

**Asian Development Bank's Proposed Loan for the South Asia Subregional
Economic Cooperation (SASEC) Roads Improvement Project in Nepal**

**U.S. Position
December 1, 2016**

This \$256.5 million project is listed as Category A for environment, due to the road's proximity to a national park with a number of protected species. The significant risks associated with this project are well acknowledged in the project's design, which includes an integrated system of mitigation measures, as well as two separate layers of independent oversight.

The United States has had robust consultations with staff and is pleased that these discussions have ultimately provided the United States with sufficient reassurances to support this project. More importantly, the seriousness and professionalism of staff's Board engagement is a window into the depth of the consultations that have already taken place in preparing this project, foreshadowing what is to come in its implementation. The United States looks forward to receiving regular updates on this process.

All of this has been necessary in light of the project's serious environmental risks. USAID and other U.S. government partners have invested over \$42 million to support biodiversity conservation work for over ten years in the nearby Chitwan National Park, particularly to protect the Bengal tiger. In light of the extensive conservation activity in the area, the Environmental Impact Assessment (EIA) fell short of fully analyzing the project's cumulative impact on wildlife in the area, including in the Barandabhar Tiger Corridor. The United States appreciates and welcomes ADB's commitment to complete comprehensive pre-construction wildlife data analysis and conduct consultations with relevant stakeholders to work this analysis into an updated cumulative and induced impact assessment.

This upgraded road network will meet critical development goals in Nepal, improving service delivery and access to markets and economic opportunities. ADB, the World Bank and other development partners with strong safeguards policies must work together to ensure that infrastructure in critical habitats meets both the letter and the spirit of the highest environmental standards, and that data and best practices are shared broadly to provide borrowers state-of-the-art infrastructure solutions. To that end, the United States looks forward to seeing closer collaboration among the multilateral and bilateral donors on appropriate mitigation measures going forward.

Finally, while the project includes five culvert and open-span underpasses for animal movements, the United States awaits the pre-construction wildlife study and NGO and development partner consultations to evaluate whether these planned measures are sufficient. If not, the proposed budget for these mitigation measures may be too low. The United States appreciates that ADB has agreed to use the contingency budget to fund any shortfall. The United States also welcomes the dual layer of independent supervision in this project, which includes an independent advisory panel of experts and an international environmental external monitor that will provide additional oversight. USAID looks forward to regular engagement with ADB staff on the project and in participating in the consultations on the appropriateness of the mitigating measures.

With these comments, the United States is pleased to support the project.