prior to MDB board vote. Proposals in this category have been identified based on their potential for adverse direct, indirect, and/or cumulative impacts on the environment, natural resources, public health, or indigenous peoples. Proposals in this category are candidates for Washington-based review and/or field-based site visits.

³ These are referred to in the legislation as "affirmative investigations."

- Zambia – Improved Rural Connectivity (WB)

b) Post-MDB board vote: Projects in this category are candidates for ongoing monitoring reviews pursuant to USAID’s Title XIII reporting responsibilities to determine the degree of incorporation and effectiveness of U.S. Government recommendations and the adequacy of safeguard policies. Projects are selected based on consideration of their potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, and/or indigenous peoples. Projects recently added to the list in this category include:

- Nepal – South Asia Subregional Economic Cooperation Roads Improvement Project (ADB)
- Nepal – South Asia Subregional Economic Cooperation Road Connectivity Investment Program (ADB)

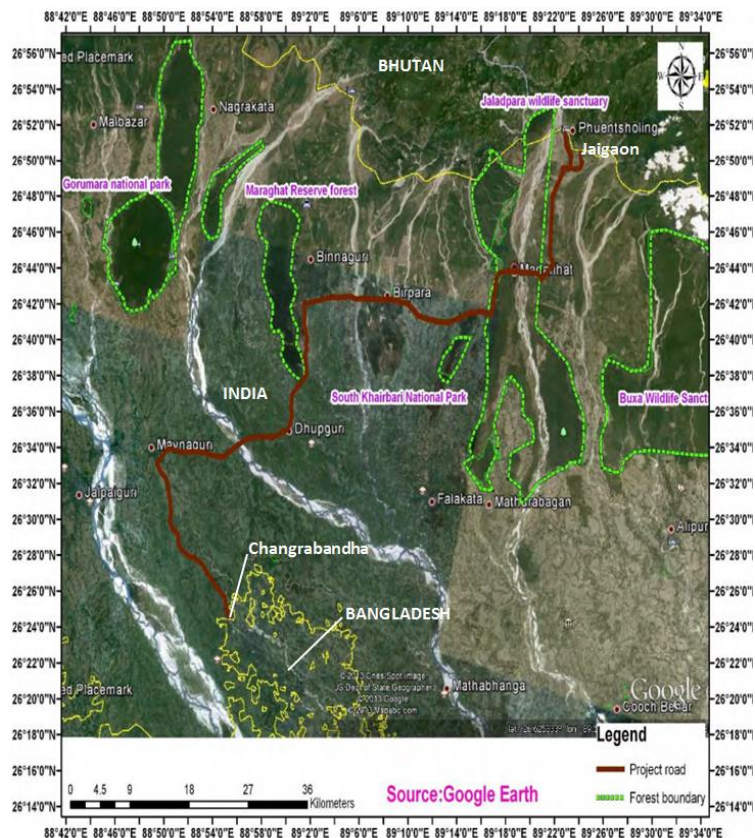
Section I

MDB Project Monitoring Reviews

Field-based monitoring reviews of MDB financed projects or proposals are conducted any time over the life of financial assistance to the projects. Monitoring reviews evaluate the incorporation and effectiveness of U.S. Government (USG) recommendations and assess the adequacy of MDB safeguard policies to assist in improving these policies and their implementation. The criteria for selecting identified MDB projects for monitoring review include consideration of the potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples.

India – SASEC Road Connectivity Investment Program (ADB)

A component of the South Asia Subregional Economic Cooperation (SASEC) Road Connectivity Investment Program includes the Asian Highway 48 (AH-48). AH-48 is a 91-km highway connecting Jaigaon (on the Bhutan-India border) to Changrabandha (on the Bangladesh-India border). The AH-48 is intended to promote international ground transport and integrated South Asian economic development. In March 2014, the Asian Development Bank (ADB) approved a \$500 million loan to the SASEC Road Connectivity Investment Program to build a highway connecting Bhutan to Bangladesh through India.



