

**ADB Board Inspection Committee Report to the ADB Board of Directors on
Loan 1711- SRI SOUTHERN TRANSPORT DEVELOPMENT PROJECT (STDP)
INSPECTION REQUEST SUBMITTED BY GAMA SURAKEEMA SANVIDHANAYA (GSS)**
(Excerpts only from original 45-page document dated 21 March 2002)

Part II, **DESCRIPTION OF THE PROJECT**, Paragraph 4:

"Although the project was approved in 1999, ADB's loan has not been declared effective. This is because one of the requirements for loan effectiveness is the preparation of a resettlement implementation plan that is satisfactory to ADB, and such a plan has not yet been prepared. The date for loan effectiveness has now been extended to 31 October 2002."

Part V, **CONCLUSION CONCERNING THE AUTHORIZATION OF AN INSPECTION**,
Paragraphs 23-24:

"It (the BICommittee) has, however, also come to the conclusion that the very detailed and thorough analysis made by Management in its response to the substantive allegations of non-compliance with policies made by the Requester appears to establish convincingly that the allegations of non-compliance were unfounded in all cases.

The main allegation -- as the Requester itself points out in the "Supplemental Data for Request for Inspection" -- concerns the alleged failure by ADB to include the alignment actually selected for the road construction when formulating the Report and Recommendation of the President (RRP), thereby causing a cascade of subsequent violations of ADB policies. This allegation is conclusively dismissed in the Management's Response by pointing out that the alignment considered in the RRP consisted of a 3-4 km wide corridor in which the final alignment was expected to be located and which included the requesters' area. The RRP made clear that the final trace to be followed depended on a ruling by the CEA, which reverted the "combined trace" to the "original trace". The CEA was subsequently challenged in court for this but upheld by both the Court of Appeals and the Supreme Court (as cited in Management's Response). This material development has not been disclosed by the Requester."

Part VI **RECOMMENDATIONS CONCERNING THE PROJECT UNDER CONSIDERATION**
Paragraph 28 -

"While recommending that an inspection is not warranted in this case, the committee notes evidence of apparent discontentment that this loan project may cause among some segments of the communities which are among its intended beneficiaries, and the extraordinary length of time taken for loan effectiveness, and it recommends -- based also on the Advice of the designated Member of the Roster -- that the Board advise ADB Management in respect of this loan appropriately:

- (i) Management should make strenuous efforts to use its good offices to bring about effective mediation and a satisfactory resolution of the outstanding resettlement issues;
- (ii) Management should provide a brief report to the Board, before the end of 2002, on the outcome of the recommendation and also on the lessons learned by ADB from this particular project."

*Excerpts prepared by:
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