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FROM THE AMERICAN PEOPLE

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

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Introduction

The [United States International Financial Institutions Act](#)¹ directs the United States 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-approval² field reviews of selected MDB projects.³ The teams that perform field reviews are composed of technical specialists from USAID's Missions and headquarters and, in some cases, from other Federal Departments and Agencies.

USAID's pre- and post-approval field reviews yield findings and recommendations intended to improve the environmental and social performance of MDB projects. Post-approval reviews also evaluate the incorporation and effectiveness of any previous USG recommendations and/or assess an MDB's implementation of its safeguard policy.

USAID's pre- and post-approval field 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. Both pre- and post-approval field reviews can inform USAID's input into future USG reviews of MDBs' safeguard policies and guidance.

USAID publishes the resulting reports on its public [website](#)⁴ and distributes them to stakeholders. USAID also translates the executive summaries of reports into local languages, as appropriate.

The U.S. International Financial Institutions Act further directs USAID to report semi-annually to Congress on its reviews of MDB projects. This report covers the period from September 2019 to March 2020. In the time period covered by this report, USAID pursued field reviews of MDB projects in the Republics of Costa Rica and Kenya, the Federal Democratic Republic of Nepal, and the

¹ Relevant sections of Title XIII of the U.S. International Financial Institutions Act are available at: https://www.usaid.gov/our_work/environment/compliance/title13.

² Here, "approval" refers to a vote to approve financing by a Board of Executive Directors at an MDB. USAID can conduct a pre-approval field review any time prior to a vote by an MDB Board, and a post-approval field review any time after approval by an MDB Board.

³ Here, "projects" includes any type of MDB investment (e.g., project loan, technical assistance, development policy loan, risk or loan guarantee, and grant) at any phase 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>.

United Republic of Tanzania. USAID is considering one project for future field review, pending the relaxation of travel restrictions related to the pandemic of COVID-19, and is considering contingency plans, such as conducting desk-based reviews, if travel challenges preclude field reviews.

Process of Conducting Field Reviews

USAID conducts field reviews on a subset of MDB projects that are “particularly likely” to have “substantial” adverse environmental or social impacts, including on natural resources, public health, or indigenous peoples.⁵ USAID selects MDB projects for field review following consultation with our Bureaus in Washington, D.C.; 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, subject-matter experts, and the staff of the MDBs.

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

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

USAID’s field reviews can address any component of the assessment and management of environmental and social impacts, including the following:

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

⁵ This language is provided for in Title XIII of the U.S. International Financial Institutions Act, Section 1303(a)(3), available at https://www.usaid.gov/our_work/environment/compliance/title13.

- Assessment of impacts from associated facilities; and
- The design and implementation of mitigation measures.

USAID’s field reviews often focus on environmental and social issues formally raised to MDBs by the USG through periodic reviews of their safeguard policies or other processes. Unless specified, USAID’s review findings and recommendations apply to specific cases, and are not generalizable. Reviews can highlight good practices as well as areas for improvement.

Annex I – Current and Recent Reviews

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

The Reventazón Hydroelectric Project (RHP), approved in 2012, began operations in mid-2016 and cost approximately \$1.4 billion to develop, including two loans from the Inter-American Development Bank (IDB) for \$200 million and \$250 million, respectively.



The 305.5-megawatt (MW) hydropower plant is one of Central America’s largest. Implemented by the *Instituto Costarricense de Electricidad* (ICE), the project includes the construction of a 130-meter(m)-high dam, a 4.2-kilometer (km) river diversion between the dam and powerhouse, and the flooding of 6.9 square kms (km²). It is expected to generate about 1,400 gigawatts (GW) of electricity annually, which would provide around ten percent of the country’s total generated power.

The IDB’s 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 ecological connectivity in the 34.2 km² of natural habitat in the Reventazón River 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's review of RHP focused on the environmental and social dimensions of ecological 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. A literature review, more than 40 interviews with project stakeholders and experts, and observations in and around the project's area informed the review.

The following are the findings and recommendations from USAID's final report:

Finding 1: ICE's effort to achieve the IDB's safeguard objectives, including the design and implementation of the RHP biodiversity offset, was substantial and worthy of recognition.

Finding 2: The offset's no-net-loss/net-gain (NNL/NG) calculation (see Annex 6 in the full report, available on the [MDB Team website](#)) has acknowledged limitations in scope. While the calculation does make it possible to measure the success of the offset as defined, the calculation's few biodiversity components and limited geographic scope make it difficult to measure adequately the progress of the offset's objectives relative to biodiversity and ecosystem services.