The identified route includes a 2.6-km segment through India’s Jaldapara National Park, which is one of only 10 sites globally that is known to still have one-horned rhinos (*Rhinoceros unicornis*) and is home to India’s second largest population. Moreover, Jaldapara National Park hosts populations of other endangered and threatened species, including Asian elephants (*Elephas maximus*). Additionally, the project area between the

Bhutan Border, Buxa Tiger Reserve, and Jaldapara National Park is a declared elephant conservation reserve, the Eastern Dooars Elephant Reserve.

The ADB determined that Jaldapara National Park is critical habitat since this area is legally protected and has significance for the survival of endangered and migratory species. Currently, the existing 2.6 km segment through the National Park is 12-meter wide and will be expanded to 20-meter wide, resulting in increased traffic volume and speed with the effect of creating a larger barrier to wildlife crossing. The New Jalpaiguri to New Alipurduar Railway Line is about two kilometers north of, and parallels, the project road alignment. Prior to any construction activities through the National Park, India's National Board for Wildlife is required to issue a wildlife clearance permit. As of December 2016, the wildlife clearance permit had not been issued.

USAID reviewed the environmental and social aspects of the proposed program and provided the following technical concerns to the U.S. Department of Treasury prior to the board's approval:

- Adequacy of the biodiversity baseline: Data on faunal diversity in the park and impacts of the existing road on wildlife (e.g., data on road crossings by wildlife and roadkill) were not sufficient, and the methods used to collect the data that were presented were not elucidated.
- Adequacy of the alternatives analysis: The environmental and social impact assessment (ESIA) lacked data that would allow a comparison of the proposed route for AH-48 and any alternatives.
- Adequacy of mitigation measures: No data were provided to explain why three elephant underpasses would be adequate to prevent adverse effects on elephants, or whether they would function to protect other endangered species from the adverse effects of the road and increased habitat fragmentation.
- Consideration of species other than elephants: The ESIA stated that there would be no impacts on the rhino population but did not provide detail other than that the population is separated into 4 subpopulations. It did not discuss potential impacts on other species for which Jaldapara National Park provides critical habitat.
- No cumulative impacts analysis for AH-48: This is of particular concern due to the relative close proximity of the railway line to AH-48 and the resulting impacts of the railway line and increased habitat fragmentation on endangered and threatened species.
- Potential poaching issues: There is no recognition of potential poaching issues that might occur once traffic through Jaldapara National Park increases, complicating enforcement efforts by Forest Department officials.

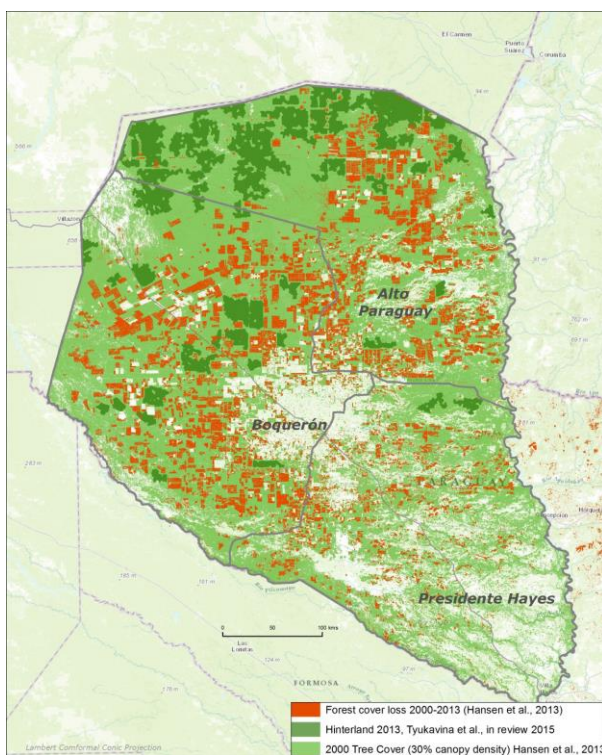
The U.S. Government supported the proposal in 2014. However, in the U.S. Executive Director's written statement accompanying this vote, several key points were included which recognized that the project includes "works in protected areas, elephant corridors, and [in] proximity to a tiger reserve" and needed "continued and capable monitoring of cumulative impacts, including wildlife impacts."

