



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

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Background

The U.S. International Financial Institutions (IFI) Act¹ directs the U.S. government (USG) to strengthen the environmental and social (E&S) performance of each multilateral development bank (MDB) in which the U.S. is a shareholder. To this end, the U.S. Agency for International Development (USAID) has led reviews of selected MDB-financed projects since the late 1980's.² The IFI Act further directs USAID to report semi-annually to Congress on reviews of MDB-financed projects; this report covers the period from April 2021 through October 2021.

As previewed in USAID's June 2021 semi-annual report to Congress, USAID is iteratively designing and incrementally implementing a new, more effective, efficient and field-focused process for USAID (and interagency) reviews of MDB-financed projects with significant E&S risks.

To ensure strong uptake and smooth transition to a new process, USAID is closely coordinating with the U.S. Department of the Treasury (Treasury), the U.S. Department of State (State), and the U.S. Environmental Protection Agency (EPA). These agencies are similarly assessing and considering adapting their own MDB project review procedures. Consistent with its mandate, Treasury continues to lead interagency reviews of all proposed MDB-financed projects, while this new process seeks to strengthen the prioritization and timing of USAID and interagency input to the MDBs.

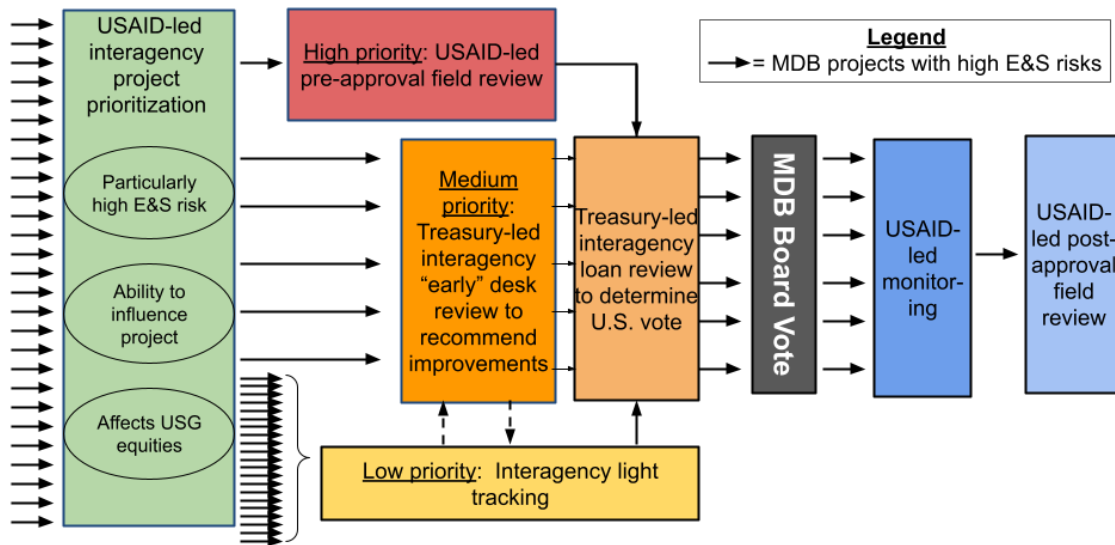
This USAID report to Congress³ provides an overview, initial outputs, and next steps in this process overhaul. While it is still a work in progress, USAID welcomes the opportunity to brief members of Congress and staff on this approach.

¹ See [relevant sections of Title XIII of the U.S. IFI Act](#).

² See [USAID's repository of project reports and summary reports to Congress](#).

³ During this reporting period, USAID also completed and publicly disclosed a desk-based pre-approval review of the Asian Development Bank-financed Alaoa Multi-Purpose Dam Project in Samoa (COVID-related travel restrictions prevented USAID from conducting a field review). Excepting minor grammar edits, the final findings and recommendations from USAID's review of this project are the same as the "near-final" findings and recommendations included in USAID's June 2021 semi-annual report to Congress. See [USAID's full report on the Alaoa Multi-Purpose Dam Project](#).

