

**U.S. Position on the Asian Development Bank's
Safeguard Policy Statement (SPS)
(July 2009)**

The United States believes the Safeguard Policy Statement is an important step forward for the Bank. It is not without its weaknesses, but on balance we believe it succeeds in creating a more coherent, consistent and comprehensive safeguard policy that unifies the existing environmental and social safeguard policies into one. We have stressed the importance we place on ensuring that the new policy and its application not be weakened vis-à-vis existing policies. We believe that the new Safeguard Policy Statement meets that standard, subject to the finalized Operations Manual (OM).

The SPS includes several important improvements over existing policies, including greater clarity with respect to borrower/client responsibilities; clearly identified principles; strengthened safeguard implementation oversight; explicit inclusion of economic displacement in the involuntary resettlement protections; a commitment to restore livelihoods to pre-project levels or better where they are subject to significantly adverse impacts; benefit-sharing with affected people; improvements in consultation and participation; greater clarity in the safeguard requirements for different lending modalities such as framework approaches and financial intermediaries; and, for the first time, a specific provision on greenhouse gases. The Safeguard Policy Statement also complements important provisions in the social protection strategy and its related procedures on social assessment and impact mitigation.

A particularly important innovation to watch is the commitment to the use of Developing Member Countries' safeguard systems, an important medium-term objective and one in line with the call for greater country ownership of their own development. The SPS strikes a reasonable balance: it moves toward putting in place the systems and tools for use of country safeguard systems (CSS) and gives the Bank greater leeway to use country safeguard systems. It does so, though, carefully, with a phased, pilot approach. This starts with a limited number of countries and assessments, and a focus on sub-national, sector or agency levels; a 3-year independent review; and the anticipation of collaboration with the World Bank, which has been a leader in this area. The 3-year review will be an important juncture to assess if the Bank's safeguard protections can be achieved through country safeguard systems, if use of country safeguard systems should continue and, if so, what additional Board guidance might be required. Importantly, the 3-year review and a subsequent 5-year review of the overall new safeguard policy will be conducted by the Bank's Independent Evaluations Department. Such a review, however, may well need to be complemented by a review and stakeholder input involving experts external to the Bank.

The SPS is forward-looking with respect to climate change. This includes calls for the implementation of financially feasible and cost-effective options in project design and operation to reduce or offset greenhouse gas emissions. The new policy forms the basis on which to build future requirements with respect to incorporating greenhouse gas emissions in the *selection* of projects, including an analysis of options that would achieve the same development objectives but with a reduced carbon footprint. Because the international greenhouse gas regime may change after the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen in December of this year, the Bank should consider strengthening this provision in 2010, if appropriate, in light of the Copenhagen outcomes.

The U.S. remains concerned about the scope of the definitions of associated facilities and cumulative impacts and would urge that all relevant impacts be considered in a project's Environmental Impact Assessment (EIA).

The key to any effective policy is implementation. The implementation plan has been strengthened since the second W-paper and includes an ambitious effort to establish an \$80-100 million trust fund to support capacity building in Developing Member Countries. This is an important effort. The U.S. also welcomes the attention to the resource requirements in headquarters and the Resident Missions that will be necessary to carry out the strengthened focus on implementation and monitoring that are an important element of the improvements in this policy. The U.S. urges Management to incorporate the identification of needed skills and the recruitment of qualified staff into its Human Resources action plan, and that the Work Plan and Budget Framework (WPBF) process reflect this analysis. Too often, the solution to Bank shortcomings is additional staff consultancies vs. a real effort to recruit, retain and grow permanent staff, particularly female staff. In the interest of promoting greater accountability, The U.S. also urges Management to incorporate into staff evaluations appropriate metrics to ensure that there are consequences to a failure to implement fully the Safeguard Policy Statement and Operations Manual guidelines.

One of the goals in the revision of the safeguard policies was to separate principles from guidelines. The U.S. agrees with this goal and approve of the way in which the policy we are discussing and the Operations Manual seek to achieve it. It notes, however, that operations guidelines have not traditionally been approved by the Board, while policies are. A concern, with respect to this practice is that the Operations Manual can be changed by Management fiat, without notification to the Board and that such changes can have appreciable impact on how the policy is implemented and on shareholder support. In light of this, we request that Management circulate to the Board for discussion and comment the final Operations Manual for the safeguard policy as well as any future, significant revisions. The U.S. believes that an opportunity to comment on the Operations Manual balances the Board's responsibility for engagement and oversight with the Management's responsibility for and accountability for actual operations.

The unification of safeguards policies and principles into one policy and the piloted introduction of Country Safeguards Systems are both important innovations for the ADB. Experience will doubtless lead to new insights. Accordingly, the U.S. looks forward to the three-year review of Country Safeguard Systems and the application by financial intermediaries, as well as the five-year review of the overall policy.

The ADB is a not insignificant financier in the region. This affords the institution the opportunity and the scope for both leadership and harmonization with cofinancing partners. We have often noted that our region, Asia and the Pacific, often seems to be changing faster than the Bank that was founded to serve it. We now have an opportunity to change that. With full implementation, in letter and spirit of the new Safeguard Policy Statement, the ADB has the opportunity to demonstrate leadership, to promote high standards and to support upward harmonization with its sister Multilateral Development Banks.