REVIEW BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) OF ASSISTANCE PROJECTS CONSIDERED BY MULTILATERAL DEVELOPMENT BANKS

OCTOBER 2019
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Introduction

Title XIII of the International Financial Institutions (IFI) Act, as amended, directs the U.S. Government (USG) to strengthen the environmental and social performance of each multilateral development bank (MDB) in which the United States is a shareholder. To this end, the U.S. Agency for International Development (USAID) leads pre- and post-approval[2] reviews of selected MDB projects. The teams that perform the reviews are comprised of technical specialists from USAID (both our field Missions and headquarters) and in some cases other federal agencies.

These reviews aim to provide recommendations to improve the environmental and social performance of MDB projects. Post-approval reviews also assess the efficacy of safeguard policies and evaluate the incorporation and effectiveness of any previous USG recommendations.

USAID’s pre- and post-approval reviews are distinct from, but related to, the USG loan reviews and other Congressionally mandated MDB oversight functions led by the U.S. Department of the Treasury. USAID publishes the resulting reports on its external website[4] and distributes them to stakeholders. USAID also translates the executive summaries of such reports into local language(s), as appropriate.

Title XIII of the IFI Act further directs USAID to report semi-annually to Congress on its reviews of MDB projects. This report covers the six-month period from March 2019 to August 2019.

In the time period covered by this report, USAID reviewed projects in the United Republic of Tanzania, the Republic of Costa Rica, the Federal Democratic Republic of Nepal, the Republic of Uganda, and Burma. USAID is considering four projects for review in the next year.

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2 “Approval” refers to approval of financing by a Board of Executive Directors at an MDB. USAID conducts pre-approval reviews any time prior to the vote by an MDB’s Board, and post-approval reviews any time after approval by an MDB’s Board.
3 Projects can include any type of MDB investment (e.g., project loans, technical assistance, development policy loans, risk or loan guarantees, and grants), and all phases of the investment cycle, from identification to closure.
4 USAID’s repository of project review reports and summary reports to the U.S. Congress is available at https://ecd.usaid.gov/mdb.php.
**Review Process**

USAID conducts field reviews on a subset of MDB projects that are “particularly likely” to have “substantial” adverse environmental or social impacts, including those on the environment, natural resources, public health, or indigenous peoples. USAID selects MDB projects for field review following consultation with our Washington Bureaus, our field Missions, the Offices of the U.S. Executive Director to the MDBs, the U.S. Departments of the Treasury and State, and other stakeholders such as civil society organizations (CSOs), researchers, and the MDBs themselves.

Generally, USAID collects information from, and frames our analysis by, the following:

- Relevant U.S. legislation;
- Previous USG recommendations on a project or safeguard;
- MDB safeguard policies and guidance;
- Publicly disclosed MDB project documents;
- International standards for best practices;
- Reports by civil society, academic institutions, and others;
- Site observations;
- Meetings with stakeholders and experts; and
- Meetings with people affected by a project.

USAID’s reviews can address any component of environmental and social impact assessment and management:

- Screening;
- Scoping;
- Definition of the project area;
- Capacity of the borrower(s);
- Analysis of alternatives;
- Baseline data;
- Assessment of direct, indirect, and cumulative impacts; and
- Assessment of impacts from associated facilities.

The Agency’s reviews often focus on environmental and social issues formally raised to MDBs by the USG through policy reviews or other processes. Unless specified, USAID’s review findings and recommendations apply to specific cases and are not generalizable. The reviews may highlight good practices as well as areas for improvement.

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Annex I – Current and Recent Reviews


The African Development Bank (AfDB) is proposing a $191.25 million sovereign loan to the Government of the United Republic of Tanzania to pave a largely existing earthen road that stretches 125 kilometers (km) from the Tanzanian coastal town of Pangani through Saadani National Park to an inland town called Mkange.

This road is a middle segment of a larger (450-km) multi-donor road project that connects Malindi, Kenya, to Makurunge, Tanzania. As noted in Annex II of this report, the USAID MDB Team is considering a future, post-approval field review of the Kenyan segment from Malindi to Lunga Lunga.