USAID initiated a monitoring review of AH-48 in December 2016. The purpose of the review is to assess the adequacy of ADB’s safeguard implementation for the project and incorporation based on the technical issues USG raised during the course of engagement prior to board vote. During the December 2016 visit, the team met with Government of India (GOI) ministries, civil society organizations, and researchers. A site visit to the project area, including Jaldapara National Park, is planned for summer 2017. Environmental and social information obtained from the two visits and available documentation will be used to provide recommendations to the ADB and GOI. A trip report will be made available to the public.

Paraguay – Minerva Beef Project (IFC)

The Minerva Beef Project is supporting the regional expansion of the Brazilian beef processing firm Minerva S.A. Among other objectives, the project is supporting the construction or acquisition of slaughtering facilities in Brazil, Colombia, Uruguay and Paraguay. In May 2013, the International Finance Corporation (IFC) approved an \$85 million investment consisting of (i) an “A” (direct) loan of up to \$60 million, and (ii) an equity investment of up to \$25 million in common shares of the Company for a shareholding of up to 3.0 percent. Minerva is one of the largest meatpackers in Latin America and the second largest beef exporter in Brazil, with a 22 percent market share on beef exports.

The rationale for the A categorization is explained in the Environmental and Social Review Summary (ESRS) as being due to the potential risks and impacts on deforestation, encroachment on indigenous peoples’ land, respect for indigenous peoples’ customary rights, and child/forced labor by cattle producers in Minerva’s supply chain, especially in the Amazon and the Paraguayan Chaco.⁴ IFC additionality is focused on supporting Minerva in the implementation of high environmental and social standards in its supply chain. IFC acknowledges that Minerva’s expansion into Paraguay presents high implementation risks and reputational exposure for both Minerva and IFC because Paraguayan legal and institutional frameworks are weaker and supply chain-related information is less accessible in Paraguay compared to Brazil, Minerva’s primary base of operation.



Forest cover loss in the Paraguayan Chaco 2000-2013.

⁴ <https://disclosures.ifc.org/#/projectDetailESRS/926>

The Paraguayan Chaco is part of the largest dry forest in the world, has among the world's highest deforestation rates, and is home to indigenous peoples with unresolved claims to land. The region is also home to the Ayoreo, the last known group of indigenous people in South America outside of the Amazon living in voluntary isolation. Child and forced labor, including of indigenous peoples on cattle ranches, has been documented in the area.

The ESRS states that Minerva "has committed to IFC to map out its primary cattle supply chain in Paraguay and progressively limit procurement from suppliers contributing to significant conversion of natural and/or critical habitats or involved in forced/child labor violations."⁵ Among other supply chain management actions, the project Environmental and Social Action Plan includes implementation of a supply chain verification system in Paraguay by December 2015, which has not yet occurred.

Prior to the IFC Board of Executive Directors decision to approve the Minerva Beef Project in May 2013, USAID reviewed the environmental and social aspects of the proposal and provided the following two recommendations to the U.S. Department of the Treasury:

- To encourage additional efforts by the IFC and World Bank (WB) to work with the government and private sector to support traceability and certification programs with secondary and tertiary suppliers in a timely manner to ensure the sustainability of the entire supply chain and further reduce deforestation; and
- To encourage the WB to actively engage in the Chaco indigenous peoples issues as part of their country development strategy in order to protect the interests and traditional territories of indigenous peoples in order for them to maintain their livelihoods.

