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October 2023

# A Cost and Benefit Analysis of the Asian Development Bank Accountability Mechanism

Asian Development Bank

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## ABBREVIATIONS

ADB	–	Asian Development Bank
AM	–	Accountability Mechanism
AMP	–	Accountability Mechanism Policy
CGPL	–	Coastal Gujarat Power Limited
CRP	–	Compliance Review Panel
CSO	–	civil society organization
CWRD	–	Central West Asia Department
EIRR	–	economic internal rate of return
EOCC	–	economic opportunity cost of capital
GRM	–	grievance redress mechanism
km	–	kilometer
MUB	–	Municipality of Ulaanbaatar City
MW	–	megawatt
NGO	–	nongovernment organization
NPV	–	net present value
OCR	–	Office of Compliance Review Panel
OSPF	–	Office of Special Project Facilitator
PMO	–	project management office
PSOD	–	Private Sector Operations Department
RAP	–	remedial action plan
RDG	–	Roads Department of Georgia
SPF	–	Special Project Facilitator
USGADIP	–	Ulaanbaatar Urban Services and Ger Areas Development Investment Program

## NOTE

In this report, "\$" refers to United States dollars unless otherwise specified.

## **.Acknowledgments**

This report was commissioned by the Office of the Special Project Facilitator (OSPF) of the Accountability Mechanism of the Asian Development Bank with the extensive contributions of expert consultant, economist, Boominathan Muthuthevar. The preparation of this study was supervised by Imrana Jalal, Special Project Facilitator, with support from the OSPF staff Viswanathan Ramasubramanian, Olivia Rosita Llanillo, and Wilfredo Agliam. OSPF also acknowledges the support of Elisea Gozun, Chair of the Compliance Review Panel, the staff of the Office of the Compliance Review Panel and Juan Paolo de Guzman, the complaint receiving officer. Aimee Hampel-Milagrosa, Economist and Urban Development Specialist, Pacific Department, provided valuable inputs and guidance to the consultant in formulation of the study methodology and preparation of the report.

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## I. INTRODUCTION

### A. The Asian Development Bank Accountability Mechanism

1. The objective of the Asian Development Bank (ADB) Accountability Mechanism Policy 2012 (AMP 2012) is to provide an independent and effective forum for people adversely affected by ADB-assisted projects to voice their concerns and seek solutions to their problems, and to request compliance review of the alleged noncompliance by ADB with its operational policies and procedures that may have caused them, or is likely to cause them, direct and material harm.

2. The Accountability Mechanism (AM) has two functions (i) the problem-solving function led by the Special Project Facilitator (SPF) who will respond to problems of people affected by ADB-assisted projects through a range of informal and flexible methods, and (ii) the compliance review function led by the Compliance Review Panel (CRP), which will investigate alleged noncompliance by ADB with its operational policies and procedures that has caused, or is likely to cause, direct and material harm to project affected people. Implementation of these two functions are supported by the two AM offices, namely Office of the Special Project Facilitator (OSPF) and Office of the Compliance Review Panel (OCRCP).

3. A total of 119 complaints were received since the adoption of the revised AMP in May 2012, 83% of which were addressed to the problem-solving function.<sup>1</sup> Of these complaints, 26 were deemed eligible (i.e., 20 eligible complaints by OSPF and six eligible complaints by CRP).<sup>2</sup> The number of complaints registered with the AM shows a steady increase over the 10-year period with a maximum of 24 complaints received in 2022. An overview of the complaints received under the AMP 2012 is presented in Table 1.

**Table 1. Complaints Received under Accountability Mechanism Policy 2012 (2012–2022)**

Year	Complaints Received			Eligible Complaints		
	Problem-Solving	Compliance Review	TOTAL	Problem-Solving	Compliance Review	Total
2012	1	0	1	0	0	0
2013	6	1	7	0	1	1
2014	3	0	3	2	0	2
2015	1	1	2	0	0	0
2016	6	3	9	1	2	3
2017	12	4	16	2	1	3
2018	11	3	14	4	1	5
2019	12	2	14	4	0	4
2020	11	0	11	4	0	4
2021	17	1	18	0	1	1

<sup>1</sup> The data on AM complaints presented in this report has been compiled from the AM Annual Reports, AM complaint registry, and interactions with the AM offices. The analysis on the complaints is based on the information provided during the period of the assignment and may not be consistent with the consolidated annual number of complaints presented in the annual AM reports. ADB. [ADB Accountability Mechanism Annual Reports | Asian Development Bank](#) present consolidated information and analysis of the complaints received by AM offices.

<sup>2</sup> To deem a complaint eligible, the SPF/CRP must be satisfied that the complaint meets all the eligibility criteria, satisfies the scope, and does not fall within the exclusions (para. 142 and paras. 145–149 of the AMP). The SPF/CRP must be satisfied that: (i) there is evidence of noncompliance; (ii) there is evidence that the noncompliance has caused, or is likely to cause, direct and material harm to project affected people; and (iii) the noncompliance is serious enough to warrant a problem-solving process or compliance review process.

2022	19	5	24	3	0	3
<b>TOTAL</b>	<b>99</b>	<b>20</b>	<b>119</b>	<b>20</b>	<b>6</b>	<b>26</b>

Source: ADB. 2023. *Accountability Mechanism Annual Report 2022: Searching for Solutions, Finding the Lessons*. Manila.

## B. Study Background

4. Para. 212 of the AMP 2012 requires ADB Management to undertake a study of the benefits and costs of the implementation of the AM, with the objective to guide future policy design and implementation. Through OSPF, ADB Management initiated the study to analyze the costs of implementation of AM Policy 2012, which will include an assessment of the implications of bringing projects into compliance in terms of time required, delays, and increased financial costs, along with their benefits to the affected stakeholders. The approach for carrying out the study is outlined below.

## C. Selection of Case Studies

5. To assess the cost of implementation of AMP 2012, three case studies—two cases handled by OSPF and one by OCRP—were identified at the start of the assignment and utilized for the assessment of costs and benefits. Table 2 summarizes the rationale for selection of the complaints in this study.

**Table 2. Case Studies and Rationale for Selection**

No.	ADB-Assisted Projects	AM Function	Rationale for Selection
1	<b>Mongolia:</b> Ulaanbaatar Urban Services and Ger Areas Development Investment Program—Tranches 1 and 2 (45007-004 and 45007-005)	Problem-solving	Multiple complaints (four in total) in a complex multi-sectoral project, with a wide range of issues related to safeguard policy, that were effectively addressed through the problem-solving process. The successful closure of complaints resulted in systemic improvements not only to this project, but also to other ADB- financed projects and domestically financed projects in Mongolia. This project demonstrates successful partnership of NGOs and the project agencies in the problem-solving process.
2	<b>Georgia:</b> Batumi Bypass Road Project (50064-001)	Problem-solving	A complaint from a single family focusing on a specific grievance related to valuation and compensation was satisfactorily resolved through an effective problem-solving process and stakeholder engagement. Lessons learned from the complaint led the implementing agency to make improvements to the valuation approaches and practices and institutionalization across the project.

3	<b>India: Mundra Ultra Mega Power Project</b> (41946-014)	Compliance review	This is a private sector project which went through the full compliance review process. Partial implementation of the remedial actions agreed in the remedial action plan approved by the ADB Board, resulted in partial resolution of the issues raised in the complaint. Though the implementation of remedial actions did not bring the project back into compliance, the CRP process contributed to significant systemic changes in the management of environment and social safeguards, especially in ADB's private sector operations.
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ADB = Asian Development Bank; AM = Accountability Mechanism; CRP = Compliance Review Panel; NGO = nongovernment organization.

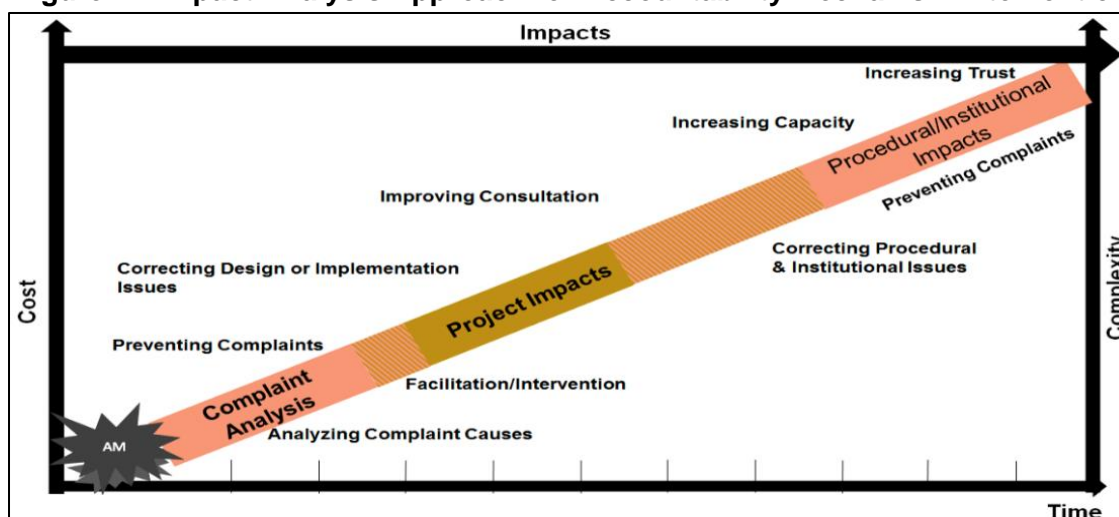
Source: Asian Development Bank.

#### D. Analytical Framework

6. **Impact analysis.** As part of each of the three case studies, an analytical framework was developed to examine the project and the indirect policy impact due to the complaints. This framework involved the following components:

- **Project impact analysis** involved quantifying and monetizing the impact of the AMP 2012 interventions, where possible, for each of the three case studies. The project impact is expected to be short-term, focused on the complainants, and applicable to the particular project on which the complaint has been raised.
- **Policy impact analysis** examined the impact of AMP 2012 interventions in addressing procedural, policy, and institutional gaps to mitigate and prevent recurrence of similar complaints in each of the three case studies. The policy and institutional impacts would include both short-term and long-term measures. They would include short-term measures that immediately improve information disclosure, stakeholder engagement, and resolution of grievances, as well as long-term measures in terms of policy reforms in valuation and compensation standards which will have long-term impact and which extend beyond the project implementation period (Figure 1).

**Figure 1. Impact Analysis Approach for Accountability Mechanism Interventions**



AM =Accountability Mechanism.

Source: OSPF consultant's analysis.

## E. Cost-Benefit Analysis (Project Impact Analysis)

7. **Estimation of Costs of Accountability Mechanism Implementation.** The costs of implementation of the AMP 2012 consider both the direct and indirect costs of bringing these selected projects back into compliance for complaints with the CRP; and for solving the problems raised in the complaints with the OSPF. The direct costs include the costs borne by the relevant stakeholders, including the AM offices, ADB project team, and project implementing agencies, in addition to the costs incurred by the complainants and the NGOs/CSOs advising the complainants, to implement the agreed actions to satisfactorily address the complaints and ensure compliance. These direct costs include but are not limited to:

- (i) the administrative, management, and travel costs of the various stakeholders, in handling the complaints;
- (ii) costs of studies, surveys, and specialists engaged by the various stakeholders in the complaint;
- (iii) payment and costs resulting from the remedial actions outlined in the remedial action plan (RAP) or agreed with the complainants as part of the problem-solving agreements, including compensation payments, environmental protection measures, and small-scale civil works additionally required to address the complaints; and
- (iv) associated costs arising out of the decisions agreed upon with the complainants in the process, which would not have been incurred had the complaint(s) not been filed with the ADB AM.

8. The indirect costs include the costs resulting from the delays incurred due to the complaints, and the opportunity costs of lost gains when the remedial actions are not undertaken. For example, the issues related to nontitleholders associated with a particular geography may have resulted in the borrower avoiding taking up road projects under an integrated urban development project. The financial cost spent for the above items, including the various phases of the AM process implementation period, is converted to 'economic cost' by using the conversion factors used in the processing stage economic analysis.<sup>3</sup>

9. **Estimation of Benefits of AM Implementation.** For each of the case study complaints, the study has developed an approach to estimate the quantitative benefits of AM implementation to the stakeholders. The quantitative benefits are considered to estimate the decision parameters [economic internal rate of return (EIRR) and net present value (NPV)] for the present economic analysis. In addition to the benefits that were quantified, the study included identification of intangible and long-term benefits that may be difficult to quantify. Such qualitative benefits were identified based on review of the available documentation on the complaints, apart from consultations with ADB project teams and the AM offices and considered in the 'Policy Impact Analysis.'