The Pangani-Mkange Road Project is primarily intended to support fisheries and subsistence and commercial agriculture by improving access to markets, and to spur tourism to Saadani National Park and nearby beaches. Like all other segments in this multinational project, it also advances the overall goal of improved trade connectivity and integration within the East African Community.

The AfDB posted the Tanzania project’s Environmental and Social Impact Assessment (ESIA), dated January 21, 2019, on the bank’s public website in May 2019. The USAID review team received a revised, electronic version of this document (dated July 2019) in late July 2019, and the AfDB posted it on its public website in September 2019.

A multidisciplinary review team of technical specialists from USAID and the U.S. Department of the Treasury visited the project during the first half of August 2019. The team benefited from cooperation from AfDB and formal approval from the Tanzanian Ministry of Finance. In consultation with the project’s implementing agency, the Tanzania National Roads Agency (TANROADS), the team conducted more than 40 consultations with project-affected communities, as well as with regional and local governments; environmental conservation, women’s, and health organizations; the private sector; and other donors. Consultations were semi-structured to help the team understand the project’s scoping, analysis of alternatives, characterization of adverse impacts, and design of mitigation measures.
The team shared the following preliminary findings and recommendations with the AfDB, the Tanzanian Ministry of Finance, and TANROADS on August 15, 2019:

1. Development objective—Communities keenly anticipate the improved road, and expect that it will bring diverse development benefits. Ongoing consultation with project-affected people, which to date has kept the communities informed, is important to maintain alignment between the project’s design and local needs.

2. Compliance with environmental and social safeguards—The ESIA published in July 2019 is not fully consistent with the AfDB’s Operational Safeguard (OS) 3 and associated guidance regarding biodiversity baseline data and the definition of natural and critical habitat within the project area. Collecting additional biodiversity and habitat information will strengthen the ESIA so it aligns better with OS 3.

3. Proposed mitigations—OS 3 states, “[F]or projects that are being developed in […] legally protected areas, the borrower or client incorporates the best available science and engages internationally recognized biodiversity experts in conducting the impact assessment and in developing and implementing mitigation and management strategies.” Revising the Environmental and Social Management and Monitoring Plans (ESMPs) for the project from July 2019 to include mitigations based on the best-available science and proportionate to the findings of the proposed baseline survey (point 2, above) will strengthen the ESIA so it aligns better with OS 3.

4. Access to natural resources—The road will improve access to, and thus the ability to extract and transport, forest and marine resources. The project, in consultation with the Government of Tanzania and relevant CSOs, should strengthen community-based governance (to include planning, sustainable management, and conflict-resolution) of forests and fisheries in the affected area. The project should consider including a livelihood component in support of eco-tourism.

5. HIV and maternal health—Local communities expressed a need for sensitization about HIV and concerns over gender-based violence (GBV) and increased pregnancies. The project should increase access to health facilities along the alignment—including those that offer screening and treatment for HIV in conjunction with prenatal, delivery, and post-partum care. It should also improve the capacity of existing community-based sensitization and education initiatives on HIV, with which the U.S. President’s Emergency Plan for AIDS Relief could be able to assist.

6. Gender-responsiveness—The ESIA published in July 2019 does not adequately assess potential adverse gender impacts, including those that could arise from the anticipated influx of laborers and road-users. The project should revise the ESMPs accordingly and conduct due diligence in relation to gender during procurement.

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The AfDB expects its Board of Executive Directors to consider and approve the multinational project on December 12, 2019. Prior to this point, the USAID review team will continue to engage the AfDB to act on our preliminary findings and recommendations summarized above. USAID will include our final findings and recommendations in our next report to Congress, in April 2020.

2. Republic of Costa Rica – Reventazón Hydroelectric Project (Inter-American Development Bank)

The Reventazón Hydroelectric Project (RHP) began operation in mid-2016 and cost approximately $1.4 billion to develop, including two loans from the Interamerican Development Bank (IDB) for $200 million (#CR-L1056) and $250 million (#CR-L1049), respectively. The 305.5 megawatt (MW) hydropower plant is one of Central America’s largest. The project, implemented by the Instituto Costarricense de Electricidad (ICE), includes the construction of a 130-meter-high dam, the flooding of a 6.9-square-km reservoir, and a 4.2-km river diversion between the dam and powerhouse. It is expected to generate about 1,400 gigawatts of electricity annually, which will provide around ten percent of the country’s total generated power.