Recommendations:

- a) Because the RHP sets a precedent for aquatic-biodiversity offsets for the region, ICE and the IDB should communicate precisely the limited scope of application of the NNL/NG calculations accurately in all reports and presentations. This is consistent with the recommendations in the [report](#) of the project's own RHP Expert Advisory Group.⁶
- b) In its NNL/NG calculation, ICE should consider a more comprehensive assessment of the project's residual impacts on biodiversity and ecosystem services by including additional relevant indicator species (e.g., the *pez bobo*, a threatened fish species).

⁶ ICE Proyecto Hidroeléctrico Reventazón: Cuarto y Último Informe Grupo Asesor de Biodiversidad. Guy Dutson, et. al. March 2016.

Finding 3: The NNL/NG calculation is biased toward a more easily achieved determination of biodiversity gains.

Recommendation:

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

Finding 4: The offset might not deliver its intended outcomes over the length of time required by international best-practice standards.

Recommendations:

- a) ICE should engage the communities affected by the project and the productive sector to help ensure the sustainability of the offset by providing human and financial support to strengthen the governance bodies of the local watershed (e.g., the *Comité Pro-Corredor Biológico Río Parismina, Ruta del Pez Bobo*, or the *Pez Bobo Corridor Committee*).
- b) ICE should support the *Fondo Nacional de Financiamiento Forestal (FONAFIFO)*, the Costa Rican National Forestry Financing Fund, in its efforts to seek alternative revenue sources to replace an anticipated reduction in revenue from the national carbon tax, which is essential for the payments of economic incentives for ecosystem services within the aquatic offset and the BDBC.

Finding 5: ICE's policies that limit the disclosure and sharing of information hinder the achievement of the offset's outcomes through collaborative research, partnerships with the private sector and civil society, and informed decision-making with local governance bodies.

Recommendations:

- a) ICE should consider adopting, and the IDB should encourage, a more open information-disclosure policy, and actively engage in partnerships with third parties to strengthen evidence-gathering regarding the offset and critical habitat.
- b) Given the usefulness of the data in ICE's possession, ICE and the IDB should continue to discuss how to support and facilitate project-associated research, both terrestrial and aquatic, by all relevant parties, especially Costa Rican institutions.

Finding 6: Downstream monitoring and evaluation on the Reventazón River is adequate. However, the actual mitigation of adverse 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 ICE should, after taking stock of the effectiveness of mitigation for aquatic species, adaptively manage these species (e.g., through fish-management and fish-exclusion devices at penstocks) in both the reservoir and the “critical stretch” of the Reventazón River.

2. Federal Democratic Republic of Nepal – South Asian Sub-Regional Economic Cooperation Roads-Improvement Project (Asian Development Bank)

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 integral to the international and regional transportation network that connects Nepal to India, which aims to facilitate closer trade integration between the two countries and contribute to Nepal’s export competitiveness. The project aims to have a transformational impact by facilitating national and regional integration.



The Board of Executive Directors of the Asian Development Bank (ADB) approved the project on December 1, 2016. The United States voted to support the project after extended discussions with the ADB’s management, which resulted in commitments from the Bank and its clients regarding the analysis, mitigation, and monitoring of potential adverse impacts to critical habitat, including through the use of wildlife passages. The United States also noted that USAID and other USG partners have invested more than \$42 million to support the conservation of biodiversity 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 the following: 1) progress by the ADB and its clients on their commitments; and, 2) the monitoring of environmental and social concerns that arise from the implementation of the project and the responses taken. Geographically, the scope is the area of the Narayanghat-Butwal (N-B) highway project, specifically, the portion that could adversely affect the buffer zone of Chitwan National Park, the critical habitat of the Bengal tiger and other wildlife species protected under Nepalese law.

A literature review, more than 50 interviews with project stakeholders and experts, and observations in and around the project area informed the review. The USAID review team triangulated methods as much as practicable.

The following are the main findings and recommendations from USAID’s final report:

Finding 1: Guidelines for wildlife-friendly infrastructure that are insufficient influenced the N-B highway project. The draft Nepal Guidelines for Construction of Wildlife-Friendly Linear Infrastructure⁷ do not meet international standards, are missing important sections of guidance, and often are based on little or no scientific information.

Recommendations:

- a) The ADB should apply international and regional standards and best practices supported by science.
- b) The ADB should not rely on specific recommendations in the draft *Nepal Guidelines* to guide projects financed by the Bank until the document addresses the shortcomings detailed in this report.

Finding 2: The pre-construction wildlife analyses done on the N-B highway project are not sufficient to determine the effective locations, numbers, and designs of its mitigation measures to protect biodiversity.