10. **Developing Project Scenarios.** The incremental analysis approach was followed for the economic analysis, in which the actual additional cost incurred during the AMP 2012 intervention and the estimated additional quantifiable benefits due to the AM intervention activities are

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<sup>3</sup> Conversion factor to remove the tax and price contingency components from the financial cost and further to consider the foreign cost with the shadow exchange rate factor and unskilled labour cost with shadow wage rate factor to arrive at the 'economic cost'.

considered for the analysis period. The following two scenarios have been developed to ascertain the benefits through the completed AM process.

- **‘Without incremental benefits by AM’ or ‘base case.’** The situation of the complainants at the time of filing of the complaints, is considered as ‘base case’ or ‘prior to the complainants receiving the benefits from AM interventions’ for the present economic analysis. In this scenario, the affected people would not have had access to receive the ‘incremental benefits and compensation’ provided under the completed AM process. ADB Safeguard Policy Statement 2009 requires that affected people are not to be adversely impacted by ADB projects and their situation in terms of social, economic, and environmental characteristics, has to be restored to at least that of the pre-project levels, if not improved. To restore to the pre-project situation, the complainant, in the absence of the redress through the project, can be assumed to:
  - rectify the project-related harm through their own funds to bridge the compensation gap;
  - rectify the harm through borrowed funds;
  - resort to a compromised lifestyle through acceptance of a lower standard of living at the same location or moving away, for example to an outer city area where they may face additional issues, such as reduced access to city benefits, reduced access to employment, additional transport costs, etc.

All the above possibilities have opportunity costs that will impact the affected households’ regular household income in the long run and is considered the ‘base case’ for the present analysis.

- **‘With incremental benefits by AM’ or ‘with project scenario.’** The scenario in which affected households have received the incremental benefits through the completed AM activities which will help to address the financial burden explained under the ‘base case,’ is defined as ‘with incremental compensation scenario by AM’ or ‘with project scenario.’ This scenario will be compared with the ‘base case’ scenario to arrive at the ‘net benefits’ associated with the activities initiated through the AM benefiting the households affected by the project.

11. **Analysis Parameters.** The cost-benefit analysis assessed the economic viability of the AM process impact for the selected three case studies in accordance with ADB guidelines (footnote 2), with the following assumptions:

- All costs and benefits are escalated to 2023 constant prices from the actual prices of implementation period;
- Benefit impact and costs are quantified and monetized in local currency, converted to \$, and then discounted at the ADB’s hurdle rate of 9% to reflect the economic opportunity cost of capital (EOCC);<sup>4</sup>
- The analysis covers the period of implementation of the AM process; benefits created were assumed to have a 10-year life span upon project completion date;
- Economic analysis decision parameters include: (i) EIRR, (ii) NPV, (iii) benefit-cost ratio; and
- The EOCC is assumed to be 9% in real terms. Estimated EIRR for the project need to be above the EOCC of 9% to become economically viable.<sup>5</sup>

<sup>4</sup> ADB. 2017. *Guidelines for the Economic Analysis of Projects*. Manila.

<sup>5</sup> Project Management Office, Urban Services and Ger Areas Development Investment Program ( PMO. USGADIP), 2021. *Road and Community Safety Audit Report for Selve Subcenter Roads*. Ulaanbaatar.

12. **Cost-Benefit Analysis Results.** All three case studies are analyzed separately and the economic efficiency indicator results of 'base case' and sensitivity analyses are estimated.

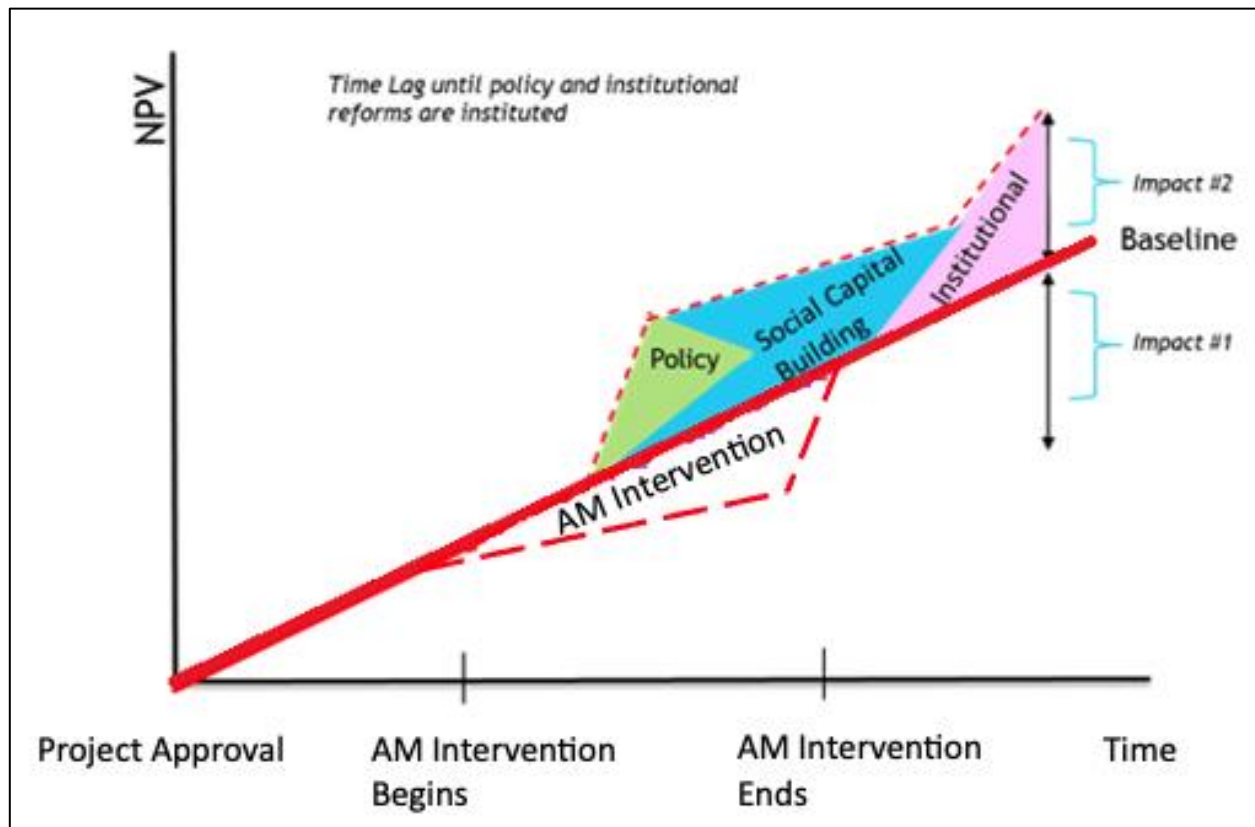
#### F. Policy and Institutional Impact Analysis

13. In each of the three case studies, the handling of complaints through the OSPF and/or the CRP processes has contributed to building institutions' efficiency and effectiveness in AM process, policy reforms, social capital, building trust, reduction of reputational risk with ADB's stakeholders, and enhancing the ADB's overall reputation. The policy and institutional impacts can be broadly grouped as follows:

- improved consultation and participation in project planning and implementation;
- improved systems and capacity for managing complaints and grievances;
- changes to institutional, policy and regulations;
- enhanced corporate reputation and public trust; and
- avoidance of recurrence of similar complaints.

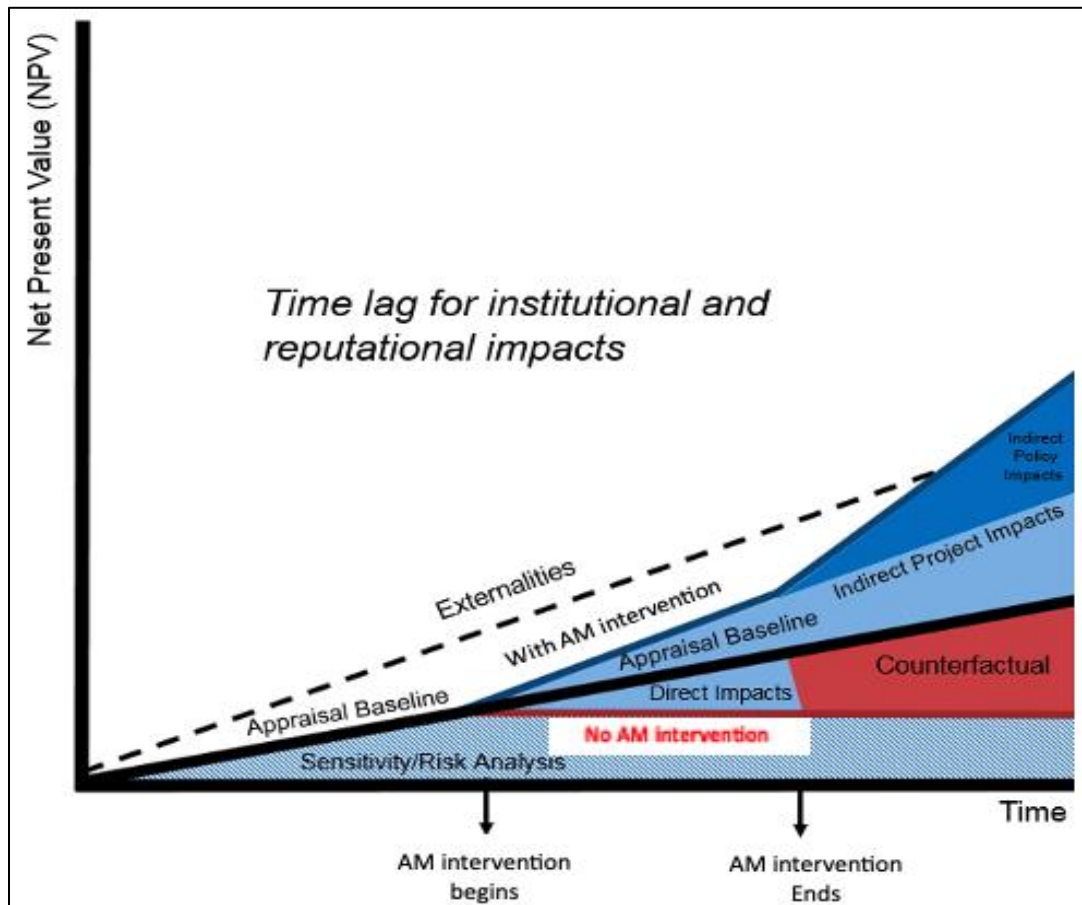
14. Since these benefits are difficult to quantify, the indirect policy analysis may consist of a description of these impacts. Figure 2 summarizes the framework for measuring such policy impact. The analytical framework for the combined impact analysis followed in the study and the potential time lag between various components are summarized in Figure 3.

**Figure 2. Analytical Framework for Measuring Indirect Procedural, Policy, and Institutional Impacts**



# = number; AM = Accountability Mechanism; NPV = net present value.  
Source: OSPF Consultant's Analysis.

**Figure 3. Analytical Framework for Estimating Project Impacts**



AM = Accountability Mechanism.  
Source: OSPF consultant's analysis.

### **G. Analysis of Budget and Utilization of the Accountability Mechanism Offices**

15. In addition to the three case studies, the study included a review of the budget and expenditure of the two AM offices for the period of the AMP 2012 implementation. A correlation of the expenditures with the caseloads of the two offices was also reviewed to understand the efficiencies of the mechanisms.

### **H. Limitation of this Study**

16. The study has attempted to quantify benefits for which sufficient and detailed data was available, based on a review of existing information and project documents. The impact which was not quantifiable has been presented as qualitative benefits under 'policy impact analysis' and has not been considered for the cost-benefit analysis of the complaints. In addition, the estimation of the counterfactual analysis has not been included.