The IDB loans helped finance the design, construction, operation, and maintenance of the plant and its associated facilities, including transmission lines, substations, and access roads.

The project will affect the complex and ecologically sensitive Reventazón-Parismina-Tortuguero hydro-biological system. Through an aquatic offset, RHP aims to compensate for the loss of 34.2-km of Reventazón river connectivity (natural habitat) that affects migratory fish species. The RHP also aims to restore and enhance critical habitat connectivity for the endangered jaguar (*Panthera onca*) in the Barbilla-Destierro Biological Sub-Corridor (BDBC).

USAID limited the scope of our review of the RHP to the environmental and social dimensions related to connectivity among critical terrestrial habitats and the aquatic-biodiversity offset. The former is located at the tail of the reservoir and is not a part of the aquatic offset. Desk and field research (including a literature review), over 40 interviews with project stakeholders and experts, and observations in and around the project areas, informed the review.
The following are draft findings and recommendations that USAID could update based on continued engagement with the IDB and other stakeholders:

**Finding 1**: The overall level of effort by the ICE to achieve safeguard objectives, including the design and implementation of the RHP’s biodiversity offset, was substantial and worthy of recognition.

**Finding 2**: The project only intended to apply the no-net-loss/net-gain (NNL/NG) formula to the connectivity of the length of the main channels of the two offset rivers, the Parismina and Dos Novillos. This limits the formula’s application to less than a basin-wide scale by excluding offset river tributaries.

Recommendation:

a. A qualifying statement regarding the limited application of NNL/NG formula should be part of the ICE’s reports and presentations. Because the RHP sets a precedent for aquatic-biodiversity offsets for the region, the ICE and the IDB need to communicate precisely the limited scope of application of the NNL/NG calculations.

**Finding 3**: The NNL/NG calculation is biased toward an easier determination of gains in biodiversity.

Recommendation:

a. The IDB and the ICE should recognize the sources of bias in the NNL/NG calculation, assess this bias on the findings to date, and provide a qualifying statement regarding the limited application of NNL/NG formula as recommended and needed in the ICE’s reports and presentations.

**Finding 4**: The offset might not deliver its intended outcomes over the long term.

Recommendations:

a. The ICE should engage communities and the productive sector to ensure the sustainability of the offset by providing human and financial support to strengthen the local watershed-governance bodies (e.g., the Pez Bobo Corridor Committee).

b. The ICE should support the Costa Rican National Forestry Financing Fund (FONAFIFO) to explore alternative revenue sources to replace an anticipated reduction in carbon-tax revenue, which is essential for the Payments for Ecosystem Services (PES) economic incentive within the aquatic offset and the Barbilla-Destierro Biological Sub-Corridor.

**Finding 5**: The ICE’s policies limit the disclosure and sharing of information, which prevents effective offsetting outcomes because they inhibit collaborative research, partnerships, and informed decision-making with local governance bodies.
Recommendations:

a. The ICE should adopt, with encouragement from the IDB, an open information-disclosure policy, including active engagement in partnerships with third parties to strengthen evidence-gathering and knowledge-building relative to the offset and critical habitat.

b. Given the usefulness of the data in the ICE’s possession, the Institute and the IDB should continue to discuss how to support and facilitate associated research, both terrestrial and aquatic, by all relevant parties.

Finding 6: While downstream monitoring and evaluation on the Reventazón River is good, the actual mitigation of negative impacts on aquatic species, both above and below the dam, is lacking. There are opportunities to improve the management of aquatic species, particularly those with questionable conservation status.

Recommendation:

a. The IDB and the ICE should, after taking stock of the effectiveness of mitigation for aquatic species, manage these species in both the reservoir and the “critical stretch” of the Reventazón River (e.g., through fish-management and fish-exclusion devices at the penstocks).