The United States abstained on the project in May 2013 for two reasons. First, the proposal did not meet the United States' legislative requirements for timely disclosure of environmental impact assessments. Second, IFC's plan to give Minerva up to two and one half years to implement environmental and social mitigation measures was too long given the project's inherent environmental and social risks. The Office of the U.S. Executive Director also conveyed USAID's recommendations to the IFC during the board meeting.

USAID's field monitoring review focused on the incorporation and effectiveness of U.S. Government recommendations and the adequacy of safeguard policies. The review included two site visits (December 2015 and November 2016), more than 40 individual and group interviews, and review of academic and technical literature and project documents. The combined trip report is currently being prepared and will be made available to the public.

⁵ <https://disclosures.ifc.org/#!/projectDetailESRS/926>

Thailand – Biodiversity Corridors Initiative - Tenasserim Biodiversity Corridor (ADB)

The Biodiversity Conservation Corridors Initiative (BCI) is part of an ADB regional assistance program intended to address the probable impacts on the environment resulting from economic development in the Greater Mekong Subregion (GMS). Biodiversity Conservation Corridors⁶ overlaps with the proposed economic corridors in the Mekong region. The BCI was initially funded at \$400,000, approved by the ADB Board in December 2004, and officially launched in April 2006. The long-term goal of the BCI is that by 2015, GMS countries will have established priority biodiversity conservation landscapes and corridors for maintaining the quality of ecosystems and sustainable use of natural resources while improving people’s livelihoods.

ADB originally linked its support of the BCI to ecosystem fragmentation resulting from the GMS Economic Corridors Initiative⁷: “...there is concern that increasing development activities in the economic corridors may adversely affect critical ecosystems and important biodiversity areas by fragmenting natural landscapes...recognizing this development challenge, the Biodiversity Conservation Corridors Initiative was considered by the second GMS Summit task force meeting held in Beijing, PRC, in July 2004.”⁸ As of 2017, ADB invested \$69 million through Phases I and II of the BCI.

As the designation of GMS Economic Corridors⁹ is expanding, USAID continues to be concerned that there is a gap between the original intent of the BCI program and the program’s outcomes. Given the imbalance in the amount of financing that is going toward biodiversity conservation (particularly in comparison to the amount that is going towards infrastructure development of the GMS economic corridors), and given the mounting threats to ecological integrity in the region, it is critical to ensure that ADB’s BCI and follow-on programs are successful and achieve their objective in mitigating the environmental impacts of development in the GMS economic corridors. USAID has officially reviewed and provided recommendations on these proposals, which have been reported in earlier MDB Reports to Congress (October 2008, April 2011, October 2011 and October 2012) and conducted a site visit to several BCI/BCC sites in 2011 and 2012.

⁶ The Biodiversity Conservation Corridors is considered the follow-up suite of programs to the Biodiversity Conservation Corridors Initiative.

⁷ ADB has supported the establishment of the East-West, North-South, and Southern GMS Economic Corridors for more than two decades. Economic corridors are investment areas, usually running along major highways, which connect centers of economic activity.

⁸ BCI Strategic Framework and Technical Assessment 2005-2014, 2005 ADB <http://www.gms-eoc.org/uploads/resources/15/attachment/BCCI%20Strategic%20Framework%20and%20Technical%20Assessment%202005-2014.pdf>

⁹ A major expansion of economic corridor networks and new areas for economic investment which will strengthen links between the capital cities of Mekong countries, and provide opportunities for cross-border trade and investment under an agreement reached by officials attending the 21st Greater Mekong Subregion (GMS) Ministerial Conference in December 2016..

The USG is continuing to engage with ADB management to achieve a better understanding of how ADB's programs are mitigating the impacts of the GMS Economic Corridors for input into the design of the third phase of the program. As part of this engagement, USAID conducted a follow-up site visit to the north part of ADB's Tenasserim biodiversity corridor in February 2017. ADB invested around \$1 million into the Tenasserim biodiversity corridor during Phase I of the BCI (2008-2011).