## II. CASE STUDY 1: MONGOLIA: ULAANBAATAR URBAN SERVICES AND GER AREAS DEVELOPMENT INVESTMENT PROGRAM (TRANCHES 1 AND 2)

**Table 3. CASE STUDY 1: Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program (Tranches 1 and 2)**

<b>Project number</b>	45007-004 (Tranche 1) and 45007-005 (Tranche 2)	
<b>Approval date</b>	13 December 2013	31 March 2017
<b>Funding source</b>	Grant 0380: \$3.70 million Loan 3098: \$27.50 million Loan 3099: \$22.50 million EIB: \$28.38 million MUB: \$33.15 million	Loan 3525: \$37.11 million Loan 3526: \$29.24 million EIB: \$19.64 million MUB: \$35.15 million
<b>Project description</b>	Tranche 1 focuses on two subcenters, Selbe and Bayankhoshuu. Tranche 1 outputs are expected to include road improvements, flood protection channels, bridges, a heating plant, water supply systems, a heating distribution network, a water reservoir, a sewage collector, electric lines and telecommunications networks, a kindergarten, a business incubator, and a vocational training center. Tranche 2 includes (i) completion of Tranche 1 in Selbe and Bayankhoshuu subcenters and upgrading of the Dambadarjaa and Denjin subcenters, (ii) support for socioeconomic facilities; and (iii) improved institutional strengthening and capacity building. Tranche 2 outputs are expected to include improvements in priority roads, bridges, and sidewalks; flood channels and drainage; electricity and telecommunications networks; water supply and wastewater; district heating; and sewerage systems.	
<b>Complaint receipt</b>	A total of four complaints were received by the OSPF. The first complaint was received on 28 March 2018, and the last complaint was received on 28 December 2020.	
<b>Complaint number(s)</b>	(i) SPF-2018-05-01-0074, (ii) SPF-2019-05-02-0085, (iii) SPF-2020-10-03-0102, (iv) SPF-2020-11-01-0103	
<b>Complainants</b>	Two NGOs (Oyu Tolgoi Watch and Zurgan Buudal Citizens' Rights Protection Association) submitted the four complaints on behalf of 165 affected people.	
<b>Complaint issues</b>	Issues related to concerns about (i) delayed payment of compensation to nontitleholders, (ii) land and property valuation, (iii) land acquisition and compensation, (iv) livelihood restoration and loss of access to social services (v) lack of reliable and meaningful consultation, (vi) an ineffective project grievance redress mechanism and (vii) nondisclosure of information. Nonadherence to (i) Mongolian road standards, (ii) safety and noise standards, and (iii) requirements for technical and management monitoring of project implementation.	
<b>Complaint status</b>	All four complaints were satisfactorily resolved and closed by the OSPF. The fourth complaint was closed on 6 April 2022.	

EIB=European Investment Bank; NGO=nongovernment organization; MUB=Municipality of Ulaanbaatar City; OSPF = Office of the Special Project Facilitator; SPF=Special Project Facilitator.

Source: ADB.

### A. Background

17. **The Project.** The Ulaanbaatar Urban Services and Ger Areas Development Investment Program (USGADIP or the Program), approved by ADB in December 2013, supports the improvement of living conditions in Ulaanbaatar through the development of a network of livable, competitive, and inclusive subcenters in the ger areas. Combining spatial and sector approaches, the Program provides an integrated solution to respond to the growing demand for basic urban services and socioeconomic facilities in ger areas. The development of subcenters as catalysts for growth in the ger areas includes financing core urban infrastructure and basic services, investments in socioeconomic facilities based on communities' needs, and the improvement of service providers' operations management. It also supports (i) community participation, awareness, and empowerment; (ii) urban planning and subcenter development; (iii) on-the-job



training in project management and implementation; and (iv) sector reform initiatives necessary to support the Program road map and policy framework. The Program is divided into three tranches or projects.

18. **The Complaint.** Between 2018 and 2020, there were four complaints submitted to the ADB AM for resolution through the problem-solving process by a total of 165 complainants, related to land and property valuation, livelihood restoration, defects in road design, road safety, and loss of access to social services. The complainants were supported by two Mongolia-based nongovernment organizations (NGOs): Oyu Tolgoi Watch and Zurgaаn Buudal Citizens' Rights Protection Association. All four complaints were deemed eligible by the OSPF and were addressed and resolved with the active participation of all relevant stakeholders. The last complaint was successfully closed on 6 June 2022 (Tables 3 and 4).

**Table 4. Nature of the Complaints and Timelines**

Complaint Number	Number of Complainants	Nature of Complaints	Complaint Received	Complaint Determined Eligible	Complaint Closure	Time Taken (from complaint eligibility to closure)
Complaint no.1	109	Issues related to: (i) delayed payment of compensation to nontitle holders; (ii) land and property valuation; (iii) land acquisition and compensation,; (iv) livelihood restoration and loss of access to social services; (v) lack of reliable and meaningful consultation; and (vi) an ineffective project grievance mechanism.	28-Mar-18	12-Apr-18	27-Oct-20	2 years 6 months
Complaint no.2	39		29-Mar-19	29-Mar-19	27-Oct-20	1 year 7 months
Complaint no.4	4		28-Dec-20	18-Jan-21	18-Aug-21	7 months
Complaint no.3	13		28-Dec-20	18-Jan-21	6-Jun-22	1 year 4 months

		of meaningful consultation.			
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ADB = Asian Development Bank; no. = number.

Source: Office of the Special Project Facilitator; ADB.2020. *Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program—Tranche 1*. Manila: ADB.

19. **Stakeholders.** Key stakeholders of this complaint are the complainants; their supporting NGOs; USGADIP’s program management office (PMO); Municipality of Ulaanbaatar City (MUB); including its relevant agencies such as the Land Management Agency, the ADB project team, and OSPF.

## B. Estimating Costs of Accountability Mechanism Implementation

20. The costs associated with addressing the complaint include (i) costs of implementing the actions required to address the grievances raised in the complaints, (ii) costs incurred by the various stakeholders involved in the problem-solving process and (iii) associated costs arising out of the decisions agreed upon with the complainants in the process, which would not have been incurred had the complaint(s) not been filed with the ADB AM.

21. The costs incurred by each of these stakeholder groups were estimated based on review of project information and discussions with the ADB project team. The costs borne by the NGOs and complainants were assessed based on interactions with the OSPF team.

22. The costs borne by the government include (i) the additional resettlement benefits to the complainants related to payment of additional land and structure compensation, livelihood compensation and other assistance provided, (ii) the road safety and design measures that had been adopted due to the road safety audit which was conducted to address concerns about public health and safety and to result in enhanced road safety. To ensure avoidance of complaints in future, measures as part of the USGADIP project and to ensure compliance with ADB Safeguard Policy Statement 2009 requirements, were integrated into the subsequent road subprojects.

23. The total cost of complaint resolution during 2018–2021 has been estimated at \$13.58 million (Table 5) and converted into 2023 cost by factoring in inflation rate of 6.15%, at \$16.2 million. This financial cost was converted into economic cost by using the conversion factor of 0.9 along with its phasing during the implementation period and has been considered for economic analysis (Table 6).<sup>6</sup>

<sup>66</sup> The conversion factor (0.9) is used to remove the taxes and grant components and to account for opportunity cost for unskilled labour cost (shadow wage rate) and foreign cost (shadow exchange rate) from the financial cost to arrive the economic cost. The conversion factor is assumed as 0.9, as followed in similar studies in the region.

**Table 5. Estimate of Costs Incurred in the Office of the Special Project Facilitator Complaint(s) Handling Process**

Item	Costs (\$ Million)
1. Staff inputs and mission travel	
i. ADB	0.49
ii. AM—OSPF	0.84
iii. EA	0.08
2. Consultant engagement	-
i. ADB	0.02
ii. AM—OSPF	0.11
ii. EA	0.07
3. ADB technical assistance	0.79
4. Training and capacity building	0.02
5. GRM functioning	0.03
6. Additional compensation/entitlements paid to complainants <sup>1</sup>	1.03
7. Road safety measures implementation—complaint in Selbe subcenter	0.30
8. Complainants costs incurred to participate in the process <sup>2</sup>	0.51
i. Loss of income <sup>2</sup>	0.46
ii. Travel and other expenses <sup>3</sup>	0.05
9. NGOs expenses <sup>4</sup>	0.06
<b>Subtotal</b>	<b>4.33</b>
10. Costs associated with expansion of enhanced entitlements to other affected households and subprojects	
i. Additional compensation/entitlements paid to remaining affected households <sup>6</sup>	8.85
ii. Road safety measures implementation—other road subprojects	0.40
<b>Subtotal</b>	<b>9.25</b>
<b>Total</b>	<b>13.58</b>

ADB = Asian Development Bank; AM = Accountability Mechanism; EA = executing agency; GRM = grievance redress mechanism; NGO = nongovernment organization; OSPF = Office of the Special Project Facilitator; PMO = project management office; USGADIP = Ulaanbaatar Urban Services and Ger Areas Development Investment Program.

Note:

No. of affected families received additional compensation (144) x average additional compensation received / family (\$7,152).

\$5,600 household monthly income x 0.5 for earning member x 30 days (3 x 10 months) spent for grievance related activities x 165 complainants.

10% of complainants cost is assumed.

(i) one lead NGO for 6 person months @ \$6,000/month; (ii) one Local NGO for 8 person months @ \$2,500/month.

Using the average annual inflation rate (6.15%), 2019 prices are escalated to 2023.

No. of affected families received additional compensation (1,276) x average additional compensation received / family (\$7,152)

Source: Estimates by OSPF, PMO, USGADIP, and the East Asia Department, ADB.

**Table 6. Disbursement of the Office of the Special Project Facilitator Complaint(s) Handling Costs**

Year	Actual	2023 Prices <sup>1</sup> (\$ million)	Economic Cost (2023 Prices) <sup>2</sup> (\$ million)
2019	4.00	5.1	4.6
2020	5.30	6.3	5.7
2021	4.28	4.8	4.3
<b>Total</b>	<b>13.58</b>	<b>16.2</b>	<b>14.6</b>

Note:

1. The average annual inflation rate for the period 2019–2021 at 6.15% was used to update the cost to 2023.
2. The economic cost conversion factor of 0.9% was used to convert the financial cost, as followed for other studies in the region.

Source: ADB.

## C. Estimating Benefits of AM Implementation

### 1. Quantitative Benefits

24. The following section describes the quantitative benefits resulting from the problem-solving process accruing to the complainants and subsequently to the overall set of affected people.

25. **Restoration to pre-project incomes and standard of living.** The direct benefits to the affected people (residential and commercial affected households) through the problem-solving process included enhanced cash compensation for loss of land and assets, increased allowances for livelihood, and transition and shifting allowances. In addition, ADB provided technical assistance to improve capacities of MUB in livelihood support activities through “Livelihood Support Demonstration in Ger Areas.”<sup>7</sup> For the economic analysis, the following scenarios were developed to determine the benefits through the completed problem-solving activities:

26. **“Without incremental compensation by AM” or “Base case” scenario or “without project” scenario.** In this scenario, the affected people are not expected to receive the “incremental compensation” provided under the completed problem-solving process. The scenario of pre-AM complaint of the affected people is considered as “base case” or without incremental compensation by AM or “without project” scenario for the economic analysis. In the absence of the complainants receiving the fair compensation or replacement cost for the lost land and assets due to the project, one of the following scenarios were assumed to have taken place to enable the affected people to re-establish the standards of living that they had prior to the impact:

- utilization of their own funds resulting in loss of savings and earmarked funds for specific expenditure;
- borrowing from external sources of finances;
- compromised standards of living at the same location including relocation to a smaller residence/business or compromising access to services and networks; and
- relocation to peripheral areas of the city, resulting in increased travel time and costs to employment, education, and other services; and lack of access to basic services including water, sanitation, health, and education.

<sup>7</sup> “Livelihood Support Demonstration in Ger Areas” aimed to support the poor and vulnerable households who are affected by the land acquisition and involuntary resettlement activities of the project.

27. All the above possibilities in the “Base case scenario” are assumed to have opportunity costs that will adversely affect the incomes of the affected households in the long run. For the economic analysis, the second option, of borrowing from external sources, has been considered under the “base case scenario.”

28. **“With incremental compensation by AM” or “with project scenario.”** This scenario, “with incremental compensation scenario by AM” or “with project” scenario, assumes that affected people have received the additional benefits (increased compensation and/or improved employment activities through “livelihood support programs”) through the completed problem-solving AM process. This scenario will be compared with the “base case” scenario to arrive at the “net benefits” associated with the activities initiated through the AM benefiting the affected people. In addition to the 144 complainant households who received the incremental compensation benefits due to the problem-solving process (21 complainants of the total 165 complainants did not receive compensation for various reasons), an additional 1,276 affected households were also entitled to the additional provisions agreed with the complainants. A total of 1,420 households (noncomplainants) who have also received the incremental compensation benefits due to the problem-solving process have been considered as households that benefited due to the AM process, under the “with project” scenario (Table 7).

**Table 7. Details of Households Benefited through the Accountability Mechanism Process**

Details	No. of Complainants	No. of Complainants who Received Additional Compensation	No. of Noncomplainants Benefited by the AM	Total HHs Benefited
Complaint No. 1	109	92	0	92
Complaint No. 2	39	35	1,060	1,095
Complaint No. 3	13	13	0	13
Complaint No. 4	4	4	216	220
<b>Total</b>	<b>165</b>	<b>144</b>	<b>1,276</b>	<b>1,420</b>

AM = Accountability Mechanism; HH = household; No. = number.