Recommendations:

- a) The N-B highway project should initiate a systematic approach to collect data on roadkill and live-animal crossings along the N-B highway by using free software applications, such as [iNaturalist](#). Further, the ADB should explore opportunities to work with the Government of Nepal (GoN) to

⁷ Government of Nepal. 2019. *Guidelines for Construction of Wildlife-Friendly Linear Infrastructures*. Final Draft Version (Awaiting Endorsement from Ministry of Forest and Environment). Kathmandu, Nepal.

expand this systematic approach to data collection to all highways that pass through Nepal's natural areas.

- b) The N-B highway project should expand its sign survey to cover a greater area of the forest patches through which it passes (*i.e.*, at least five km away from the road) to enable the identification of additional and possibly rare species in the project's area, as well as resources such as waterholes and salt licks and their use by different wildlife species.
- c) The N-B highway project should conduct a more *intensive* camera-trap survey (*i.e.*, by using at least one camera trap pair per two-km² grid and during all the seasons) to cover the 24-km stretch of Chitwan National Park's buffer area and adjoining forest patches of the N-B highway to improve the understanding of the seasonal movement of animals.
- d) The N-B highway project should conduct a more *extensive* camera-trap survey that covers all the forest patches in the project's area to determine the presence of Bengal tigers and other species, such as clouded leopards (*Neofelis nebulosi*), gaur (*Bos gaurus*), common leopards (*Panthera pardus*), four-horned antelope (*Tetracerus quadricornis*), and striped hyena (*Hyaena hyaena Linnaeus*).
- e) The N-B highway project should include cross-drainages and the existing structures over them in the camera-trap survey to collect the necessary information or evidence to determine whether different types and sizes of structures serve as passages for different species or if species avoid them.
- f) As feasible, the N-B highway project should incorporate more data and information on Asian elephants to describe the possibility, direction, and consequences of the predicted expansion of their range into the project's area in the future and design wildlife crossings that consider Asian elephants as a target species in the projected habitats.

Finding 3: The proposed mitigation plan for wildlife crossings does not meet international or regional design standards for such features as structural types, frequency, spacing, dimensions, directional fencing, and sound abatement. The current plan for wildlife crossings will be insufficient to safeguard wildlife populations, maintain connectivity, and avoid wildlife-vehicle collisions that put at risk people's safety and lives.

Recommendations:

- a) **Spacing/frequency of structures** – The N-B highway project should conduct a more-thorough evaluation and subsequently amend its mitigation plan to ensure the adequate spacing and frequency of wildlife-crossing structures based on the home ranges of the wide variety of terrestrial species the the four-lane highway could affect adversely, in accordance with the [ADB's guidelines](#).

- b) **Mitigation for arboreal and terrestrial species** – The N-B highway project should evaluate the needs of arboreal species, such as macaques (*Macaca assamensis pelops*) and langurs (*Semnopithecus schistaceus*), and those at ground level, like monitor lizards (*Varanus flavescens*), in the project’s area, and budget for, design, implement, and monitor specific mitigation measures for them.
- c) **Funnel fencing or other directional aides** – The N-B highway project should not rely on vegetation to direct animals to wildlife crossings and prevent wildlife-vehicle collisions. Directional fencing of sufficient length (*i.e.*, five km) should be part of the design for wildlife crossings throughout the N-B highway, and should be continuous between all the wildlife crossings in forested patches.
- d) **An appropriate mix of crossing structure sizes and types** – The N-B highway project’s mitigation plan for wildlife should include at least one or more overpasses, and a variety of sizes of larger underpasses. It should not rely on 4.5-m by 4.5-m box culverts as the design default for large mammals because research has shown that several species do not use this size culvert.
- e) **Sound-abatement** – Given the high traffic volumes projected for the N-B highway, it should evaluate the impacts of road noise on wildlife, and budget for, design, implement, and monitor mitigation measures for problematic road segments.
- f) **Specificity of species** – The N-B highway project must ensure adequate mitigation measures are in place for the wide variety of species the road could affect adversely. The project’s proposed mitigation plan for wildlife crossings does not evaluate or discuss any entire taxa, including reptiles, small mammals, and aquatic and semi-aquatic species, nor provide any mitigation measures for their vulnerability to road mortality, including the use of wildlife crossings.

Finding 4: The N-B highway project does not yet include an adequate, approved, and funded pre- and post-construction program for monitoring and evaluation (M&E) to determine whether the mitigation measures deployed will suffice to meet the project’s no-net-loss requirement.