The Dawna-Tenasserim Landscape, defined by the Dawna and Tenasserim Mountain Ranges, covers roughly 63,000 km² of Thailand and Burma, represents one of the largest protected area networks in Southeast Asia, and is home to the largest tiger population in the GMS.¹⁰ The ADB's BCI Phase I activities could only be implemented on the Thai side of the corridor due to political restrictions at the time of the program, although wildlife straddle both the Thai and Burmese sides of the corridor, making them biologically inseparable.¹¹ Following the inclusion of Burma into the GMS community, the Southern Economic Corridor was extended to connect Bangkok to the port city of Dawei in Burma, bisecting the Dawna-Tenasserim Conservation Landscape and potentially impacting wildlife movement in both the Thailand and Burma sides of the corridor.¹²



The Tenasserim Range Biodiversity Corridor

The Dawei road poses a significant threat to biodiversity connectivity, but technical solutions such as under and overpasses, along with land-use planning, may be able to mitigate the road's effect on wildlife movement.

The purpose of the review was to assess the adequacy of ADB's environmental and social safeguard implementation to contribute to the effectiveness and sustainability of the project in light of the expansion of the GMS Economic Corridors. Environmental and social information obtained from the site visit and documentation will be used to provide additional recommendations to the ADB. The trip report is currently being prepared and will be made available to the public.

¹⁰ WWF Leaflet, February 2014, "WWF Greater Mekong, Dawna Tenasserim Landscape"

¹¹ Design Manual: Building a Sustainable Road to Dawei, Enhancing Ecosystem Services and Wildlife Connectivity. WWF Report, January 2016.

¹² Regional Investment Framework Implementation Plan: Second Progress Report, 31 December 2015 <https://www.adb.org/documents/gms-rif-ip-second-progress-report>

Laos – Nam Ngiep I Hydropower Project (ADB)

The Nam Ngiep I Hydropower Project (NNI) is located on the Nam Ngiep River, about 7 km upstream of Pakxan (Bolikhamxay province) and approximately 145 km from Vientiane. The Build-Operate-Transfer project will sell electricity to both the Electricity Generating Authority of Thailand (EGAT) and Electricite du Laos (EDL) under a concession agreement provided by the GoL and a Power Purchase Agreement with EGAT and EDL. The project consortium consists of Kansai Electric Power Co. (Japan), EGAT (Thailand), and Lao Holding State Enterprise (LHSE, Laos).



Location of Nam Ngiep I Hydropower Project

The main dam will produce 272 MW for export with the re-regulating dam producing 18 MW for domestic use. The reservoir will be approximately 70 km in length and 148 m in height. The project will connect to the Nabong substation and share the transmission lines with Nam Ngum 3. EDL will install one transmission line to connect to the grid in Pakxan.

It is estimated that the project will directly affect approximately 4,350 villagers and indirectly affect 13,000 villagers upstream and downstream of the dam site. Four Hmong villages will need to be resettled from the reservoir area. The four villages will be consolidated into two villages on both right and left banks of the river downstream from the re-regulating dam.

The ADB Board of Directors approved a \$144 million financing package for the project in 2014. The project is currently under construction with expected completion date in 2018/2019. The USG abstained on the vote due to environmental concerns that were not effectively addressed and the inadequate period of disclosure under the Pelosi Amendment.

As part of its Title XIII review, USAID conducted two separate visits to the project site prior to board approval to gain a better understanding of the environmental and social aspects of the project and provide recommendations to improve the project. Key technical areas identified based on the site visits and review of the ESIA included absence of a 'no project' scenario in the alternatives analysis and inadequacy of baseline data and cumulative impacts analysis. Findings following both site visits were discussed with the project sponsor and ADB management.