Note: 17 complainants in Complaint 1 and four complainants in Complaint 2 could not receive compensation for the following reasons: (i) nonproject affected people: 16 p.; (ii) refused to give land – 4 Nos. and (iii) passed away – 1 No. Source: ADB, Final Reports of the Special Project Facilitator for Four Complaints, ‘Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program, Tranches 1 and 2’

29. It is estimated that the average incremental compensation paid to affected people is \$7,152/household paid to the 144 complainants. In the absence of adequate disaggregated data about affected people’s spending pattern of the incremental compensation or reduction in long-term debt commitments incurred under the “base case,” the interest income from the incremental compensation as additional household income is treated as a project benefit. Annual interest benefit to the 1,420 beneficiaries is estimated at \$1.02 million. Information about livelihood support, gathered from interactions with the beneficiaries, indicates that livelihood support activities, provided to about 100 households through the AM process, helped to improve their employment and resulted in increased household income. In the absence of detailed data on this, a modest increase of 10% in household incomes to these 100 households is assumed. With an estimated annual increase in household income (\$563.53/household), the annual benefit for 100 households is estimated at \$0.06 million (see Table 8).

**Table 8. Estimated Benefits to Affected Households through the Accountability Mechanism Process**

Details	Unit	Value
<b>A. Incremental compensation related benefit</b>		
Average incremental compensation through AM process / HH <sup>1</sup>	\$	7,152
Average bank rate (2020) <sup>2</sup>	%	10%
No. of HHs benefited	Nos.	1420
Average annual interest benefit for affected HHs	\$/year	1,015,531
<b>B. Livelihood support related benefits</b>		
Average annual HH income for project beneficiaries (2023) <sup>3</sup>	\$	5,635.29
Increase in HH income through AM process at 10% <sup>4</sup>	\$	563.53
No. of HHs benefited through livelihood support programs <sup>5</sup>	Nos.	100.00
Incremental HH income through livelihood support programs	\$/year	56,353
<b>Total benefits</b>	\$/year	<b>1,071,884</b>

\$ = US dollar; ADB = Asian Development Bank; AM = Accountability Mechanism; HH = households; Nos = numbers; OSPF = Office of the Special Project Facilitator.

Note:

1. Estimated based on the average incremental compensation paid to 144 complainants. OSPF. (ADB. 2017. *Mongolia*).
2. Rates are from Mongolbank. [Official Interest Rates of BOM](#).
3. Household income of the project towns through socioeconomic survey in 2022 was escalated to 2023. (ADB. 2023. *External Monitoring Report*).
4. See ADB. *Final Report of the Special Project Facilitator*.
5. Assumption based on the discussion with OSPF officials, and the other stakeholders involved in the AM process. Sources: OSPF, ADB. 2020. *Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program—Tranche 1* Manila; Mongolbank. [Official Interest Rates of BOM](#); ADB. 2023. *External Monitoring Report, Tranche 1. Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program*. Manila; ADB. *Final Report of the Special Project Facilitator for Four Complaints*. Manila.

**30. Project implementation delays avoided for future subprojects and benefits to communities expedited.** The OSPF problem-solving process, through the coordinated efforts of all relevant stakeholders, ensured that the grievances raised were addressed in a way that was consistent with the ADB and national policy requirements and to the satisfaction of the complainants. The time taken for the closure of complaints ranged from 7 months to 31 months for the four eligible complaints. Consultations with various stakeholders during the study demonstrated that the first complaint took longer to be resolved due to the level of effort that was required to establish systems and to secure government approvals for revision of entitlements and compensation, apart from strengthening the capacities of the various stakeholders in addressing grievances and complaints. Based on the capacities built in the first two complaints, the subsequent complaints of similar or different concerns, have been resolved more quickly, taking from 6 to 7.5 months, with an average of 6.75 months, from the date of receipt of complaints.

31. Successful resolution and closure of these complaints also ensured that further project delays were avoided. Such delays could have been triggered due to (i) the complainants requesting a CRP process which could have resulted in at least another 3 years delay for the complainants to receive their benefits, (ii) other implementation delays resulting from complaints/protests from a large number of affected families and judicial interventions, and (iii) dropping of essential subprojects due to a lack of land for siting the subprojects. This could result in compromised project designs that may not produce the expected benefits to the citizens of Ulaanbaatar. Based on the successful closure of the complaints and the establishment of systems for grievance redressal, it is expected that future complaints will be resolved quickly and considerable time delays in implementation will be avoided.

32. Consultations with the relevant stakeholders (ADB project team and the executing agency) demonstrated that if the problem-solving process had not been successful, there could have been a delay of at least 3 years in the project implementation. This would have resulted in the target communities losing their assumed benefits from the improved urban services for the delay period. There were other parallel issues which contributed to the delay in project implementation in addition to the complaints from the affected people. This included contractor delays and poor performance, delayed government approvals due to frequent changes in government leadership, and procurement delays, etc. Given this, a one-year delay has been conservatively attributed to the grievances raised by the complainants. Accordingly, the first-year project benefit, estimated for the economic analysis during the processing stage for Tranches 1 and 2, for the avoided delay period of one year is considered a benefit to the present analysis at \$10.03 million at 2016 prices and updated to \$15.0 million at 2023 price (see Table 9).

**Table 9. Reduction of Project Implementation Delays: Avoided Costs**

Item	Unit	Value
Project area benefits (economic) - Tranche 1 and 2 (2016) <sup>1</sup>	\$ million/year	10.03
Project area benefits (economic) - Tranche 1 and 2 (2023) <sup>2</sup>	\$ million/year	15.00
Reduction in project implementation delay <sup>3</sup>	Year	1
Avoided cost due to the reduction of project implementation delay through the Accountability Mechanism	\$ million	<b>15.00</b>

\$ = US dollar; AM = Accountability Mechanism; OSPF = Office of the Special Project Facilitator.

Notes:

1. In Tranche 2, the first-year project benefit of the project town with 4,236 beneficiary population (Dambaradjaa) with complaint, considered for the economic analysis in 2016, was estimated at \$1.27 million. Using this as the base, the total first-year benefit for three project towns with complaints with 33,362 project beneficiaries under Tranches 1 and 2, was estimated at \$10.03 million at 2016 price. Source: ADB, 2017. *Periodic Financing*.
2. 5.91% inflation rate during 2017-2022 was used to escalate 2016 benefits to 2023. Source World Data Info. Inflation Rates.
3. Assumption based on the discussion with OSPF staff and other stakeholders involved in the AM process. Sources: ADB. 2017. Periodic Financing Request Report, *'Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program (Tranche 2)*. Manila; World Data. [Inflation Rates in Mongolia](#).

33. **Improved road safety conditions and avoided costs of accidents.** Responding to Complaint No. 3 on road safety issues associated with the Selbe Subcenter road network (5,651 km),<sup>8</sup> the OSPF requested the PMO to commission an independent road safety audit and recommend remedial measures to address the road safety issues and improve the safety and well-being of communities, pedestrians, and road users. The implemented road safety measures, benefiting the 13 complainants and the 340 families living along the Selbe Subcenter road network, included:

- all traffic signs including the mandatory speed limit signs and warning signs for the crossroad junctions;
- crash barriers for the 825.33 meters length spread over in two roads in the network;
- pedestrian guardrails for the 4,217.81 meter length spread over all nine road in the network;
- various possible traffic calming measures in the form of road humps (parabolic and tabletop type), rumble strips, and bar markings etc.;
- improvement of pedestrian crosswalk and bar markings;
- pitching of the embankment slope at all critical locations;
- damage to fences fixed;
- damage to buildings fixed;

<sup>8</sup> PMO. USGADIP. 2021. *Road and Community*.

- road access improved: All stretches of the Selbe Subcenter area road network with road embankment height 1.5 meters or more (i.e., elevation difference of 1.5 meters or more with the roadside properties) are provided with climbing steps; and
- buffers due to close proximity of the road (Setback/Buffer): It was recommended that there should be at least 1.5 meters clear distance or buffer between the end of the embankment slope and the property boundary.

34. Completed remedial measures helped the affected people to replace the damaged properties, improved safety related road design aspects, and enabled better access to properties. The major benefit to the residents of better access to properties from the project road is a reduction in access-related accidents, along with related health expenditure and loss of earnings during the treatment. Before the AM process, it is estimated that 15.4% of the people living along the project encountered access-related minor accidents with an average medical expenditure of \$49.20 and an average income loss of \$80.30.<sup>9</sup> The complainants residing along the project road would have continued their lives with reduced road safety conditions thereby exposing the them to higher risks and vulnerabilities under the “base case” had the complainants not reached out to the OSPF problem-solving process. The access improvements and pedestrian measures that were triggered due to the complaint will contribute to minimizing accident-related expenditure and income loss to the affected families living along the project road (see Table 10).

**Table 10. Road Safety Benefits for Residents along for the Selbe Subcenter Road**

Description	Value
No. of HHs living along the project road (nos) <sup>1</sup>	340
Estimated average annual safety related accidents (nos) <sup>2</sup>	52
Average medical expenditure (\$/HH/year) <sup>3</sup>	49.20
Annual savings in medical expenditure (\$ million/year)	0.003
Average income loss due to injury (\$/HH/Year) <sup>4</sup>	84.52
Annual savings in income loss (\$ million/year)	0.004
Estimated road safety related annual benefits (\$ million)	0.007

\$ - US dollar; HH = household; No. = number; PMO = Project Management Office; USGADIP = Urban Services and Ger Areas Development Investment Program.

Note:

1. There are 340 families living along the road network x average family size (4.15 persons)
  2. Of the 13 complainant households, two reported grievances on road access-related accidents and this estimates to 15.4%. Households living along the road = 340, x 15.4% of accident rate = 52 households estimated with annual accidents.
  3. Based on the complainant's information provided in the complaint.
  4. Estimated based on the per capita income for Mongolia for 2022 (\$4,242.12/year) and 264 working days/year.
- Source: PMO; USGADIP. 2021. *Road and Community Safety. Audit Report for Selbe Subcenter Roads.* Ulaanbaatar.

**2. Qualitative Benefits**

35. In addition to benefits 1–3 discussed above, which have been quantified, there are other qualitative benefits through the AM process that were not included in the economic analysis. Some key qualitative benefits are presented below:

- **Enhanced process efficiency through policy and institutional improvements.** The problem-solving process enabled improvements to the processes within the project management unit and MUB for managing land acquisition and resettlement issues which resulted in changes to road buffer designs that were responsive to community safety issues. Through a collaborative process, various changes in policy and institutional arrangements gave rise to the memorandum of understanding, ordinances, and

<sup>9</sup> Ibid.



agreements. All of these changes and improvements contributed to process efficiencies including the provision of adequate human and financial resources for resettlement planning and implementation and grievance handling. These improvements, apart from benefiting the implementation of the ADB-assisted USGADIP, trickled down to other ADB-assisted projects and other domestically funded projects in Mongolia. The improved processes resulted in minimizing the number of grievances and complaints across projects in Mongolia, whether ADB-assisted or domestically funded.

- **Bridging the trust deficit of affected communities with the government agencies.** The successful handling and solving of the complaints through OSPF's facilitated problem-solving process contributed to bridging the trust deficit between the affected communities and project agencies through (i) the partnership achieved between the key stakeholders, (ii) strengthening of the grievance redress process by the PMO, and (iii) constructive engagement of the PMO and other government agencies with the complainants.
- **Grievance processing times reduced.** With the improved capacities of PMO and the establishment of policies and guidelines for ensuring safeguards compliance, the timelines for closure of complaints registered with ADB AM process and the grievances registered with the grievance redress mechanism (GRM) of the project significantly reduced. While the first complaint registered with OSPF took nearly 2 years to be closed, the fourth complaint with similar concerns was closed within 8 months of the filing of the complaint. Similar efficiencies and successes were observed in the PMO handling the grievances received.
- **Institutionalizing the remedial actions.** As a result of the completed problem-solving process, incremental compensation was paid to all 1420 affected households in the project and not only to the 165 complainants, resulting in increased compensation and livelihood improvements.
- **Increased confidence and trust in the grievance mechanism among the affected people.** Successful completion of the complaints registered with ADB AM offices and the strengthening of the GRM at the project level has enhanced the trust and confidence of affected people that they were being listened to and had access to assistance when and where needed.
- **Constructive role of NGOs and their acceptance by government agencies.** The NGOs were instrumental in flagging emerging issues to the PMO through the OSPF and engaging themselves through the AM process. This allowed for timely and responsive actions to be taken. The collaboration between the PMO and the NGOs changed the perspective of the government agencies in involving civil society representatives as partners in project implementation, compared to the previous practices of treating civil society as automatically antiestablishment. This resulted in more transparent communication and dialogue with the NGOs and minimized the use of government authority in handling complaints.
- **Increased stakeholder capacities.** Providing periodic capacity building and training for various stakeholders, including project implementation staff and consultants was effective. Training focused, on communication and soft skills to improve engagement with affected people and handling of complaints. This helped to strengthen the complainants buy-in of the problem-solving process, especially the project level GRM, and sensitized them to the importance of efficient and effective complaints management. It also highlighted the implications of delays in addressing complaints.
- **Time and cost overruns minimized.** Increased stakeholder capacities and policy provisions to address grievances and complaints in a timely manner has ensured that any further delays in project implementation for the subsequent subprojects under the investment program is avoided. Timely implementation will ensure that not only do the benefits reach the targeted population as envisaged in the project, but also that cost

escalation during implementation caused by delays brought about by complaints lodged to ADB AM will be avoided.