Recommendations:

- a) The N-B highway project should develop, fund fully, and implement a pre- and post-construction M&E program designed to determine whether mitigation measures will suffice to meet the no-net-loss requirement of the project.
- b) The N-B highway project should explore partnership opportunities with well-established, local Nepalese conservation organizations to conduct long-term M&E.

Findings 5: The N-B highway project has yet to disclose a plan to address the possible loss of habitat and potential economic or physical displacement from the clearance of forests to expand the road.

Recommendations:

- a) The N-B highway project should analyze and identify claims to access to, and the use of, resources in the forest areas to be cleared in the road's right-of-way and ensure people adversely affected by forest clearance receive compensation, regardless of their legal or customary rights to the land and resources, in accordance with Annex II of the [ADB's Safeguard Policy Statement](#).
- b) The N-B highway project should develop, disclose, and seek stakeholder feedback on a plan for compensatory afforestation and the improvement of habitat.

Finding 6: As of September 2019, the N-B highway project had engaged wildlife stakeholders formally through two consultation workshops and local wildlife experts informally; however, no road ecology experts had provided direct input to, or oversight of, the project.

Recommendations:

- a) The N-B highway project should disclose and implement a plan for collecting, responding to, and documenting input from stakeholders and experts on the following: i) its completed wildlife baseline; ii) its updated proposal for wildlife crossings and related mitigation measures; iii) its biodiversity plan; and, iv) the wildlife-specific aspects of its environmental-monitoring plan:
 - a. The project should address the input from stakeholders and experts prior to the start of construction along forested sections of the N-B highway and in time to incorporate any substantial changes into the project's decision-making.
- b) The N-B highway project should provide adequate scope for the international external environmental monitor to provide recommendations for substantial changes to the documents listed above.
- c) If the international external environmental monitor does not have expertise in road ecology, the N-B highway project should engage a road ecologist with experience in designing crossings in landscapes with similar species in the region, such as in the Republic of India, the Kingdoms of Bhutan and Thailand, and/or Malaysia.
- d) The ADB should require all future road projects with high environmental risks to wildlife to engage a qualified road ecologist.

Finding 7: The GoN is advancing ambitious, country-wide plans for developing linear infrastructure. Yet it currently does not have a landscape-level planning process or an active knowledge-sharing mechanism for roads or other linear infrastructure that would, among other objectives, reduce the risk of habitat fragmentation and loss of biodiversity in the development of much-needed infrastructure.

Recommendations:

- a) As previously committed, the N-B highway project should use its pre-construction wildlife analyses to update its assessment of cumulative and induced impact.
- b) The ADB, possibly in conjunction with other MDBs or donors, should provide support to the GoN to develop a landscape-level plan for linear infrastructure that accounts for possible site-specific and cumulative impacts to biodiversity and helps it develop roads, railways, pipelines, and power lines in a way that supports its existing national commitment to the Terai Arc Landscape and its international commitments to the Global Tiger Initiative and the World Heritage Convention, among others.
- c) The ADB should coordinate with other MDBs, bilateral donors, and relevant GoN Ministries to create or invigorate existing mechanisms for knowledge-exchange on best practices and lessons-learned regarding wildlife-friendly linear infrastructure.

Finding 8: The project's budgetary allocation for environmental mitigation is likely too low to support the measures and monitoring necessary to achieve its requirement of no net loss of biodiversity.

Recommendation:

- a) The project should draw up its contingency budget to implement environmental-mitigation measures necessary to achieve its requirement of no net loss of biodiversity.

3. Multinational – East African Coastal Corridor Development Project (African Development Bank)

On December 12, 2019, the Board of Executive Directors of the African Development Bank (AfDB) approved Phase I of the East African Coastal Corridor Development Project. The total cost of Phase I of the project is \$450.51 million, and its implementation timeline is five years: 2020–2025.

The AfDB's Phase I comprises the following:

- i) A loan of \$193.63 million to the Government of the United Republic of Tanzania (GoT) to pave a largely existing earthen road that stretches 125 km from the coastal town of Pangani through Saadani National Park to the inland town of Mkange (the orange font in the figure above); and
- ii) A loan of \$256.88 million to the Government of the Republic of Kenya (GoK) to widen (from single- to dual-carriage) an existing tarmac road that stretches 70 km from the town of Kilifi south to Mombasa, Kenya's second-largest city.



AfDB's Phase 2 comprises the following:

- i) A loan to the GoT to pave a largely existing earthen road that stretches 125 km between Mkange and Makurunge; and
- ii) A loan to the GoK to widen (while keeping as single-carriage) two sections of an existing tarmac road:
 1. Northern section – Malindi to Kilifi (48 km; the yellow font in the figure above); and,
 2. Southern section – Mombasa to Lunga Lunga, at the Tanzania border (106 km).