The $256.5 million South Asian Sub-Regional Economic Cooperation (SASEC) Roads-Improvement Project is rehabilitating and upgrading—in terms of capacity, quality, and safety—around 160-km of Nepal’s strategic road network, which comprises a critical section of the country’s main East-West highway and its feeder roads. The project aims to improve transport connectivity in Nepal, with a focus on providing faster and better access to social services and economic opportunities. The project’s roads are also integral to the international and regional road network system that connects Nepal to India and aims to facilitate closer trade integration between the two countries and contribute to Nepal’s export competitiveness. In addition, the project aims to have a transformational impact by facilitating national and regional integration. The investment in the project by the Asian Development Bank (ADB) includes a loan of $186.8 million.
The ADB's Board of Executive Directors approved the project on December 1, 2016. The United States supported the project after extended discussions with the ADB's management, which resulted in commitments from the ADB its clients regarding the analysis, mitigation, and monitoring of potential adverse impacts to critical habitat, including the use of wildlife passages. The United States also noted that USAID and other USG partners have invested over $42 million to support biodiversity-conservation work for more than ten years in the nearby Chitwan National Park, particularly to protect the endangered Bengal tiger (Panthera tigris tigris).

USAID's field review of the SASEC Roads-Improvement Project focuses on progress by the ADB and its clients on their commitments and priority environmental and social concerns that could have arisen during the implementation of the project. Geographically, the scope is the Narayanghat-Butwal Highway project area, specifically, the portion that could affect adversely the buffer zone of Chitwan National Park, the critical habitat of the Bengal tiger, and other wildlife species protected under Nepalese law.

Desk and field research (including a literature review), more than 50 interviews with project stakeholders and experts, and observations in and around the project area, informed the review. USAID's field review team triangulated methods as much as practical.

Preliminary themes from USAID's findings and recommendations appear summarized below:

1. Pre-construction wildlife analyses—Robust analyses, including primary and secondary data, are required to properly locate and design wildlife passages that will enable the continued safe movements of animals.
2. Design of wildlife passages—The overall design of wildlife passages should meet international standards regarding the spacing and frequency of passages, mitigation strategies for arboreal species, funnel fencing or other directional aides for wildlife to use the passages, the size of passages, the appropriate mix of types of passages (e.g., over/under and varying widths and lengths), sound-abatement, and species specificity.
3. Purpose-built and adapted wildlife passages—The project could gain financial efficiencies from adapting existing or previously planned culverts and bridges to be wildlife-friendly, as long as the multipurpose structures are demonstrated to be as effective at meeting the requirement of no net loss of biodiversity as purpose-built wildlife passages.
4. Monitoring and evaluation—The project must develop an adequate pre- and post-monitoring program to evaluate whether the wildlife passages and related mitigation measures meet the objective of no net loss of biodiversity.
5. Compensation for loss of habitat—The project must address the loss of habitat from the expansion/widening of roads, any new minor re-routings, and the mining of gravel and other fill for road construction.
6. Engagement of, and oversight by, stakeholders and experts—The project should enable substantive input from stakeholders, experts, and an external monitor to inform the final plan for wildlife passages and related mitigation measures.
7. Landscape-scale planning—The ADB, possibly in conjunction with other MDBs or donors, should offer support to the Government of Nepal to develop a landscape-level
planning process for roads or other linear infrastructure that would, among other objectives, reduce the risk of fragmentation of habitat and the loss of biodiversity in the development of much-needed infrastructure.

USAID will include our final findings and recommendations in our next report to Congress, in April 2020.

4. **Burma – Shwe Taung Group Cement Project (International Finance Corporation)**

In July 2017, the International Finance Corporation (IFC) approved financing for the expansion of an existing cement plant and limestone and mudstone quarries in the Mandalay Region of Burma, with the concurrent expansion of an associated coal mine in the Sagaing Region. Subsidiaries of the Shwe Taung Group, Limited (STG), own and operate all of the facilities.

The total cost of the project is approximately $110 million. The IFC’s exposure includes a $15 million equity investment and a loan of up to $20 million to STG. The IFC also provides support to mobilize up to $40 million in additional debt and equity for the company.