In February 2017, USAID initiated a monitoring review of Nam Ngiep I to assess the adequacy of ADB's safeguard implementation and incorporation based on the technical issues USG raised during the course of engagement prior to board vote. The site visit

team included participation from the U.S. Departments of Treasury and State. Specific areas of focus for the team were on the treatment of biodiversity, critical habitat, indigenous peoples and construction impacts. The trip report is currently being prepared and will be made available to the public.

Laos – Nam Theun 2 Hydropower Project (WB)

Nam Theun 2 Hydropower Project (NT2) is a \$1.1 billion, 1,070 megawatt, private sector hydro-electric project in Laos. This project was under consideration by the Government of Laos (GoL) and various developers since the late 1980s. The project objective is to generate electricity, mainly for export to Thailand, via the Electricity Generating Authority of Thailand, with GoL revenues used for poverty reduction and environmental protection activities.

NT2, a 48-meter-high dam, is a trans-basin diversion hydropower project, located on the Nam Theun River, a major tributary of the Mekong. The reservoir for NT2 has flooded approximately 40 percent of the Nakai Plateau, requiring the resettlement of more than 5,700 indigenous peoples and impacting numerous rare and endangered species and unique habitat. Operation of the dam requires annually diverting approximately seven billion cubic meters (approximately 30 percent of the Nam Theun River's annual flow volume) to generating station turbines, and releasing the water into the Xe Bang Fai River through the Nam Phit River. The Nam Phit was dredged and widened to become the outflow channel. The Nakai Nam Theun National Protected Area was designated as a natural habitat offset for loss of the Nakai Plateau under the WB's Natural Habitat safeguard policy. This project triggered all 10 of the World Bank's safeguard policies.



● Location of Nam Theun 2 Hydropower Project

The WB Board approved the IDA Partial Risk Guarantee, Multilateral Investment Guarantee Agency guarantees and the IDA grant to Laos on March 31, 2005; the ADB Board approved the private sector loan on April 4, 2005. Both U.S. Executive Directors abstained on the project due to environmental, social and revenue management concerns that were not effectively addressed when the project came to the respective boards for a vote.

As part of USAID's review under Title XIII, two separate visits were made to the project site before board approval. Since board approval, USAID/USG have visited Nam Theun 2 on two separate occasions (2008, 2010) to follow up on biodiversity and ethnic minority (indigenous peoples) concerns. Each of these visits consisted of meetings with GoL officials, project sponsor Nam Theun 2 Power Company Ltd., and civil society

(development and conservation NGOs), project-affected indigenous peoples and the Watershed Management and Protection Authority. Additional information can be found in the following MDB Reports to Congress: September 2002- October 2004; October 2004–September 2005; April 2009; April 2010.

USAID determined that a subsequent site visit was warranted as the project has been in operation for six years. Concerns continue to be raised regarding the effectiveness of the Watershed Management and Protection Authority in conserving biodiversity. The WB is preparing for Resettlement Implementation Program closure whereby the WB's grant for the project would close out. Therefore, USAID initiated a monitoring review of Nam Theun 2 in February 2017. The team included participation from the U.S. Departments of Treasury and State. The focus of the team was on the treatment of biodiversity, critical habitat, and ethnic minorities (indigenous peoples) on the Nakai Plateau and downstream impacts along the Xe Bang Fai River. The trip report is currently being prepared and will be made available to the public.

Section 2

MDB Proposals and Projects for Potential Future Review

USAID maintains a list of MDB proposals and projects with potential environmental and social impacts. The list falls into two categories: a) pre-MDB board vote, and b) post-MDB board vote. Pre-MDB board vote, USAID monitors the status of selected proposals. Such proposals may not yet be in the MDB pipelines, have initiated the ESIA, and/or be scheduled for a board vote. USAID will monitor the status of these proposals, which may be considered for future Title XIII reviews; updated information will be provided when available. USAID also monitors selected post-MDB board vote projects that have been financed and are either in the construction or operation phase. Criteria used for selecting projects include potential impacts (direct, indirect, cumulative and associated facilities) on biodiversity, environment and natural resources, indigenous peoples, or public health. These lists are not inclusive of all proposals or projects that could have adverse environmental and social impacts, but illustrate the types of projects that are followed.