AfDB's Phases 1 and 2 form a larger (450-km) multi-donor⁸ corridor development project with an overall development objective of improved trade connectivity and integration within the East African Community.

In August 2019, USAID conducted a pre-approval field review of a section of Phase 1 in Tanzania: the Pangani – Mkange Road. In March 2020, USAID conducted a pre-approval field review of a section of Phase 2 in Kenya: the Malindi – Kilifi Road. Preliminary findings and recommendations from both reviews appear below. USAID will provide our final findings and recommendations in two forthcoming reports and our next summary report to Congress in December 2020.

Review of a Tanzanian Section of Phase 1: The Pangani – Mkange Road

The Tanzania National Roads Agency (TANROADS) will implement the Pangani – Mkange Road project. It 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.

A multidisciplinary review team of technical specialists from USAID and the U.S. Department of the Treasury visited Dar es Salaam and the project's area from August 1–15, 2019. A literature review, more than 50 interviews with project stakeholders and experts, and observations in and around the project's area informed the review. The USAID review team triangulated methods as much as practicable.

The following are *preliminary* findings and recommendations from USAID's forthcoming report:

Finding 1: Communities keenly anticipate the improved road and expect it will bring diverse development benefits.

Recommendation:

- a) Ongoing, inclusive consultations with the communities affected by the project are necessary to maintain alignment between local development needs and the project's design.

⁸ The larger project includes sections that have already been funded by the U.S. Millennium Challenge Corporation, European Union, and Japan International Cooperation Agency in addition to sovereign funds from the GoT and GoK. It also includes a section in Tanzania (Mkange – Makurunge) for which funding has not yet been identified.

Finding 2: The [Phase I Environmental and Social Impact Assessment \(ESIA\) for Tanzania that was published in July 2019](#) is not consistent with the [AfDB's Operational Safeguard \(OS\) 3](#)⁹ and [associated guidance](#)¹⁰ regarding i) the definition of natural and critical habitat within the project's area; ii) the incorporation of the best-available science; and, iii) the involvement of internationally recognized biodiversity experts in developing and implementing mitigations.

Recommendations:

- a) The project should immediately collect additional baseline information on habitat and biodiversity to strengthen the ESIA so it better aligns with the AfDB's OS 3.
- b) Prior to construction work, the project should revise its environmental and social management and monitoring plans to be *proportionate to* the findings of the proposed additional baseline survey (Recommendation "a" immediately above) and include mitigations based on the best available science.
- c) According to the requirements of the AfDB's OS 3, the project should ensure that internationally recognized biodiversity experts are key personnel on the team(s) that will conduct the proposed additional baseline survey (Recommendation "a") and develop and implement strategies for the mitigation and management of potential adverse effects.

Finding 3: The road will improve legal and illegal access to, and thus the ability to extract and transport, forest and marine resources. The project-induced extraction of natural resources at a commercial scale (by residents or non-residents) threatens the sustainability of residents' consumption of natural resources for their own use.

Recommendations:

- a) The project, in consultation with the GoT and relevant civil-society organizations, should strengthen community-based governance (to

⁹ African Development Bank Integrated Safeguard System: Operational Safeguards. Operational Safeguard 3 – Biodiversity, Renewable Resources, and Ecosystem Services. Page 39. Available at:

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December_2013_-_AfDB%E2%80%99S_Integrated_Safeguards_System_-_Policy_Statement_and_Operational_Safeguards.pdf.

¹⁰ African Development Bank Integrated Safeguard System: Guidance Materials. Biodiversity and Ecosystem Services Assessment. Page 41. Available at: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/SSS_-_IESIA_Volume_2_-_En.pdf.

include planning, sustainable management, and conflict-resolution) of forests and fisheries in the project's area.

- b) The project should consider including a livelihood component to support eco-tourism.

Finding 4: Local communities expressed a need for sensitization about HIV and voiced concerns over gender-based violence and increased pregnancies.

Recommendations:

- a) The project should increase access to health facilities along the road and improve the quality of the care they provide—including those that offer screening and treatment for HIV in conjunction with prenatal, delivery, and postpartum care for mothers and their infants.
- b) The project should improve the capacity and reach of existing community-based initiatives in sensitization and education about HIV, including those funded by the U.S. President's Emergency Plan for AIDS Relief.

Finding 5: The [Phase I ESIA for Tanzania dated July 2019](#) does not adequately assess the potential adverse gender impacts of the project, including those that could arise from the anticipated influx of laborers and road-users.