- **Enhancing the institutional reputation and image of MUB.** Successful closure of complaints by PMO and MUB through a systematic “problem-solving” process and a strengthened GRM had helped to improve the confidence of the citizens of Ulaanbaatar regarding MUB’s implementation of development projects and its commitment to safeguarding the interests of communities and affected people. MUB’s reputation is expected to improve its implementation efficiencies in other externally and domestically financed projects.
- **Enhanced reputation of ADB as a lender of choice.** The ADB team’s efforts in in strengthening systems and proactive support to find solutions to resolve the complaints have helped build trust and strengthen relationships between the borrower and ADB. The successful closure of complaints has supported borrowers through strengthened capacities and the institutionalization of borrower processes. This ensures that issues can be addressed in a timely way should they occur in the future and has helped improve the government’s confidence in the reputation of ADB as a development partner of choice.



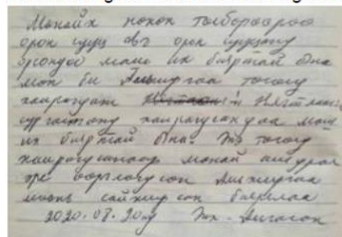
Agibodi has benefited from Livelihood Support small scale technical assistance and received equipment which helped him to produce a variety of wood products. The machine saves him time and improves his productivity.



Oyuntugs Ts is the Head of the Zurgan Buudal Citizens’ Rights Protection Association nongovernment organization. As a result of small scale technical advice activities, she and her daughter Z. Enkhmunkh have received a greenhouse and they are happily benefiting from the vegetables that they grow there.



D. Enkh-Amgalan wrote the following note expressing her gratitude.



Using our compensation money, we bought an apartment and we are very happy that we live in an apartment now. I am also very happy that I have engaged in the Livelihood Support Program and attended the accountant’s training. As a result of this project, our life has dramatically changed. Thank you for helping to improve our livelihood.

D. Enkh-Amgalan, 20 August 2020

### 3. Results of Cost-Benefit Analysis

36. **Economic Analysis Results.** The EIRR of investing in the compensation of affected people through ADB's AM is estimated at 17.8%, with NPV at \$3.13 million (see Table 11). The estimated EIRR is higher than the minimum required EOCC in ADB's Guidelines for Economic Analysis of Projects<sup>10</sup> at 9.0% which means that addressing and resolving complaints improves the affected people's welfare.

**Table 11. Costs and Benefits Stream**  
(\$ million)

Year	Costs	Benefits			Total Benefits	Net Benefits
	Accountability Mechanism Cost	Rectified or Improved Income for the Affected Households	Avoided Cost due to the Reduction in Project Implementation Delays	Avoided Cost for Safety Related Health Expenditure and Income Loss		
2018	-	-	-	-	-	-
2019	4.57	-	-	-	-	(4.57)
2020	5.71	-	-	-	-	(5.71)
2021	4.34	-	-	-	-	(4.34)
2022	-	1.03	15.00	0.01	16.04	16.04
2023	-	1.03	-	0.01	1.04	1.04
2024	-	1.03	-	0.01	1.04	1.04
2025	-	1.03	-	0.01	1.04	1.04
2026	-	1.03	-	0.01	1.04	1.04
2027	-	1.03	-	0.01	1.04	1.04
2028	-	1.03	-	0.01	1.04	1.04
2029	-	1.03	-	0.01	1.04	1.04
2030	-	1.03	-	0.01	1.04	1.04
2031	-	1.03	-	0.01	1.04	1.04
<b>Total</b>	<b>14.61</b>	<b>10.29</b>	<b>15.00</b>	<b>0.07</b>	<b>25.36</b>	<b>10.75</b>
NPV@9%	<b>11.33</b>	<b>4.68</b>	<b>9.75</b>	<b>0.03</b>	<b>14.46</b>	<b>3.13</b>
<b>EIRR</b>						<b>17.8%</b>

\$ = US dollar; ( ) = negative; EIRR = economic internal rate of return; NPV = net present value; OSPF = Office of the Special Project Facilitator.

Source: OSPF consultant's estimates.

37. **Sensitivity analysis.** A sensitivity analysis was conducted to assess the effects of adverse changes in key parameters: (i) 10% decrease in benefits of everyone involved; (ii) 10% decrease in benefits of affected households; (iii) avoided delay is reduced from 1 year to 9 months; and (iv) costs of compensation via the AM increases. Results in Table 12 reveal that welfare benefits remain robust against negative shocks with EIRRs staying above the minimum required 9%. However, these results should be considered along with the many important qualitative benefits discussed above.

<sup>10</sup> ADB. 2017. [Guidelines for Economic Analysis](#).

**Table 12. Economic Internal Rate of Return and Sensitivity Analysis**  
(\$ million)

Particulars	Combined		
	EIRR	NPV	SV
1. <b>Base case</b>	<b>17.8%</b>	<b>3.1</b>	
2. <b>Case 1:</b> 10% decrease in benefits	13.8%	1.7	22%
3. <b>Case 2:</b> 10% decrease in benefits of affected households	16.8%	2.7	67%
4. <b>Case 3:</b> Project delay reduction is reduced from 1 year to 9 months	10.8%	0.7	95%
5. <b>Case 4:</b> 10% increase in AM costs	14.2%	2.0	28%

AM = Accountability Mechanism; EIRR = economic internal rate of return; NPV = net present value; OSPF = Office of the Special Project Facilitator; SV = switching value,  
Source: OSPF consultant's estimates

#### D. Conclusion

38. The economic analysis was carried out using only three sources of quantitative benefits, and yet the problem-solving process carried out for solving the complaints in the Mongolia case study is found to improve the welfare of the affected people, as shown in the 17.8% EIRR.<sup>11</sup> The switching value in the sensitivity analysis shows that costs of resolving complaints could increase to a maximum of 28% and any increase beyond that will make the AM unviable with less than the minimum required EIRR (9%). Note that the economic analysis did not include larger qualitative benefits such as improvements to policy and institutional arrangements for problem-solving, strengthening of grievance redress mechanisms, capacity building of stakeholders, and enhancing the institutional reputation and image of MUB, as well as that of ADB.

### III. CASE STUDY 2: GEORGIA: BATUMI BYPASS ROAD PROJECT

**Table 13. CASE STUDY 2: Georgia: Batumi Bypass Road Project**

Project number	50064-001
Approval date	June 12, 2017
Funding source	ADB Loan: \$114.0 million Other lenders (AIIB): \$114.0 million Government: \$ 87.2 million Total: \$ 315.2 million
Project description	The purpose of the project was to:(i) construct a new two-lane bypass road of 16.2 km skirting Batumi; and (ii) contract out routine and periodic maintenance work for about 200 km of international roads combined with connecting secondary roads based on performance-based maintenance contract.
Complaint number	SPF-2018-11-02-0080
Complainants	Two individuals
Complaint issues	Complainants alleged a difference of 100,000 lari (equivalent to about \$40,000) between the 2016 appraisal and subsequent compensation paid for their property by the Roads Department of Georgia.
<b>Dates and Timelines</b>	
Complaint received	2 October 2018
Complaint determined eligible	9 October 2018
Complaint closure (final report issued)	3 September 2019
Time taken	10 months 24 days

ADB = Asian Development Bank; AIIB = Asian Infrastructure Investment Bank; lari – Georgian lari; SPF = Special Project Facilitator.

Source: Compiled from OSPF and the Central and West Asia Department, ADB.

<sup>11</sup> Of the long list of benefits that have resulted from the AM problem-solving process, only three have been quantified and considered for economic analysis.

## A. Background

39. **The Project.** Batumi Bypass Road Project in Georgia, approved in July 2017, is an ongoing project funded by ADB with cofinancing from the Asian Infrastructure Investment Bank. Batumi is a major port city in the southwest part of Georgia, bordered by the Black Sea to the west and Turkey to the south. The project road is located on the East–West Highway between Azerbaijan and Georgia, a major route for oil exports from Azerbaijan and Central Asian countries, which are exported through the Black Sea ports of Poti and Batumi. The project was to: (i) construct a new two-lane bypass road of 16.2 km skirting Batumi; and (ii) contract out routine and periodic maintenance work for about 200 km of international roads, combined with connecting secondary roads based on a performance-based maintenance contract.

40. **The Complaint.** In July 2018, a complaint was filed with the project authorities and ADB project team by two family members alleging that there was an undervaluation of their acquired land and property for the Batumi Bypass. The complainants alleged that the undervaluation was based on the appraisal carried out by the project authorities. They alleged that the undervaluation amounted to 100,000 lari (equivalent to about \$40,000). Complainants were not satisfied with the way in which their complaint had been addressed by the project authorities, and ADB project team. Thus, they elevated their complaint to the OSPF.

41. **Stakeholders.** Key stakeholders of this complaint were the complainants, the Roads Department of Georgia (RDG), the Ministry of Regional Development and Infrastructure of Georgia, the ADB project team (Transport and Communications Division, Central and West Asia Department (CWRD)) and the OSPF (Table 13).

42. **Problem-Solving Process.** RDG was initially reluctant to reopen the case as recommended by the SPF. Thus, the project team engaged an international entity to serve as an external valuer following the International Valuation Standards Council guidelines.<sup>12</sup> Eventually, in May 2019, high-level discussions between ADB Management and the Government of Georgia were held. The discussions resulted in reconsideration by the RDG of its initial reluctance to reopen the case. RDG then agreed to reopen the case and negotiate a settlement based on the differences between the amount originally paid to the complainant and the independent valuation commissioned by the ADB project team. The OSPF fielded a final mission on 21–22 June 2019 to inform the complainant about the results of the independent valuation and RDG’s willingness to enter into a contract with the them and to discuss the their options. The complainant sproposed some minor revisions but signed and consented to the proposal from RDG on 22 June 2019. RDG agreed to the minor changes and sent the relevant contracts to the complainants on 27 June 2019, which were then signed by the complainants on the same day. Receipt of payment in full was confirmed by the complainants on 29 June 2019. This concluded the OSPF case.

## B. Estimating Costs of Accountability Mechanism Implementation

43. The costs associated with addressing the complaint include: (i) costs of implementing the actions required to address the grievances raised; (ii) costs incurred by the various stakeholders involved in the problem-solving process, including expenses for human resources and transport; and (iii) associated costs arising out of the decisions agreed upon with the complainants, which would not have been incurred had the complaint not been filed with ADB’s AM.

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<sup>12</sup> International Valuation Standards. Council. IVS 2017. <https://www.ivsc.org/consultations/ivs-2017/>

44. The costs incurred by each of these stakeholder groups were assessed based on a review of project information and discussions with the ADB project team. The costs borne by the complainants were assessed based on interactions with the OSPF team. The associated costs borne by the government included the additional land and structure compensation benefits paid to other project affected families (654), adopting the valuation practices agreed upon by the complainants with OSPF.

45. The costs incurred by the offices of CWRD and the OSPF during the complaint handling process include: (i) OSPF and CWRD staff inputs and mission travel to the project site; (ii) RDG human resources and travel; and (iii) consultant engagement in the problem-solving process by CWRD and OSPF. The direct costs borne by the executing agency included the additional compensation payment to the complainants. The costs estimated as incurred by the complaints for participation in the problem-solving process include the potential loss of income due to time spent in the complaint process apart from travel and miscellaneous expenses incurred.

46. The total cost to resolve the complaint during 2019–2022 has been estimated at \$870,000 (see Table 14) which, converted into 2023 cost using inflation rates, is \$1.04 million. This financial cost was converted into economic costs<sup>13</sup> and, along with its distribution during the implementation period is considered for economic analysis (Table 15).