The IFC approved the project despite a “no” vote by the United States. A primary USG concern was the use of biodiversity offsets for impacts to critical habitat. This concern was consistent with previous comments from the United States regarding the policy of the IFC and the World Bank related to biodiversity offsets.

In December 2018, USAID conducted a field review of the project to examine the development and implementation of the project’s Biodiversity Action Plan and other project-level plans, assessments, and reports relevant to the environmental and social dimensions of the use of biodiversity offsets for impacts on critical habitat. The review used desk and field research, including a literature review; more than 50 interviews with project stakeholders and experts; and observations in and around the project areas.

USAID’s previous report to Congress, in April 2019, summarized the tentative themes of our findings and recommendations. The complete and final set of findings and recommendations appear outlined below:
Finding 1: With financial and technical assistance from the IFC, STG is enhancing a formal management system to meet its environmental, social, health, and safety commitments and achieve safeguard objectives, including those described in the Biodiversity Action Plan for the project.

Finding 2: The project identified clearly the potential adverse impacts to natural and critical habitat, and its documents include actions to minimize and mitigate these impacts. Less clear, however, are efforts to avoid these impacts, including through analyses of alternatives for achieving the project’s objectives.

Recommendation:
   a. The project should formally analyze alternatives to using coal and/or relying on coal from sources that adversely affect natural and critical habitat, and, if viable, support STG’s transition away from the Kalaywa Township coal mine. The project should disclose this and any previous analysis of alternatives that contributed to the siting and design of the project.

Finding 3: Gaps in baseline data will impede the project’s ability to monitor the success of project-site mitigation measures, calculate offset parameters that will ensure ecological equivalency, and measure net gain for critical species. This finding does not apply to the project’s detailed assessment of affected karst habitat.

Recommendations:
   a. The project should prioritize obtaining the most-accurate baseline data available, such as through permanent camera-trapping, visual transect, and listening surveys to establish population baselines for wildlife at both project and offset sites, with project site-monitoring as an immediate priority.
   b. Should further surveys reveal additional species present at the project’s sites, the project should confirm the presence of the newly documented species in the offset sites so as to measure the monitoring of the conservation additionality accurately. If the newly identified species are not present in the offset sites, the project should take appropriate conservation actions.

Finding 4: The planning for the project has not identified or accounted for thoroughly the potential significant, cumulative impacts, which could create long-term challenges to meeting the requirements for a net gain in biodiversity and no net loss of habitat. Among other challenges, cumulative impacts and a lack of landscape-scale planning could limit the contribution of the Mahamyaing Sanctuary to the conservation of biodiversity and thereby compromise the ability of the Government of Burma (GoB) to achieve its goal of doubling the tiger population in the country.

Recommendations:
   a. The IFC and STG should encourage and collaborate with appropriate GoB ministries and departments to monitor existing and future development in the forest landscape.
around the project and biodiversity-offset sites, especially around the Mahamyaing Sanctuary, and to identify opportunities for, and threats to, the connectivity of intact forest habitats.

b. The IFC and the GoB should consider landscape-level habitat connectivity when approving future extractive projects in the affected area.

c. If additional financing for conservation becomes available, the IFC and the GoB should advance genetic analyses and review the available literature to assess the minimum size of sustainably viable populations of wildlife, especially when isolated.

Finding 5: Restrictions on the use of land or access to natural resources from biodiversity-offset conservation measures could affect adversely the people who live in and around the biodiversity offsets, including legally recognized ethnic minority groups. Information gaps on potential social and economic impacts that result from limited engagement with stakeholders, baseline and risk-assessments, and mitigation cost-estimation will likely hinder the success of biodiversity-offset plans.