Process Overview



1. On an ongoing basis, USAID identifies all recently disclosed MDB-financed projects with high E&S risks (the arrows to the left of the green box represent such projects).
2. To determine which projects to dedicate significant staff resources toward, USAID leads an interagency process at least semi-annually to rank projects as low-, medium- or high-priority using 3 broad criteria (green box).
3. Projects ranked as high-priority (red box) become candidates for a USAID-led pre-approval field review for the purpose of improving project design.⁴
4. Projects ranked as medium-priority (orange box) undergo a Treasury-led “early” desk review⁵ for the purpose of improving project design.
5. Projects ranked as low-priority (yellow box) are lightly tracked to determine if new information necessitates elevating the priority level of the project.
6. All projects undergo a Treasury-led interagency loan review process to determine the U.S. voting position (peach box).
7. After an MDB board vote (grey box), USAID Washington monitors the high- and medium-priority projects (dark blue box) and updates USAID Missions, U.S. embassies, and the interagency on these projects.
8. USAID leads post-approval field reviews on selected high- and medium-priority projects (light blue box).

⁴ Due to COVID-related travel restrictions, USAID is not currently conducting field reviews of MDB projects.

⁵ Treasury-led “early” desk reviews are early relative to the practice of conducting such reviews after MDB Board documents (e.g., project appraisal documents) are disclosed, approximately 10 to 14 days prior to a board vote. By comparison, “early” desk reviews occur soon after disclosure of project E&S documents, approximately 90 to 120 days prior to a Board vote.

The process utilizes technology to identify projects with high E&S risks, track the real-time disclosure of E&S project documents, and facilitate earlier coordination with Treasury, State and EPA. Such coordination results in:

- Explicit consideration of USG equities as criteria for ranking projects as low-, medium- or high-priority for review.
- Engagement by USAID Missions and U.S. embassies in selecting and conducting pre- and post-approval field reviews on high-priority MDB-financed projects.
- Focusing “early” desk reviews for medium-priority projects in “real time” (meaning when E&S documents are disclosed, rather than closer to the MDB board vote) to allow USG staff more time to provide feedback on, and therefore to influence, MDB-financed projects.
- Creation of a systematic process for monitoring and updating USAID Missions, U.S. embassies, and the interagency on high- and medium-priority MDB-financed projects throughout their implementation.

USAID piloted the systematic process on Asian Development Bank (ADB) projects due to historically strong engagement and collaboration between USAID and ADB on MDB project reviews.

Initial Outputs: Project Prioritization

USAID, in coordination with Treasury and the Office of the U.S. Executive Director to the ADB, ranked proposed ADB projects with significant E&S risks as either medium- or low-priority for review. In this first round of prioritization, USAID did not rank any projects as high-priority due to COVID-related travel restrictions and the inability to conduct field reviews. Future rounds of prioritization will include projects ranked as high-priority, regardless of the travel restrictions in place at the time.

Ranking was conducted based on consideration of the projects’ likely adverse E&S impacts; USG equities; and opportunities for the USG to positively influence the projects’ design, especially E&S dimensions. The initial ranking criteria are currently being revised by USAID to include additional considerations offered by Treasury, State, and EPA.

Table 1 lists MDB projects identified by USAID per IFI Act Title XIII Sec. 1303(a)(1) and included in this report per Sec. 1303(c). The table also includes justifications for ranking each project as ‘medium’ priority and tentative project timelines.

Table 1: List of medium-priority MDB projects identified by USAID during Fall 2021 prioritization process per Title XIII Sec. 1303(a)(1) and included in this report per Sec. 1303(c)