**Table 14. Estimate of Costs Incurred in the Office of the Special Project Facilitator Complaint Handling Process—Georgia: Batumi Bypass Project**

Item	Costs (\$)
1. Staff inputs and mission travel	
i. ADB: CWRD	30,000
ii. AM: OSPF	83,500
iii. EA: RDG	9,000
2. Consultant engagement	-
i. ADB: CWRD	8,500
ii. AM: OSPF	14,000
ii. EA: RDG	-
3. Additional compensation/entitlements paid to complainants <sup>1</sup>	40,000
4. Complainants costs incurred to participate in the process <sup>2</sup>	626
i. Loss of income	569
ii. Travel and other expenses <sup>3</sup>	57
<b>Subtotal</b>	<b>185,626</b>
5. Costs associated with application of enhanced entitlements to other affected households in the project <sup>4</sup>	685,230
<b>Subtotal</b>	<b>685,230</b>
<b>Total</b>	<b>870,856</b>

\$ = US dollar; ADB = Asian Development Bank; AM = Accountability Mechanism; EA = executing agency; CWRD = Central and West Asia Department; RDG = Roads Department of Georgia.

Note:

1. Additional compensation paid to two complainants on 29 June 2019.
2. \$14.23 average daily income/person x 2 complaints x 20 days spent for grievance related activities
3. 10% of complainants cost is assumed
4. Of the total affected households who received compensation (656) between 2019–2022, it has been conservatively estimated that 50% of the affected households (328) have received the enhanced compensation due to the revised valuation approach. While the complainant received an additional 20% compensation over the valuation that was earlier

<sup>13</sup> The conversion factor (0.9) is used to remove the taxes and grant components and to account for opportunity cost for unskilled labour cost (shadow wage rate) and foreign cost (shadow exchange rate) from the financial cost to arrive the economic cost. The conversion factor is assumed as 0.9, as followed in similar studies.

done by the government, it is estimated that rest of the affected households received 10% as the additional compensation due to the revised valuation approach. As a result, average additional compensation received/family paid during 2019–2022 is estimated at \$1,045. This additional compensation is attributed to the problem-solving process for two complainants in 2019.

Source: Compiled from OSPF and CWRD, ADB.

**Table 15. Disbursement Schedule of the Office of the Spacial Project Facilitator  
Complaint Handling Costs**  
(\$ million)

Year	Actual	At 2023 Price Discounted with 5% Inflation Rate <sup>1</sup>	Economic Cost (2023 prices) <sup>2</sup>
2018	-	-	-
2019	0.25	0.32	0.29
2020	0.21	0.25	0.23
2021	0.21	0.24	0.21
2022	0.21	0.22	0.20
Total	<b>0.87</b>	<b>1.04</b>	<b>0.94</b>

\$ = US dollar.

Notes:

1. The average annual inflation rate for the period 2019-2020 in Georgia at 7.0% was used to update the cost to 2023 was used. (Source: <http://gtarchive.georgiatoday.ge/news/18920/Annual-Inflation-Rate-Reached-7.0-%25-in-2019>)
2. The economic cost conversion factor of 0.9 was used to convert the financial cost, as followed for other studies in the region.

Source: OSPF.

## C. Estimating Benefits Due to Accountability Mechanism Implementation

### 1. Quantitative Benefits

47. **Bridging the compensation gap for affected people through the AM.** To assess whether there has been an undervaluation of the complainant's property by the project and consistent with the recommendations of SPF, CWRD engaged an international valuation expert to carry out an independent valuation of the property and assets following International Valuation Standards and to ensure compliance with the replacement cost requirements of ADB Safeguard Policy Statement. An inspection and valuation of the disputed land was carried out on 5 March 2019. The effective date of valuation was 1 November 2016 to be consistent with the date of the original valuation. The independent valuation, based on the "market approach," considered location, size, and other characteristics of the property. The resulting value was about 20% higher than the original project valuation and compensation. Finally, RDG agreed and settled the additional claim (\$40,000) to the complainants in 2019 in accordance with revised appraisal and closed the complaint.

48. The successful closure of the complaint, benefits resulting in terms of fair compensation to the affected people, and avoidance of delays in securing agreements with the affected people, resulted in the acceptance by the roads authority of the practice of conducting an independent due diligence of the valuation carried out by the government valuers. This approach improved the valuation process and consequently enhanced the trust of the affected households of the valuation process, and thereby resulted in fewer complaints.

49. Of the total affected households that received compensation between 2019 and 2022, (656 households), it has been conservatively estimated that 50% of the affected households (328) have received the enhanced compensation due to the revised valuation approach. While the complainant received an additional 20% compensation over the valuation that was earlier carried out by the government, it is estimated that the rest of the affected households received 10% as

the additional compensation due to the revised valuation approach. The average incremental compensation was estimated at \$1,045 per affected household at current prices during 2019–2022 and escalated to 2023 with an inflation rate of 7% at \$1,196 per household. The annual interest from this incremental compensation is considered as the economic benefit for the economic analysis.

50. The following two scenarios have been developed to ascertain the benefits through the completed AM activities.

- **“Without incremental compensation by AM” or “base case” or “without project scenario.”** This scenario reflects the situation of the complainants when there is no change in the situation compared to the time of filing their complaints with ADB’s AM. Under this scenario, the complainants would not have received the “incremental compensation” agreed under the completed problem-solving process and is considered as the “base case” for the present analysis.
- **“With incremental compensation by AM” or “with project scenario.”** The scenario in which affected households have received the increased compensation because of the problem-solving process. To assess the benefits to the affected people as a result of the incremental compensation, the interest income that can potentially accrue through bank deposits has been assessed and quantified as the benefit “with incremental compensation scenario by AM” or “with project scenario.” This scenario will be compared with the “base case” scenario to arrive at the “net benefits” associated with the activities initiated through the AM benefiting the affected households.

51. Compared to the “base case” scenario described above, the 328 project affected households benefited through the completed AM activities guided by the AMP 2012. With an estimated annual interest of \$104, resulting from the average incremental compensation received estimated at (\$1,045/household), the annual benefit for 328 households is estimated at around \$30,000 (Table 16).

**Table 16. Estimated Benefits from Incremental Compensation for Affected Households**

Details	Unit	Value
Average compensation received after AM (2019–2022): \$ <sup>1</sup>	\$/HH	10,446
Average compensation would have received before AM (2019–2022): \$ <sup>2</sup>	\$/HH	9,401
Incremental compensation received due to AM in 2019–2022	\$/HH	1,045
Incremental compensation received due to AM in 2019–2022 (2023 price)	\$/HH	1,196
Annual interest income through the incremental compensation received @8.7% <sup>3</sup>	\$	104
No. of HHs benefited <sup>4</sup>	Nos.	328
<b>Incremental HH income through AM process</b>	<b>\$/year</b>	<b>34,127</b>

\$ = US dollar; AM = Accountability Mechanism; HH = household; No. = number.

Note

1. Average compensation provided to the affected households between 2019–2022, based on the social safeguards monitoring report for the project, 2023. The compensation included costs for affected land, structures, fruit trees, crops, and other relocation costs.

2. Compensation provided before the the AM process, which was, on average, about 10% less in comparison to the final compensation settlement.

3. The bank interest rate in Georgia in 2019 was at 7%. (Source: World Bank Group).

Source: ADB. 2022. *Social Monitoring Report, Georgia - Batumi Bypass*. Manila; World Bank Group. [Deposit Interest Rate \(%\)](#).



52. **Avoided costs due to reduction in project implementation delays.** The continuous and dedicated efforts by OSPF, the ADB project team, RDG, related government department staff, complainants, and other stakeholders to build trust, and understand the importance of communication skills to improve engagement with the affected households resulted in the successful closure of the complaint. While it took approximately 11 months for the closure of the complaint after the complainants had agreed to the enhanced compensation, nonclosure of the complaint could have resulted in longer delays to the affected people. This would then have consequently resulted in further significant delays to the construction schedules. This further potential delay in the project implementation under “without project scenario” and might have resulted in delayed project benefits to the community estimated during the loan processing stage. For the present economic analysis, a four-month reduction in delay is conservatively assigned to the successful completion of AM process on a conservative basis<sup>14</sup>. Accordingly, the estimated annual project benefit resulting from the avoided six-month project implementation delay is considered as benefit to the present analysis (see Table 17).

**Table 17. Avoided Cost Due to the Reduction in Project Implementation Delay through the Accountability Mechanism**

Details	Unit	Value
Project benefits (economic) (2023) <sup>1</sup>	\$ million/year	5.31
Reduction in project implementation delays <sup>2</sup>	Year	0.33
Avoided costs due to the reduction in project implementation delays through the AM.	\$ Million	<b>1.77</b>

\$ = US dollar; AM = Accountability Mechanism; CWRD = Central and West Asia Department, ADB.

Note:

1. Using the past inflation trend (5%), 2017 benefits are escalated to 2023. During the project delay period for the AM process, only 50% of the vehicle operating cost savings and accident cost savings were assumed for economic analysis.

2. Based on the discussion with the CWRD officials and other stakeholders, it is assumed that the project implementation completion will happen four months before, due to the AM process.

Source: ADB.2017. *Economic and Financial Analysis: Batumi Bypass Road Project (RRP GEO 50064)*. Manila.

## 2. Qualitative Benefits

53. In addition to the quantitative benefits discussed above, there are other qualitative benefits that have not been included in the economic analysis. Some key qualitative benefits are presented below.

- **Enhanced process efficiencies through policy and institutional improvements.** This helped to improve the decision-making process. The collaborative process followed during the problem-solving aspect of the complaint resulted in various changes to policy and institutional arrangements. These changes also provided adequate human and financial resources for resettlement planning and implementation and grievance handling. The commitment to engage an independent valuer to ensure the independent fair valuation of land and assets affected due to the project resulted in expediting land acquisition processes and minimizing complaints.
- **Replication of valuation approaches in other projects.** Based on the successful implementation of land acquisition and resettlement for the Batumi bypass project, the practice of engaging independent valuation experts to carry out replacement cost assessment was continued for other ADB-assisted road projects in Georgia. The institutionalization of this good practice resulted in a better and more willing acceptance

<sup>14</sup> Assumption is based on the discussions with the OPSF/CWRD/RDG officials and other stakeholders of the AM process.

by project affected people, of the compensation determined by the government agencies during land acquisition, thereby avoiding delays resulting from the handling of complaints and grievances.

- **Bridging a trust deficit held by affected communities toward the government agencies.** The successful handling and solving of the complaints through OSPF's facilitated problem-solving process contributed to bridging the trust deficit between the affected communities and project agencies through: (i) the partnership achieved between the key stakeholders, (ii) strengthening of the grievance redress process by the PMO, and (iii) constructive engagement of the PMO and other government agencies with the complainants.
- **Increased capacity building among the stakeholders.** Providing periodic capacity building and training for various stakeholders, including project implementation staff and consultants, helped to strengthen the complainants buy-in of the problem-solving process, especially the project level GRM. It sensitized them to the importance of efficient and effective complaints management and highlighted the repercussions of delays in addressing complaints.
- **Protecting the project and ADB from reputational risks.** Resolved complaints and the benefits received by the affected households through a systematic 'problem-solving' mechanism helped increase confidence in the ADB-funded project and in ADB as a development partner, all of which improved ADB's reputation. This will benefit other ADB-assisted projects and will enhance ADB's reputation as a lender of choice that is responsive to the needs of its borrowers.

#### D. Results of Cost-Benefit Analysis

54. **Economic analysis results.** The EIRR is estimated at 28.8% for the 'project' where the ADB AM resolved complaints with an NPV at \$0.9 million (see Table 18). This value is higher than the 9.0% minimum required EOCC for ADB investments following the Guidelines for Economic Analysis of Projects<sup>15</sup> which means that the expenditures incurred in the resolution of complaints for the project has significantly improved the welfare of affected households.

**Table 18. Costs and Benefits Streams**  
(\$ million)

Year	Costs		Benefits		Net Benefits
	Accountability Mechanism Cost	Bridged Compensation Gap for the Affected Households	Avoided Costs due to the Reduction in Project Implementation Delays	Total Benefits	
2018	-	-	-	-	-
2019	0.3	-	-	-	(0.3)
2020	0.2	-	-	-	(0.2)
2021	0.2	-	-	-	(0.2)
2022	0.2	-	-	-	(0.2)
2023	-	0.03	1.8	1.8	1.8
2024	-	0.03	-	0.0	0.0
2025	-	0.03	-	0.0	0.0
2026	-	0.03	-	0.0	0.0
2027	-	0.03	-	0.0	0.0
2028	-	0.03	-	0.0	0.0
2029	-	0.03	-	0.0	0.0
2030	-	0.03	-	0.0	0.0

<sup>15</sup> ADB. 2017. [Guidelines for Economic Analysis](#).