Recommendations:

a. The project should collaborate with the Forest Department and/or other Departments and Agencies of the GoB to supplement the ongoing social and economic assessments that are relevant to the area affected by the project; ensure the assessments meet the requirements of all the relevant IFC Performance Standards; and include people potentially affected by the biodiversity offsets. The project should use results from the assessments to target and budget accurately for conservation and livelihood-restoration activities.

b. The project should establish a participatory process for determining appropriate restrictions on the use of land in the biodiversity offsets and estimate costs for mitigating adverse impacts to livelihoods from biodiversity-offset restrictions. The project should publicly disclose English- and local-language translations of a stakeholder-engagement plan related to biodiversity offsets as part of the project’s larger stakeholder-engagement plan.

c. The IFC should reinforce proactively to the GoB that any physical or economic displacement of people in the biodiversity offsets must occur in a manner consistent with international human-rights standards and the IFC’s Performance Standards, even if actions by the GoB not related to the project (e.g., the implementation of the Vacant, Fallow, and Virgin Lands Act) induce such displacement.

d. The project should expand the planned follow-up analyses of the applicability of the IFC’s Performance Standard on Indigenous Peoples to include people adversely affected by the biodiversity offsets. It also should disclose publicly the complete set of analyses.

e. The project should employ a social specialist with regional expertise to conduct these recommended activities. If the risk of economic and/or physical displacement is potentially significant, the project should employ a resettlement specialist with regional expertise. The IFC should closely monitor the work of these specialists.

f. The project should modify its Biodiversity-Offset Management Plan to include the above-recommended actions, including by making available appropriate supplemental
financial resources. The scope of work for the CSO service-provider should enable the latitude required to assess and address social and other emergent challenges.

**Finding 6:** Achieving the additional conservation outcomes required of the biodiversity offsets depends on the commitment of STG, the GoB, and partners to coordinate their roles, responsibilities, and financial resources. However, these roles, responsibilities, and financial resources are not yet formally defined.

**Recommendations:**

a. The project should assess and document the likely trajectory of the conservation of biodiversity, both with and without the measures planned for the offsets to establish a without-offset baseline against which to measure additional conservation outcomes. The project should urge the GoB to strive to meet regional best practices for conservation efforts to estimate the required budgetary and human resources. The Governments of India and Thailand, for example, have considerable experience in this area.

b. Current and planned roles, responsibilities, and committed financial resources of STG, the GoB, and conservation actors documented in the without-offset baseline assessment should inform the negotiations regarding a legally binding and long-term agreement between STG and the GoB.


The Government of Uganda (GoU) identified the Kampala-Jinja Expressway (KJE) Public Private Partnership (PPP) project as key to the strategic transport priorities for the region, and included it in several national development plans. The project is intended to relieve traffic congestion, improve road safety, and spur economic growth in the region. As such, it will support regional integration between the Port of Mombasa in Kenya and the landlocked countries of Uganda, Rwanda, Burundi, and the Democratic Republic of Congo.

The project is comprised of a 76-km, limited-entry tolled expressway and an 18-km section of the Kampala Southern Bypass. The project has two phases: Phase 1 consists of the Kampala Southern Bypass and the 35-km westerly section of the KJE; Phase 2 consists of a 41-km continuation of the expressway, east to Jinja. Prospective lenders for Phase 1 include the AfDB,
among others. Phase 2 will follow as a separate project that is likely to seek future financing from MDBs through a credit enhancement instrument and a non-sovereign loan.

In consultation with other U.S. federal agencies, the USAID MDB Team selected the KJE project to review based on its likely substantial adverse environmental and social impacts, and because of the history of GBV and sexual exploitation and abuse (SEA) associated with another road project in Uganda that UNRA implemented.

USAID’s review was conducted in July–August of 2018 and examined the entire alignment of the KJE. It used desk and field-based research, including a literature review; more than 40 interviews with project stakeholders; observations within the project’s area of influence; and continuous engagement with the AfDB’s management and project staff.

The AfDB assigned the project to the highest environmental and social risk category. The bank disclosed the ESIA for the project in June 2018 and updated it in August 2018. The AfDB’s Board of Executive Directors voted to approve the sovereign loan for Phase 1 on October 31, 2018. The United States, informed in part by the preliminary findings of USAID’s review, abstained from the vote, as the project did not meet the U.S. legal requirement for an indirect impact assessment under the Pelosi Amendment. The AfDB is preparing a credit enhancement investment and a non-sovereign loan for Phase 2.