Projects recently added to USAID's list of potential projects to review:

a) Pre-MDB board vote:

Zambia – Improved Rural Connectivity proposal (WB)

The World Bank is currently preparing the Improved Rural Connectivity proposal. The proposal's objective is to improve rural accessibility for agricultural communities and strengthen institutional capacity in the roads sector. If approved by the Board of Executive Directors, it will finance (i) \$180 million to upgrade and maintain 1,500 kilometers of rural feeder roads in six of Zambia's 10 provinces, construct drainage structures along the same roads, and construct agricultural facilities nearby; and (ii) \$20

million to build the capacity of road-related ministries and agencies within the Government of the Republic of Zambia.

The WB has classified this proposal as Category B, given that it will finance the upgrading and maintenance of *existing* roads; construction of new roads will be minimal. Some of the provisionally selected roads pass near game management areas, which serve as biodiversity and ecosystem ‘buffers’ around national parks and are home to endangered species and iconic big game. Another provisionally selected road passes near the North Luangwa National Park, arguably one of the best-protected habitats in Southern Africa.

The proposal, which includes a Resettlement Policy Framework, estimates that 50 persons will be physically displaced and/or relocated and that no (zero) persons will be economically displaced. Given the close proximity of many settlements, villages, and small businesses to roads, the proposal’s figure may underestimate the type and/or degree of displacement.

A team comprised of Washington and field staff conducted a site visit in February-March 2017. The trip report is currently being prepared and will be made available to the public. The Team lead will work closely with the USAID Africa Bureau to develop input to the U.S. Department of Treasury-led interagency process to review this loan immediately before the board vote.

b) Post-MDB board vote:

Nepal – South Asia Subregional Economic Cooperation Roads Improvement Project (ADB)

The Nepal South Asia Subregional Economic Cooperation Roads Improvement project will rehabilitate and upgrade about 160 kilometers of Nepal’s strategic road network, which comprise a critical section of the country’s main East-West highway and feeder roads. The project will improve transport connectivity within Nepal, as well as international connectivity with India, and facilitate closer trade integration between the two countries.

The ADB has categorized the project as a “A” because it passes through areas of high biodiversity including tigers, rhinos and other endangered species. The road will be widened within the buffer zone of Chitwan National Park, which is a flagship protected area of Nepal and South Asia as well as a UNESCO World Heritage Site. Additionally, 20 households will be subjected to involuntary resettlement.

The total project cost is \$256.5 million. The ADB Board of Executive Directors approved the project in December 2016. The USG supported the project after extensive interactions with ADB project staff and ADB’s commitment to complete comprehensive pre-construction wildlife data analysis and conduct consultations with relevant stakeholders to incorporate this analysis into an updated cumulative and induced impact assessment.