2031	-	0.03	-	0.0	0.0
2032	-	0.03	-	0.0	0.0
<b>Total</b>	<b>0.9</b>	<b>0.3</b>	<b>1.8</b>	<b>2.1</b>	<b>1.2</b>
NPV@9%	<b>0.7</b>	<b>0.1</b>	<b>1.1</b>	<b>1.2</b>	<b>0.5</b>
<b>EIRR</b>					<b>28.8%</b>

\$ = US dollar; ( ) = negative; EIRR = economic internal rate of return; NPV = net present value.

Source: OSPF consultant's estimate.

55. **Sensitivity Analysis.** A sensitivity analysis was conducted to assess the effects of adverse changes in key parameters: (i) decrease in overall benefits; (ii) decrease in benefits of affected households only; (iii) reduction in the assumed avoided project delay; and (iv) increase in cost of resolving the complaint. Results given in Table 19 reveal that the results are found satisfactory against negative shocks. However, these results should be considered along with its many important qualitative benefits discussed above.

**Table 19. Economic Internal Rate of Return and Sensitivity Analysis**  
(\$ million)

Particulars	Combined		
	EIRR	NPV	SV
<b>Base case</b>	<b>28.8%</b>	<b>0.5</b>	
<b>Case 1: 10% decrease in benefits</b>	24.5%	0.4	41%
<b>Case 2: 10% decrease in benefits of affected households</b>	28.5%	0.5	358%
<b>Case 3: Project delay is reduced from 3 months to 1 month</b>	7.2%	(0.0)	46%
<b>Case 4: 10% increase in AM costs</b>	24.9%	0.4	69%

\$ = US dollar; ( ) = negative; AM = Accountability Mechanism; EIRR = economic internal rate of return; NPV = net present value; SV = switching value.

Source: OSPF consultant's estimate.

## E. Conclusion

56. The results of the economic analysis carried out for the quantitative benefits received through the improved compensation amounts and avoided costs due to reduced project implementation delays confirms that the problem-solving process for Batumi bypass project significantly improved the welfare of those involved, as shown in the 28.8% EIRR.<sup>16</sup> The economic analysis did not include larger qualitative benefits such as improvements to the problem-solving process, adopting appropriate institutional changes regarding the approach to land valuation and compensation, and managing reputation risks for ADB and government agencies involved and enhancing satisfaction level of the affected households.

## IV. CASE STUDY 3: INDIA: MUNDRA ULTRA MEGA POWER PROJECT

**Table 20. CASE STUDY 3: India: Mundra Ultra Mega Power Project**

Project number	41946-014
Approval date	17 April 2008
Funding Source	ADB loan 450 million (Loan 2419), including \$200 million from a syndicated loan with the Export-Import Bank of Korea (of which \$351.2 million was disbursed)
Project description	The project involved construction, O&M of a 4,000-megawatt coal power plant using supercritical technology at Mundra Taluka in Kutch District of Gujarat State in India. It was based on supercritical technology, and expected to have 30%–40% lower emissions than conventional coal-based power plants.

<sup>16</sup> Of the long list of benefits that have resulted from the AM problem-solving process, only three have been quantified and considered for economic analysis.

Project status	The project had achieved commercial operation as scheduled in 2013 and substantially achieved the stated outputs and outcomes related to power generation while demonstrating successful operation of supercritical technology.
Complainants	Three individuals, one of whom was representing a group of fisherfolk affected by the project, supported by Machimar Adhikaar Sangharsh Sangathan, Gujarat a nongovernment organization representing the fishing community.
Complaint issues	The complaint listed the harm allegedly done by the project to the affected people' livelihood, health, and environment, and attributed it to ADB's failure to adhere to its environmental and social policies and procedures.
<b>Dates and timelines</b>	
Complaint received	17 October 2013
Receipt of ADB Board authorization of compliance review	21 January 2014
RAP approval by ADB Board	24 June 2015
Complaint closure (final report issued)	4 September 2018
Time taken	4 years 11 months
Complaint status	On 4 September 2018, the CRP concluded the annual monitoring of the project and circulated its third annual monitoring report to the ADB Board of Directors. Of the five remedial actions included in the RAP, the final report of CRP states the following implementation status of each of the actions: RAP Action item 1. Disclosure of information and conduct of consultations: Partial compliance RAP Action Item 2. Thermal discharge from the outflow channel and loss of livelihood of fisherfolk: Partial compliance RAP Action Item 3. Sludge treatment and disposal: action item: Closed by the CRP RAP Action Item 4. Access restrictions: Temporarily in noncompliance RAP Action Item 5. Ambient air quality: Partial Compliance The CRP final report concluded that, since remedial action measures 1, 2, and 5 are in partial compliance and action item 4 is temporarily in noncompliance, RAP implementation efforts still need to continue to bring the project into full compliance with ADB policies. However, ADB had limited opportunities to monitor completion of the RAP implementation since Coastal Gujarat Power Limited fully prepaid its loan on 28 September 2018. The complaint has since been closed.

ADB = Asian Development Bank; CRP = Compliance Review Panel; OCRP = Office of the Compliance Review Panel; O&M = operation and management; RAP = remedial action plan; SARD = South Asia Department.  
Source: Compiled from OCRP and SARD, ADB.

## A. Background

57. **The Project.** Coastal Gujarat Power Limited (CGPL), a wholly owned subsidiary of Tata Power Company Limited (the flagship power company in the conglomerate Tata Group), was the special-purpose vehicle incorporated to implement the project. Tata Power Company Limited is India's largest integrated private power utility, with installed generation capacity of 10,957 megawatts (MW) (as of 31 March 2019). It won the Mundra Ultra Mega Power Plant Project in competitive bidding conducted by the Ministry of Power, the Government of India, and the Power Finance Corporation, a central government-owned entity and nodal agency appointed for ultra mega power plants.

58. The total cost of the Mundra Project was \$4.62 billion. ADB funded \$351.2 million, 7.6% of the total project cost. Other major lenders to the project were the International Finance Corporation, Export-Import Bank of Korea, Korea Export Insurance Corporation, and rupee financing from local banks led by the State Bank of India and India Infrastructure Finance Company Limited.

59. **The Complaint.** A complaint about the project was lodged with the CRP in October 2013 regarding environmental and social issues, including a reported impact on marine ecology and access restrictions affecting the livelihoods of local fisherfolk. The general secretary of Machhimar Adhikar Sangharsh Sangathan (the Association for the Struggle for Fish Workers' Rights) and two of its members, a farmer and a fish trader, filed a complaint with ADB's AM requesting a compliance review. The complaint alleged harm to the environment and to the complainants' livelihood and health and attributed this adverse impact to ADB's noncompliance with its environmental and social safeguard policies.

60. **CRP's compliance review process and findings.** The CRP's compliance review found that an inadequate review of CGPL's social and environmental impact assessments by ADB had resulted in the failure to fully identify the project affected segments of the community. The CRP's review also revealed lapses in ADB's monitoring of changes introduced by CGPL into project design and implementation. These instances of noncompliance contributed to an adverse impact on the environment and the community.

61. In response to CRP's compliance review report findings, ADB Management proposed a RAP which was submitted to ADB's Board for its consideration pursuant to paragraph 191 of the AM Policy (2012) (Table 20).

- RAP Action item 1: Disclosure of information and conduct of consultations;
- RAP Action Item 2: Thermal discharge from the outflow channel and loss of livelihood of the fisherfolk;
- RAP Action Item 3: Sludge treatment and disposal;
- RAP Action Item 4: Access restrictions; and
- RAP Action Item 5: Ambient air quality.

62. To implement the commitments under each of the actions, the action plan required further studies to be carried out, which would determine future actions that would be required to bring the project back into compliance. The RAP was approved by the ADB Board on 24 June 2015.

63. The complainants, in a press statement dated 13 July 2015, rejected the RAP developed by ADB, saying it was: "*nonserious, lacks genuineness, commitment, or imagination.*"<sup>17</sup> They expressed concerns about the process of developing the action plan and that the ADB team never met nor consulted the affected people and complainants during the RAP preparation. The statement also highlighted that while CRP's findings reflected their concerns, the RAP did not include any measures to address their grievances; and the budget of \$1.3 million of which 57% had been set out for studies, would be likely to be insufficient to carry out any remedial actions. Notwithstanding this press statement, the complainants and the NGO representatives participated actively during the 3-year RAP implementation period.

64. At the close of the CRP's 3-year monitoring period in September 2018, in accordance with para. 193 of AMP 2012, remedial actions designed by ADB Management to address ADB's noncompliance in the project had achieved partial compliance in three areas: (i) the disclosure of information and the conduct of consultations with affected people, which the RAP had addressed with inclusive and transparent stakeholder consultations; (ii) thermal discharge in the outfall channel, resulting in livelihood losses among *pagadiya* fisherfolk, which the RAP had dealt with by means of studies on the project's impact and the implementation and monitoring of the

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<sup>17</sup> Machhimar Adhikar Sangharsh Sangathan (MASS), Kutch, Gujarat. 2015. [Press Statement: ADB Action Plan on Tata Mundra rejected: Communities Demand Robust Remedial Plan.](#)

Livelihood Improvement Plan; and (iii) ambient air pollution, which the RAP had addressed with the establishment of ten air quality monitoring stations in nearby villages and studies on community health impact correlated with air quality. These studies were publicly disclosed and communicated. The CRP found this action item in full compliance in its first and second annual monitoring reports, “assuming that services (i.e., drinking water, health and education services) are continued to be provided at adequate levels to the Tragadi bander people to compensate for increased costs resulting from longer access roads.” Since these services were temporarily suspended by CGPL in 2018, this action item was assessed to be temporarily in noncompliance as part of CRP’s third annual monitoring report. As of 2018, the findings of noncompliance resulting from access restrictions remained unaddressed, pending the restoration of adequate compensatory services to the bander. The issue of chemical pollution from noncompliance relating to iron sludge treatment and disposal has since been closed, with a qualified exemption based on the application of local standards for effluent disposal.<sup>18</sup>

65. Though there was progress made in the implementation of the RAP, none of the CRP’s findings of ADB’s noncompliance had been fully addressed to bring the project back into compliance. In addition, given that the RAP was rejected by the complainants immediately after the approval by ADB Board, the complainants maintained that their grievances had not been addressed nor resolved even at the end of the RAP implementation period.

## **B. Estimating Costs of Accountability Mechanism Implementation**

66. The costs associated with implementing the RAP include the costs of implementing the RAP actions, and the personnel and administrative costs incurred by the relevant stakeholders during the compliance review process.

67. The relevant stakeholders in this complaint handling are the complainants; their supporting NGO, Machhimar Adhikar Sangharsh Sangathan (the Association for the Struggle for Fish Workers’ Rights); CGPL; the ADB project team (Private Sector Operations Department) (PSOD); and OCRP. The costs incurred by each of these stakeholder groups were assessed based on a review of project information and discussions with the ADB project team. The costs borne by the NGOs and complainants were assessed based on interactions with the ADB AM team.

68. CGPL expenditures during the RAP implementation process include: (i) preparation of livelihood plan and implementation of livelihood benefits to the project affected *pagadiyas*; (ii) implementation of support activities at Tragadi bander for water supply, sanitation, and other facilities; (iii) carrying out technical studies for air quality monitoring, NIO studies, biodiversity assessment and health impact assessment agreed in the RAP; (iv) improvements to access road leading to Tragadi bander including annual maintenance activities; and (v) expenses for staff and CGPL management involved in the AM process.

69. The total financial cost for preparing and implementing the RAP during 2013–2018 was estimated at \$3.42 million. This was converted into 2023 prices using 5% annual inflation rate resulting in a total financial cost of \$5.08 million (see Table 21). This financial cost was converted into economic cost by using the conversion factor of 0.9 along with its phasing during the implementation period is considered for economic analysis (see Table 22). Financial costs

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<sup>18</sup> ADB. 2017. [Second Annual Monitoring Report to the Board of Directors on the Implementation of Remedial Actions for the Mundra Ultra Mega Power Plant Project in India \(Asian Development Bank Loan 2419\)](#). Manila.

excluded in the conversion were taxes, grants, and duties, and the opportunity cost of unskilled labor. The economic analysis period is 2013–2028.