During fall 2019, USAID expects to finalize our report on the project, post it on our public website, and translate it into three local languages used along the right-of-way. The Agency’s last report to Congress in April 2018 summarized the preliminary themes of our findings and recommendations. The following are updates to the same:

**Finding 1**: Indirect impacts, such as unplanned urbanization during construction or operation, require additional assessment in the ESIA for the project.

Recommendation:
   a. Normally, scoping defines a project’s total area of influence, which then serves as the basis for assessing its environmental and social impacts and mitigation measures. Because the ESIA for this project does not define its total area of influence, the AfDB should insist that the final ESIA evaluates and mitigates possible environmental and social impacts outside the project’s direct area of influence.

**Finding 2**: The Biodiversity Action Plan (BAP) for the project underestimates its likely impact on biodiversity and is unclear about the need for a biodiversity offset.

Recommendations:
   a. The AfDB should use the project’s total area of influence (consistent with Recommendation 1 above) to re-assess the potential adverse impacts on critical and natural habitat, and to determine whether there is a need for a biodiversity offset.
b. If an offset is needed because of residual adverse impacts, the AfDB should develop a biodiversity management program prior to the implementation of the project and, ideally, the commitment of any additional financing.

Finding 3: The project includes diverse ancillary infrastructure, such as accommodation camps for laborers, quarries, borrow pits, and an asphalt plant. Under the PPP, the concessionaire will determine the location, size, management, and decommissioning of these facilities once UNRA awards the contract. As of July 2019, the bidding process had started, but UNRA had not selected the concessionaire. As such, the August 2018 ESIA did not (and could not) assess adequately the potential environmental and social impacts of ancillary infrastructure.

Recommendations:
   a. Regarding this project, the Request for Proposals for private sector concessionaires should emphasize the need to consult stakeholders meaningfully regarding ancillary infrastructure throughout the life of the project. Also, the project’s final ESIA and facility-specific ESIA should assess the possible direct, indirect, and cumulative impacts of ancillary infrastructure.
   b. Generally, the AfDB should encourage borrowers to assess the risks of a project’s ancillary infrastructure—including alternatives and indirect and cumulative impacts—together with an assessment of the risks of the project’s major components. This should occur prior to the approval of financing, and certainly prior to commencing operations at the ancillary infrastructure.

Finding 4: Ugandan national and local CSOs can play important roles in engaging stakeholders; the sensitization of communities; the valuation of land, resources, and property; the implementation and monitoring of resettlement; and tracking compliance with environmental and social safeguards.

Recommendation:
   a. The project should proactively expand the set of CSO service providers (beyond international ones) to include Ugandan national and local groups that have trusting relationships with, and current, accurate knowledge about, people affected by the project.

Finding 5: In part because of familiarity with the cancelled World Bank Transport Sector Development Project (TSDP), diverse stakeholders in Uganda are aware of, and concerned about, the possible social risks associated with the KJE project. Relevant GoU ministries are applying lessons learned from the TSDP to the KJE project. Yet there is room for improvement in the documentation of social impact assessments, and in the breadth of CSOs involved in the sensitization about, and mitigation of, social risks.

Recommendations:
   a. The AfDB should develop a separate GBV Action Plan with an emphasis on SEA, which is known to increase around construction projects. Although the various sections of
the ESIA cover these risks, a separate document could raise their profile and facilitate the implementation of associated mitigations.

b. Similar to Finding and Recommendation 4 above, the project should seek proactively to include national and local CSOs (in addition to international ones) in the sensitization and mitigation of GBV, SEA, and child labor risks.

c. Given that UNRA is currently implementing two World Bank–funded projects to prevent and respond to GBV/SEA, URNA should consider how it might appropriately replicate and scale up the successes of those projects under the KJE project.

d. Diverse stakeholders should proactively support the prevention of, and response to, GBV in the KJE and other large infrastructure projects.

Finding 6: The lengthy time gap between the demarcation of the KJE right-of-way and the compensation of project-affected people has affected local livelihoods in a negative way. UNRA has committed to re-evaluate property in the right-of-way every year until the GoU pays compensation, which is good practice. However, the evaluation’s methodology does not capture and compensate for income and other adverse impacts to livelihoods that are lost because of the demarcation.