Recommendation:

- a) The project should revise its environmental and social management plans accordingly and conduct due diligence in relation to gender during procurement.

Since the approval of Phase I by the AfDB's Board, USAID has continued engagement on these preliminary findings and recommendations, including by monitoring their consideration by the AfDB's staff involved in preparing Phase 2 of the same project. (See the next subsection.)

Review of a Kenyan Section of Phase 2: The Malindi – Kilifi Road

The Kenya National Highways Authority (KeNHA) will implement the Malindi – Kilifi Road project. It is primarily intended to reduce the time and cost of travel, increase access to goods and services, and create economic opportunities.

A multidisciplinary review team of technical specialists from USAID and the U.S. Department of State visited Nairobi and the project's area from February 12–26, 2020. A literature review, more than 55 interviews with project stakeholders and experts, and observations in and around the project's area

informed the review. The USAID review team triangulated methods as much as practicable.

The following are *preliminary* findings and recommendations from USAID's forthcoming report:

Finding 1: The AfDB and KeNHA have insufficient capacity to identify and plan to mitigate and monitor the likely significant adverse environmental and social impacts of this project, including, in particular, impacts to archeology and cultural heritage.

Recommendations:

- a) The AfDB should swiftly implement its environmental and social Safeguards Strengthening Action Plan, which the Board approved in February 2020. Implementation should begin with hiring additional safeguards staff, including specialists in African archeology and the preservation of cultural heritage.
- b) KeNHA should fill the vacancies in its safeguard department, including a position focused on cultural heritage, so it can fulfill the requirements of its Environmental and Social Safeguards Policy.

Finding 2: Kenya's Constitution and laws do not include definitions and provisions for assessing and mitigating adverse impacts to cultural heritage during development projects. This has led to an (over)reliance on the AfDB and KeNHA's Chance Finds Procedures, which are reactive, instead of a Heritage Impact Assessment throughout the life of the project, which is proactive and follows international best practice. Moreover, the Chance-Finds Procedures mandate the protection of some aspects of tangible cultural heritage, but do not address intangible cultural heritage.

Recommendations:

- a) AfDB should work with NMK to develop a cultural heritage management plan for the project. A management plan should include standard i) definitions of cultural heritage of Kenya, such as archaeological site, artifact, survey, salvage excavation, intangible heritage, archeological monitor, high-risk and low-risk archaeological area; and ii) processes for components of Heritage Impact Assessment.
- b) NMK should develop policies for survey, mitigation, and salvage excavations. These policies should specify when it is necessary to conduct survey, mitigation, and salvage excavations.

Finding 3: Because of a legacy of harm by *previous* road-improvement projects in Kenya, some local communities are wary of this project and express

dissatisfaction with the information provided to date, especially the scope and timing of Phase 2 relative to Phase I.

Recommendation:

- a) The AfDB and KeNHA should initiate meaningful consultation with individuals affected by the project to discuss the possible direct, indirect, and cumulative impacts of the project and seek their views on how to avoid and mitigate them. Consultations should stem from proactive outreach to women, youth, and other vulnerable groups, conducted in the local dialect of Kiswahili.

Finding 4: Communities in the project's area report that arbiters (such as County governments, village chiefs, and the police) and typical modes of conflict-resolution, are often discriminatory, corrupt, and ineffective.

Recommendations:

- a) Proponents should seek input directly from community members regarding the *design* of the project-specific mechanism to redress grievances.
- b) Proponents also should seek input from local communities regarding the *plan to advertise* information about the aforementioned mechanism and the AfDB's Independent Review Mechanism.

Finding 5: KeNHA and other GoK ministries involved in the project's implementation appear focused on direct impacts during construction, and demonstrate limited capacity to address indirect and cumulative impacts throughout construction and operation.

Recommendations:

- a) The AfDB should define the project's area of influence as 20-km around the road reserve in all directions, consistent with a [report](#) on the indirect impacts (land conversion, settlement) of road-improvement projects in Kenya issued by the World Bank in 2019.¹¹
- b) The AfDB should direct the consultant responsible for the ESIA to assess direct, indirect, and cumulative impacts within this area of influence throughout the life of the project.

¹¹ Damania, R. et al. 2019. *When Good Conservation becomes Good Economics: Kenya's Vanishing Herds*. World Bank Group. Available at: documents.worldbank.org/curated/en/465881576053357383/When-Good-Conservation-becomes-Good-Economics-Kenya-s-Vanishing-Herds.

- c) The AfDB should carefully review the future ESMP to ensure it is in accordance with the recommendations above, and should monitor proactively the implementation of the ESMP by the future contractor.