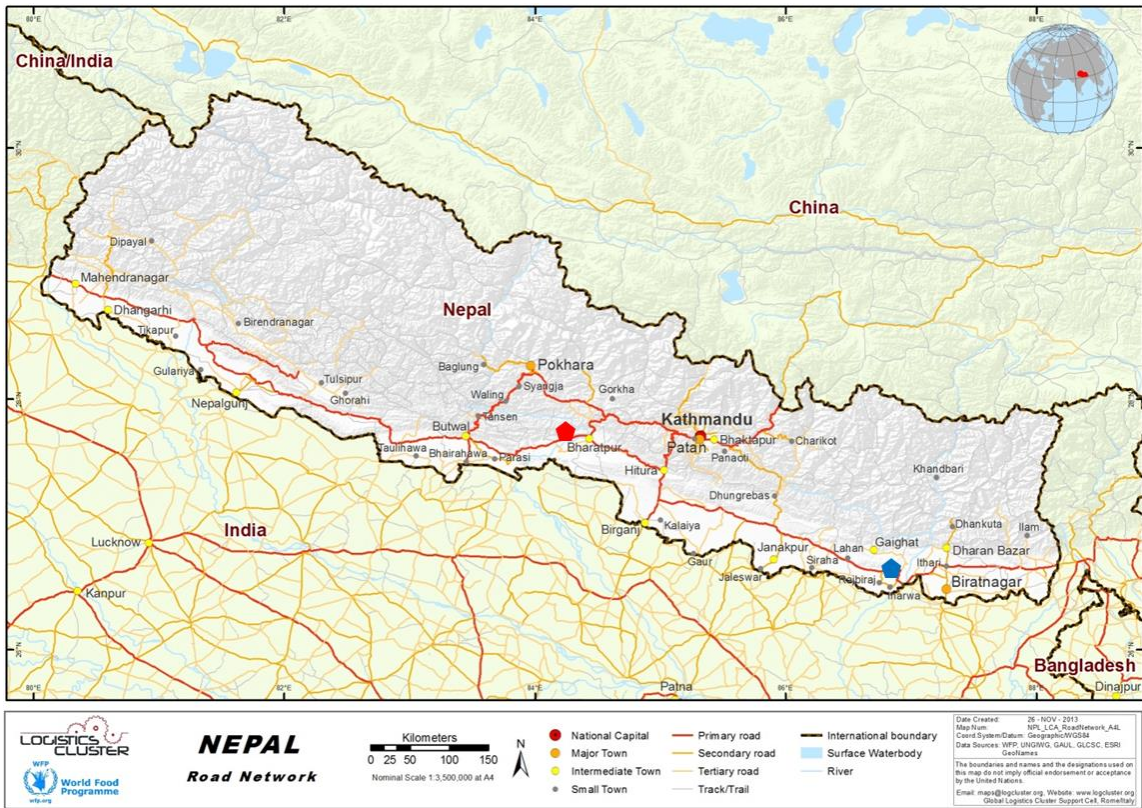
As part of USAID's engagement with ADB prior to board approval, USAID will continue to follow the project's implementation with respect to wildlife data analysis, integration into cumulative and induced impacts and mitigation measures due to the potential impacts on local communities and sensitive habitats/species.

Nepal – South Asia Subregional Economic Cooperation Road Connectivity Investment Program (ADB)

The Nepal South Asia Subregional Economic Cooperation Road Connectivity Investment program will upgrade five segments of road, including four feeder roads that connect communities to the main highway corridors, and construct an alternate route for the East-West Highway where it crosses the Koshi River. The East-West Highway is the country's main artery and has the heaviest traffic in the Terai region, where the bridge over the Koshi River can become impassable during heavy flooding and landslides. The construction of the alternate route for the East-West Highway over the Koshi River is classified as Category A since it traverses an elephant corridor and passes through the buffer zone of the Koshi Tappu Wildlife Reserve and because of resettlement and effect on indigenous peoples (1,383 out of 1,982 affected households will be physically displaced, affecting 11,181 people, which includes indigenous peoples).

The total project cost is \$75.5 million. The ADB Board of Executive Directors approved the project in July 2013. The USG supported the project highlighting the need for ongoing, credible monitoring of cumulative impacts, including those on wildlife.

As part of USAID's engagement with MDBs about linear infrastructure through sensitive and critical habitat, USAID continues to follow the project's implementation with respect to wildlife data analysis, integration into cumulative and induced impacts, and mitigation measures due to the potential impacts on local communities and sensitive habitats and species.



 Location of South Asia Subregional Economic Cooperation Roads Improvement project

 South Asia Subregional Economic Cooperation Road Connectivity Investment program