Country, project, and link	Project objective and components	~Total project cost	ADB-assigned safeguard risk categories ⁶	Justification for 'medium' priority ranking	Tentative project timeline
Fiji - Nadi Flood Alleviation Project	To improve flood hazard protection for the Nadi town and the lower Nadi river floodplain through structural and non-structural measures.	Total project cost is not available. Proposed ADB financing is \$150 million.	'A' for Environment, 'A' for Involuntary Resettlement, and 'C' for Indigenous Peoples	Project design, including mitigation measures, may be particularly complex due to challenges determining the hydraulic properties of the river basin. USAID has an opportunity to influence the project by building on recent USAID pre- approval reviews of similar projects in the Solomon Islands and Samoa (see USAID reports).	E&S documents are not yet disclosed. Board consideration: 2022. ADB described many uncertainties and challenges that may delay the project, including COVID- related delays for technical assistance.
Indonesia - Sustainable Energy Access in Eastern Indonesia- Power Generation Sector Project	To improve access to electricity services in Eastern Indonesia (Kalimantan, Maluku, Nusa Tenggara, Papua, and Sulawesi) by supporting a cluster of new small- to mid-sized power stations fueled by natural gas and pilot-scale gas and solar hybrid units that could potentially be scaled for increased renewable energy use.	\$650 million	'A' for Environment, 'B' for Involuntary Resettlement, and 'B' for Indigenous Peoples	The project is constructing new fossil fuel-dependent infrastructure and will be prohibited under the August 2021 U.S. Guidance on Fossil Fuel Energy at the MDBs unless it meets the stringent criteria for an exception. USAID has equities and capacity to influence the project as it is relevant to USAID/Indonesia's Energy Sector priority and USAID has a close working relationship with the Ministry of Energy and Mineral Resources (MEMR), the state owned Electricity Company/PLN, and other key stakeholders.	E&S documents were disclosed in 2018 and 2019. Project preparation was put on hold by the executing agency. No schedule for Board consideration.

⁶ ADB assigns an individual safeguard category (i.e., A, B, C) based on risks regarding Environment, Involuntary Resettlement, and Indigenous Peoples. A = high risk; B = moderate risk; C = low risk. See: [ADB's description of their safeguard categories](#).

Country, project, and link	Project objective and components	~Total project cost	ADB-assigned safeguard risk categories	Justification for 'medium' priority ranking	Tentative project timeline
Indonesia - Flood Management and Coastal Protection in North Java	To improve economic water security and resilience to water-related disasters. The project will promote an integrated water resources management approach to: i) improve water resources planning and management to meet rising demands for domestic, municipal, industrial and irrigation water; ii) minimize spatial and temporal variations in water availability; iii) increase resilience to climate change.	\$605 million	'B' for Environment, 'A' for Involuntary Resettlement, and 'C' for Indigenous Peoples	Future sub-projects and the extent of associated involuntary resettlement are not yet defined. The project is relevant to USAID/Indonesia activities and priorities and the Mission has strong relationships with key government stakeholders.	E&S document disclosure: mid 2022. Board consideration: late 2022.
Pakistan - Kurram Tangi Integrated Water Resources Development Project	To store and regulate flood water for agriculture, hydropower, and ecosystems and reduce flood risks. Stage 1 involved construction of a diversion weir on the Kaitu River (a tributary of the Kurram River) for irrigation and hydropower. Stage 2 aims to (i) construct a 95 meters-high dam on the Kurram river; (ii) construct three small hydroelectric powerhouses; (iii) irrigate 27,400 ha of new command area; and (iv) improve irrigation water supply to the existing 155,444 ha of command area.	\$726 million (\$600 million for Stage 2)	'A' for Environment, 'A' for Involuntary Resettlement, and 'C' for Indigenous Peoples	USAID/Pakistan co-financed Stage 1 of this project (diversion weir construction) with the government, including conducting a full environmental impact assessment for Stages 1 and 2 in 2013, costing \$7.2 million. USAID has interests in ensuring the assessment is updated and influences Stage 2 project design.	Project feasibility studies and a project readiness financing loan are currently being prepared to support detailed design. E&S document disclosure: mid 2024. Board consideration: mid-to late-2024.
Pakistan - Khyber Pakhtunkhwa Water Resources Development Project	This project has not yet disclosed an overall objective. There are three sub-projects: 1) construction of the Mulkoh irrigation distribution system (IDS) and its command area development (CAD) in Chitral district in the north of Khyber Pakhtunkhwa Province (KPP). 2) modernization of the Tanda IDS and its CAD in Kohat district in the central valley plain of KPP. 3) modernization of the Pehur main canal IDS and its CAD in Swabi district in the central valley plain of KPP.	\$130 million	'A' for Environment, 'A' for Involuntary Resettlement, and 'C' for Indigenous Peoples.	The project is in a USAID/Pakistan priority geographic area and the Mission has continuing engagement with key government stakeholders and the ADB project focal point. The project may potentially complement several Mission activities and USG climate change priorities.	E&S document disclosure: 2023. Board consideration: 2024.