Finding 6: Traffic accidents are frequent on the Malindi – Kilifi Road. According to local educators, few formal driving schools exist, and many small-vehicle operators do not possess a driver’s license. Moreover, the knowledge of road-safety behaviors among drivers and pedestrians is limited.

Recommendations:

- a) The project should fund and carry out a Traffic Assessment and a Road Safety Audit.
- b) In addition to widening the road’s surface, the project’s engineers should aim to increase safety, for example by separating traffic by mode of transit (*e.g.*, trucks and cars vs. motorcycles and *tuk-tuks*) and include structures to allow pedestrians to safely travel along, and regularly cross, the road.
- c) The project should consider working with an African non-governmental organization focused on road safety to deliver education on safe behaviors to drivers and pedestrians.

Finding 7: A projected rise in sea level and increased heavy precipitation—which cause storm surges, flooding, and saltwater intrusion—put Kenya’s transportation infrastructure at risk. The project’s road passes along the country’s coastal wetlands, such as Mida Creek, which is home to six mangrove species that provide habitat for diverse coral and marine life. If excavations or other works disrupt the groundwater hydrology that feeds Mida Creek, the project will jeopardize the area’s ecological integrity and ecotourism-based economy.

Recommendation:

- a) Proponents should hire a qualified and independent groundwater hydrologist to assess the local freshwater recharge from the Arabuko – Sokoke Forest Reserve and recommend actions to avoid or mitigate adverse impacts to Mida Creek, especially during construction. The hydrologist should conduct an Assessment of Sea-Level Rise, which could lead to adjustments to the road’s alignment, a requirement for more drainage structures, or other actions, which should have their own project-funded budget.

Finding 8: The Arabuko – Sokoke Forest Reserve, which straddles the road, is the largest single block of coastal forest remaining in East Africa, and harbors endemic and endangered flora and fauna. The project’s road is also near two

marine protected areas designated by the United Nations Education, Scientific and Cultural Organization (UNESCO) as the globally important [Malindi – Watamu Biosphere Reserve](#).

Recommendations:

- a) As required by the AfDB's OS 3, the project should define the critical habitat of threatened and endangered species in its area of influence (not only species found in terrestrial and marine protected areas).
- b) Proponents should initiate a biodiversity survey by qualified and independent experts in mammals, birds, plants, amphibians/reptiles, and insects (and possibly others). This survey should begin as soon as possible to allow time for repeated field observations/sampling over multiple seasons, and in different areas that span the project's entire area of influence.
- c) The forthcoming Terms of Reference for the Phase 2 ESIA should be written to produce information to enable the Detailed Engineering Design to avoid possible impacts to threatened and endangered species and critical habitat—rather than relying on mitigation or compensation. If a biodiversity offset is necessary as a last resort, proponents should conduct meaningful consultation with local communities regarding the offset's siting, management, and monitoring.
- d) Proponents should hire a qualified and independent road ecologist to assess the need for mitigations, such as crossing structures for small mammals, especially in protected areas. This assessment should rely on existing data on roadkill collected by the GoK and environmental-conservation organizations; the peer-reviewed scientific literature on the road-related behavior of animals in coastal East Africa; and other relevant data and information.

Finding 9: Terrestrial and marine protected areas are important to the livelihood and food security of communities living adjacent to the Malindi – Kilifi Road. Testimonials and direct observations indicate limited capacity of the Kenya Wildlife Service (KWS) and the Kenya Forest Service (KFS) to manage these protected areas. Limitations include few vehicles, fuel shortages, missing monitoring and enforcement equipment, and almost no budget apart from staff salaries.

Recommendations:

- a) AfDB should conduct (as part of the ESIA) a socioeconomic survey of the indirect area of influence of the road.
- b) The AfDB should consider supporting (as a component of this project or otherwise) capacity building of KWS, KFS, and the NMK to deter

illegal or unsustainable natural resource extraction in the protected areas within the project's area of influence.

- c) Further, the AfDB should develop and fund sustainable livelihood activities for the communities that surround the protected areas within 20 km of the road. Livelihood support should include the construction of markets at key commerce centers. Proponents should consider stakeholders' requests that these markets include lighting and toilets to reduce gender-based violence and provide sanitation.

Finding 10: Diverse communities in the project area are concerned about adverse social impacts from the project, particularly those related to labor influx and child protection.