Recommendations:

a. The project should engage affected communities to determine their current livelihood priorities and develop an interim development program focused on short-term restoration of income.

b. Regarding agricultural land, the GoU provides a disturbance fee of 15 or 30 percent of the value of a project-affected asset for loss of income because of demarcation. The KJE project should engage the GoU to explore payment of this fee for project-affected farmers.

Finding 7: Prior to construction, the project established numerous Community Grievance Management Committees (CGMCs), which serve as valuable conduits for individuals and communities to seek solutions to concerns related to the KJE project. To carry out their duties fully, some CGMCs need additional training, empowerment, and financial support.

Recommendation:

a. The project should offer CGMGs additional, pre-construction training on their authorities and responsibilities, and a stipend/allowance for their operations.
Annex II – Potential Future Reviews


The AfDB is preparing a sovereign loan to the Government of the Republic of Kenya to improve an existing road that stretches 250-km between the Kenyan mid-coastal town of Malindi and Lunga Lunga, a town at an official border crossing to the United Republic of Tanzania.

This road is the northernmost segment of a larger (410-km), two phase project that connects Malindi, Kenya to Makurunge, Tanzania. As noted earlier in this report, USAID conducted a pre-approval field review of a Tanzanian segment of Phase 1 in August 2019.

In consultation with other U.S. federal agencies, USAID is considering a pre-approval field review of a Kenyan segment of Phase 2 (from Malindi to Kilifi) in spring 2020. Potential themes of the proposed review include the identification and mitigation of adverse impacts on cultural heritage and protected areas in Kenya, and on regional trafficking in illegal wildlife and forest products from the Port of Mombasa.


In September 2016, the Board of Executive Directors of the ADB approved a $1.5 billion investment through a multi-tranche financing facility to support the Government of Bangladesh in constructing the 102-km Dohazari-Cox’s Bazar section of the Chittagong-Cox’s Bazar railway corridor in Southeastern Bangladesh. The project’s development objectives are to establish efficient and safe railway transport in Bangladesh and improve sub-regional connectivity and trade. The United States voted to support the project at the meeting of the ADB’s Board.
USAID identified this project for possible review because of its potential impact on biodiversity in three protected areas in the railway’s right-of-way, the high level of possible economic and physical displacement, and our long-term funding for the community-based management of natural resources in the project area.


The ADB proposes to invest approximately $320 million to develop the Nyera Amari hydropower plant (HPP) in the Eastern Region of the Kingdom of Bhutan. The project consists of two river-diversion projects (which would provide 125 MW and 315 MW of power, respectively) and transmission-system facilities. It would support both the domestic consumption of electricity in the Eastern Region of Bhutan and the export of power to India.

Bhutan is rapidly expanding its energy-generation capacity through large hydropower projects. USAID identified the Nyera Amari HPP for possible review largely because of the project’s contribution to potential cumulative adverse environmental and social impacts. Possible project-level and cumulative adverse impacts include those on aquatic and riparian biodiversity from changes in environmental flow; on terrestrial biodiversity from associated roads and transmission lines; on livelihoods and living standards from economic displacement (including both upstream and downstream impacts); and on community health and safety and social cohesion, given the likely influx of workers and construction activities.


In December 2014, the ADB’s Board of Executive Directors approved $120.5 million in a mix of loans and grants to support the 118 MW Nikachhu HPP. The estimated total cost of the project is $198 million. The United States voted to support the project at the meeting of the ADB’s Board.
The project's development objectives are to supplement domestic power in East and Central Bhutan and to export generated power to India during the Summer months. The project consists of a 33-meter-high dam with a 12-km headrace tunnel to the powerhouse.

USAID identified the Nikachhu HPP for possible review largely because of its potential contribution to cumulative adverse environmental and social impacts (similar to those described in relation to the Nyera Amari HPP above). Further, the project is located adjacent to the Jigme Singye Wangchuck National Park and will temporarily occupy a small percentage of the eastern biological corridor that joins it to Wangchuck Centennial Park.