Country, project, and link	Project objective and components	~Total project cost	ADB-assigned safeguard risk categories	Justification for 'medium' priority ranking	Tentative project timeline
Philippines - Integrated Flood Risk Management Sector Project (project name to be changed to "Integrated Flood Resilience and Adaptation Project I")	To reduce flood risks in six river basins (Apayao-Abulog and Abra in Luzon, Jalaur in Visayas, and Agus, Buayan-Malungon, and Tagum-Libuganon in Mindanao) by (i) improving flood risk management planning through strengthening data acquisition and data management, and improving flood protection asset management; (ii) rehabilitating and constructing flood protection infrastructure; and (iii) raising community awareness, and preparing and implementing disaster (flood) risk reduction and management plans to reduce different groups' vulnerabilities.	Total project cost not available. Proposed ADB financing is \$211 million.	'A' for Environment, 'A' for Involuntary Resettlement, and 'B' for Indigenous Peoples	Concerns regarding flood protection infrastructure to be constructed that has not yet been identified. Further, project design, including mitigation measures, may be particularly complex due to the high variability of climate and topography and challenges determining the hydraulic properties of the river basin. Local government funding for operations and maintenance is also a concern.	E&S document disclosure: December 2021. Board consideration: late 2022.
Philippines - South Commuter Railway Project	To provide a commuter and intercity railway service connecting Metro Manila and its adjacent northern and southern suburban areas and to serve as an important mass transit backbone for Metro Manila as well as for the growth corridor of the Greater Capital Region. The project will support the construction of the 54.6-kilometer (km) Blumentritt- Calamba section of the North-South Commuter Railway connecting Metro Manila and Calamba, located in Laguna Province around 50 km south of Manila.	\$7.8 billion (co-financed by Japan International Cooperation Agency)	'A' for Environment, 'A' for Involuntary Resettlement, and 'C' for Indigenous Peoples	Very large scale project with particularly significant resettlement risks and complex engineering challenges. Close review will be important to ensure mitigation measures are appropriate.	E&S document disclosure: 2020. Board consideration: December 2021
Samoa - Alaoa Multi-Purpose Dam Project	To (in priority order): 1) prevent floods and protect key infrastructure; 2) provide water supply during dry periods and reduce turbidity during flood periods; 3) generate small-scale hydropower. The Project will develop a 60-meter-high roller-compacted concrete design dam with an indicative reservoir storage volume	\$98 million	'A' for Environment, 'B' for Involuntary Resettlement, and 'C' for Indigenous Peoples	The project size and scope is unprecedented for Samoa. The project also includes significant impacts to natural and critical habitat and will require a biodiversity offset. There are also potential legacy land issues and concerns regarding community consultation raised in a previous ADB	E&S document disclosure: February 2020. The draft biodiversity management and monitoring plan BMMP is scheduled for late October 2021 and draft biodiversity offset

	of four million cubic meters and a run-of-river small hydropower plant with an indicative installed capacity of 0.60 megawatts. The Project includes outputs focused on capacity strengthening for project management, flood management and biodiversity conservation.			project in Samoa.	plan is scheduled for late November 2021. Board consideration: mid 2022.
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Next Steps

Consistent with Title XIII Sec. 1303(a)(1), USAID will continue to coordinate with Treasury, State, and EPA to iteratively design and implement the process on ADB projects and, potentially, projects of other MDBs in which the U.S. is a shareholder. USAID expects the process to inform and support Treasury's initiation of interagency "early" desk reviews of medium-priority MDB projects and implementation of its mandate under Title XIII Sec. 1303(d).

USAID and interagency partners plan to pause and reflect on the process and consider further expansion and possible incorporation of the process in internal USAID policy guidance.