Recommendations:

- a) AfDB and KeNHA should follow international best practice standards to manage the likely significant risks and impacts of labor influx, such as the World Bank's guidance note on labor influx¹² and lessons learned, such as from the Supporting Children's Opportunities through Protection and Empowerment project.¹³ The project may wish to consider the following additional sub recommendations:
 - i) AfDB and KeNHA should require the contractor and any subcontractors to use unskilled and skilled labor from local communities as much as possible. In identifying and hiring such labor, AfDB and KeNHA should require the contractor and any subcontractors to offer employment to women via outreach with Womens' Groups; project proponents should not rely on Chiefs or the local administrator for this purpose.
 - ii) Non-resident laborers should not be allowed to rent rooms in local homes. Instead, they should reside in dedicated camps.
 - iii) The project should provide sensitization and education at labor camps, schools, and community centers to promote age-appropriate safer sex behaviors and increase knowledge of STDs. Relevant content from such sensitization and education should be included in a mandatory code of conduct and anti-sexual harassment policy for laborers.
 - iv) Following the GoK definition of an adult as someone 18 years or older, AfDB and KeNHA should require the contractor and any

¹² Managing the risks of adverse impacts on communities from temporary project induced labor influx. World Bank, Operations Policy and Country Services, Environmental and Social Safeguards Advisory Team. December 1, 2016. Accessed on May 13, 2020 from <http://pubdocs.worldbank.org/en/497851495202591233/Managing-Risk-of-Adverse-impact-from-project-labor-influx.pdf>.

¹³ Addressing risks of violence against children and child sexual abuse in infrastructure projects: A success story of the Supporting Children's Opportunities Through Protection and Empowerment (SCOPE) Project in Uganda. Phiona Nampungu. Bank Information Center. Accessed on may 13, 2020 from <https://bankinformationcenter.org/en-us/update/scope-final-update/>.

subcontractors to hire only adults and to widely advertise this practice in camps, schools, and community centers.

Finding 11: Malindi and Kilifi are well-documented hubs for trafficking in wildlife products, timber, drugs, and other products. Many are exported through the Port of Mombasa. Trafficking in persons and sexual exploitation of women and children are also prevalent in the project area.

Recommendations:

- a) AfDB and KeNHA should ensure that no trafficked persons or children are employed in the project's workforce.
- b) GoK should post additional law enforcement professionals along the project road to help prevent and respond to project-induced trafficking of wildlife products, timber, drugs, and cultural heritage materials as well as trafficking in persons.
- c) AfDB should consider a capacity assessment of the Port Authority Mombasa, Joint Port Customs Unit, Joint Container Control Program, and the Joint Operations Center to identify why the seizure rate of illicit goods is extremely low relative to the number of containers that are processed at the port annually.

Annex II – Potential Future Review

I. Multinational – Ruzizi III Regional Hydropower Plant Project (African Development Bank)

In December 2015, the Board of Executive Directors of the AfDB approved a \$148 million investment to support the Governments of the Democratic Republic of Congo (DRC) and the Republics of Rwanda and Burundi to develop additional hydropower on the Ruzizi River. This Category I (highest risk) investment would fund the Ruzizi III Hydropower Plant, three substations, and three 90-km-long transmission lines. The project’s development objective is annual power production of 650–700 GW, which could supply approximately 350,000 households.

The United States abstained from voting at the meeting of the AfDB’s Board, citing its determination that the project is “inconsistent with the content requirements in the Pelosi Amendment and U.S. law relating to large dams and concerns about weak institutional capacity.”¹⁴

In July 2019, IPS, the industrial and infrastructure-development arm of the Aga Khan Fund for Economic Development, and Norwegian renewable-energy company SN Power signed project agreements for the Ruzizi III Hydropower Plant with the Governments of the DRC, Burundi, and Rwanda. Ruzizi III is an Independent Power Project based on a build, own, operate, transfer model with a 25-year concession agreement and power-purchase agreements. The project’s investors expect the deal to reach financial close in 2021, and the plant is scheduled to become operational in 2025 or 2026.



¹⁴ See the record of U.S. votes on MDB projects in December 2015 on the Department of the Treasury Multilateral Development Bank Resource Center, available here: <https://www.treasury.gov/resource-center/international/development-banks/Pages/data.aspx>.

USAID identified this project for possible review to evaluate its efforts to address the following points, which the Agency flagged prior to the vote of the AfDB's Board:

- Constant political instability in the DRC and Burundi and limited capacity in the three governments to manage the diplomatic, legal, and regulatory dimensions of a complex, trans-boundary project;
- The economic uncertainty of the power off-take by the utilities involved and the ability to pay (under default) of the three governments;
- Social risk, including insecure land tenure in the project's area;
- Environmental risk, including habitat impacts on migratory fish species; and
- Seismic risk and the potential for a dam breach to cause uncontrolled release of water from the project's reservoir.