**Table 21. Estimate of Costs incurred in the Compliance Review Process**

Details	\$	\$ Million
<b>1. ADB PSOD Expenses</b>		
PSOD staff and management	785,000	0.74
PSOD mission travel	240,000	0.24
PSOD studies and consultants	225,000	0.23
<b>Subtotal</b>	<b>1,250,000</b>	<b>1.25</b>
<b>2. ADB CRP Expenses</b>		
CRP professional fees (Including salary of Chair, CRP)	917,362	0.92
CRP business travel-related expenses	69,537	0.07
OCRCP salaries (1 IS; 1 NS; 1 AS)	103,610	0.10
OCRCP consultants	142,752	0.14
OCRCP business travel-related expenses	28,705	0.03
Board Compliance Review Committee salaries (6-member committee)	131,322	0.13
Administration costs (translation and postage)	15,150	0.02
<b>Subtotal</b>	<b>1,408,438</b>	<b>1.41</b>
<b>3. EA CGPL Expenses</b>		
Livelihood implementation—Pagadiyas	70,000	0.07
Activities at Bander (water supply, sanitation, and other facilities)	70,000	0.07
Air quality monitoring, other assessments, NIO studies, biodiversity assessment	330,000	0.33
Road surface maintenance	45,000	0.05
Staff expenses	123,000	0.12
<b>Subtotal</b>	<b>638,000</b>	<b>0.64</b>
<b>4. Complainants Expenses</b>	<b>121,508</b>	<b>0.12</b>
<b>Total</b>	<b>3,417,946</b>	<b>3.42</b>

\$ = US dollars; ADB = Asian Development Bank; AS = administrative staff; CRP = Compliance Review Panel; IS = international staff; EA = executing agency; NIO = National Institute of Oceanography; NS = national staff; OCRCP = Office of the Compliance Review Panel; PSOD = Private Sector Operations Department.

Source: OCRP and PSOD, ADB.

**Table 22. Table 1: Disbursement Schedule of Remedial Action Plan Implementation**  
(\$ million)

Year	Phasing	Financial Cost (Current prices)	Financial Cost (2023 prices) <sup>1</sup>	Economic Cost (2023 prices) <sup>2</sup>
2013	28.6%	0.98	1.59	1.43
2014	19.0%	0.65	1.01	0.91
2015	14.3%	0.49	0.72	0.65
2016	14.3%	0.49	0.69	0.62
2017	14.3%	0.49	0.65	0.59
2018	9.5%	0.33	0.42	0.37
<b>Total</b>		<b>3.42</b>	<b>5.08</b>	<b>4.57</b>

\$ = US dollar.

Note:

1. 5% inflation rate was considered to escalate current cost to 2023 cost.

2. 0.9 was considered as the conversion factor to convert financial cost to economic cost. This conversion factor was considered to accommodate the removal of taxes, grants, duties, and the opportunity cost the unskilled labor.

Source: OSPF.

## C. Estimating Benefits of Accountability Mechanism Implementation

### 1. Quantitative Benefits

70. The complainants, on 13 July 2015, soon after the ADB Board approval of the RAP, communicated that the RAP actions were not aligned with the findings of the CRP, and therefore the complainants did not expect the RAP implementation to resolve their concerns and result in benefits to the complainants. Given this background, it could be said that even if 100% of the RAP measures were implemented, ensuring that the project was brought back into compliance, as per the findings of CRP, it would not have satisfactorily addressed the concerns of the complainants.

71. At the end of the three-year CRP monitoring of RAP implementation, the only item to be closed by the CRP was the action item on sludge treatment and disposal. All other actions were either partially compliant or at that time in noncompliance. Based on the lessons learned from the compliance review process, the PSOD increased its assessment of client capabilities and its efforts to enhance and reinforce safeguards compliance through increasing the number of safeguards personnel, thereby bringing about institutional change. This is a significant and key positive outcome of the process.

72. Quantitative benefits were assessed for two of the four action items in the RAP, relating to improving the access road to Tragadi bander, and making savings in water purchase cost to Tragadi residents through sustained provision of water and basic services to the residents, as part of CGPL's corporate social responsibility initiatives.

73. **Improvement to the access road leading to Tragadi bander:** Under the "without project" scenario, the unpaved access road leading to the *bander* was nonmotorable during the monsoon season. The complainants raised the issue of the poor quality and lack of maintenance of the access road. It led to difficulties in accessing Tragadi bander during the monsoon season, and significant increases in transport costs due to the lack of auto rickshaws for movement of residents and of trucks to take fish from the bander. CGPL, as part of its commitment to implement RAP actions, initiated an annual maintenance of the access road prior to the monsoon, and committed to continue the access road maintenance works in future. The improved 'all-weather access road' under 'with project' scenario resulted in the following direct benefits to all users of Tragadi bander: (i) availability of an all-weather access road to the bander; (ii) increased transport facilities such as auto rickshaws, resulting in reduction of travel time; and (iii) all-weather access for trucks and heavy vehicles to take fish from the bander, thus positively impacting business prospects. For the economic analysis, the following two scenarios are developed to ascertain the benefits through the completed AM activities.

- **'With access road of poor surface conditions'** or 'without project' scenario: At the time of filing the complaint to ADB AM, the gravel road with high roughness value resulted in higher vehicle operating costs and longer travel time, and was also nonmotorable during the monsoon. This poor condition of the road, prior to the RAP implementation is considered as the base case scenario.
- **'With rehabilitated all-weather road resulting from the RAP implementation'** or 'with project scenario': The implementation of RAP actions by CGPL ensured access to an all-weather road for the communities in Tragadi bander that was rehabilitated by CGPL with regular maintenance. The rehabilitated all-weather road with reduced roughness value resulted in lower vehicle operating costs and shorter travel times (see Tables 23 and 24).



**Table 23. Estimated Vehicular Trips for Tragadi Bander (2023)**

1	Estimated families in Tragadi bander	No. of families	
	2014	86	
	2023	133	
2	Additional trip length by the new route (km)	4.8	
3	Fishing period (months)	10	
4	<b>Estimated Trips</b>	<b>Annual Vehicle Trips</b>	<b>Travel Mode</b>
	i. Visiting villages for festivals @ two family trips (trips/year)	534	Van
	ii. Fish traders (trips/year)	1250	LCVs
	iii. Trips related to boat repair and anchor repair @trips/months by two persons	1,067	TWs
	iv. Educational trips (trips/year)	42,693	TWs,
		3,558	Auto
	v. Trips to transport fuel wood	5,337	TW
		5,337	Auto
	vi. Other trips (trips/year)	56,034	TWs,
		13,341	Auto
		8,005	Cycle
	<b>Total trips/ year</b>	<b>129,150</b>	
	<b>Average number of trips per day</b>	<b>391</b>	

km = kilometer; LCV =light commercial vehicle; TW = two-wheelers.

Source: OCRP consultant's estimates.

**Table 24. Estimated Annual Vehicle Operating Cost and Travel Time Cost Savings (\$ million Indian Rupees)**

Details	Two-Wheelers	Auto	Passenger Van	LCV	Total
Vehicle type distribution	81.4%	17.2%	0.4%	1.0%	100.0%
Annual vehicle trips (2023)	1,05,130	22,236	534	1,250	1,29,150
Travel distance km	4.8	4.8	4.8	4.8	4.8
Annual vehicle km	5,04,626	1,06,731	2,562	6,000	6,19,919
VOC: without project (Indian rupees/km)	4.25	7.34	40.80	40.80	
VOC: with project (Indian rupees/km)	2.98	5.14	28.56	28.56	-
<b>Annual VOC savings (million Indian rupees)</b>	<b>0.64</b>	<b>0.23</b>	<b>0.03</b>	<b>0.07</b>	<b>0.98</b>
Vehicle travel time cost: without project (Indian rupees/km)	3.08	3.08	15.41	1.02	
VOC: with project (Indian rupees/km)	2.31	2.31	11.56	0.77	
<b>Annual travel time cost savings (million Indian rupees)</b>	<b>0.39</b>	<b>0.08</b>	<b>0.01</b>	<b>0.00</b>	<b>0.48</b>
<b>Annual VOC and travel time cost savings \$ million</b>	<b>0.016</b>	<b>0.005</b>	<b>0.001</b>	<b>0.001</b>	<b>0.023</b>

km = kilometer; LCV = light commercial vehicle; TW = two-wheelers; VOC = vehicle operation costs.

Source: OSPF consultant's estimates.

74. **Savings in water purchase cost:** The Draft Report on Access Restrictions to Fishing Grounds identified that provision of drinking water by CGPL, as part of its corporate social responsibility measures for the Tragadi bander residents, resulted in a saving of 800 Indian rupees per household per month in 2015 (escalated to 1,182 Indian rupees at 2023 prices using 5% annual inflation observed during this period) (Table 25).

75. The report on access restrictions mentioned above had recommended that though specific compensation had not been made to the migratory fisherfolk at Tragadi bander for access

restrictions, the cost increases in travel due to the increased access road length was offset by better access to infrastructure services. In addition, CGPL committed to ensuring adequate water supply to the migratory fisherfolk at the bander as a RAP commitment, and this is treated as an incremental benefit after comparing the purchase cost under ‘without’ project’ scenario and ‘with project’ scenario.<sup>19</sup>

**Table 25. Estimated Annual Savings in Drinking Water Purchase for Residents of Tragadi Bander**

Estimated families in Tragadi bander	No. of families
2014	86
2023	133
Average monthly savings in drinking water purchase Indian rupees/HH/Month <sup>1</sup>	1,182
<b>Annual savings in drinking water purchase (millions of Indian rupees)</b>	<b>1.89</b>

HH = household.

Note: Average monthly household water purchase cost of 800 Indian rupees at 2015 was updated to 2023, using 5% annual inflation.

Source: ADB, 2018. *Third Annual Monitoring Report to the Board of Directors on the Implementation of Remedial Actions for the Mundra Ultra Mega Power Project in India*. Manila.

76. **Additional household income through livelihood support activities.** As part of the livelihood improvement program, all 24 identified households were distributed 100,000 Indian rupees each in four installments that contained fishing equipment and nets as well as cash payments under ‘with project’ scenario. It is assumed that this additional equipment and financial support would increase the fishing income as well as income from other activities for the identified households (Table 26).

**Table 26. Estimated Additional Household Income through Livelihood Support Activities through Accountability Mechanism Process**

Details	Unit	Value
Benefited fishermen families, 2016	numbers	24
Incremental annual income through provision of fishing equipment Indian rupees/HH/year @ additional 3kg at 150 Indian rupees/kg for 10 months/year	Indian rupees/HH/year	90,000
Average additional annual household income from other activities Indian rupees/HH/year <sup>2</sup>	Indian rupees/HH/year	7,000
<b>Incremental annual income through provision of fishing equipment (million Indian rupees)<sup>3</sup></b>	<b>million Indian rupees</b>	<b>2.16</b>
<b>Incremental annual household income through LIP activities other than fishing (million Indian rupees)<sup>4</sup></b>	<b>million Indian rupees</b>	<b>0.17</b>

\$ = US dollar; HH = household; kg = kilogram; LIP = livelihood improvement program.

Note:

65 Indian rupees = \$1 (2017)

1. Livelihood support related benefits through fishing equipment is assumed to last for three years only, from 2014–2016.
2. Average livelihood support received in cash (70,000 Indian rupees/household i.e., 70% of the 0.1 million Indian rupees total Livelihood support provided by CGPL in cash) is assumed to have been utilized for debt servicing or investments. The benefits due to these have been assessed considering long- term interest rates of 10%. This additional household benefit is considered for the full analysis period from 2014-2028.

Source: ADB; Swadep. 2017. [Livelihood Improvement Plan for Identified Pagadiya Fishermen](#).

<sup>19</sup> CRP found this action item in full compliance in its first and second annual monitoring reports, “assuming that services (i.e., drinking water, health, and education services) are continued to be provided at adequate levels to the Tragadi bander people to compensate for increased costs resulting from longer access roads.”

## 2. Qualitative Benefits

77. In addition to benefits 1–3 discussed above, which have been quantified, there are other qualitative benefits that have resulted from the compliance review process and not included in the economic analysis. Some key qualitative benefits that have contributed to institutional learning and thereby contributed to systemic efficiencies within ADB are presented below:

- **Avoidance of reputational risks arising out: of safeguards noncompliance.** In case of Mundra UMPP, significant risks resulted due to (i) failure to conduct adequate diligence and consultations on project impacts concerning local communities and ecosystems at an early stage of project preparation; (ii) lack of ADB supervision on changes in design during implementation, which resulted in significant environmental and social impacts; (iii) the narrow focus of stakeholder consultations limited to villages adjacent to the project site and those affected by land acquisition, further constrained by inadequate information sharing on the project impacts with the affected communities; (iv) failure to address in a timely manner, the suggestions and grievances from the communities and civil societies, which could have enabled a better handling of the grievances; and (v) lack of a strong supervision protocol by ADB for monitoring safeguards during implementation, including engagement of subject experts for specific issues (e.g., on thermal discharge modeling). The experiences gained through the compliance review process were critical to enable PSOD to improve its safeguard compliance through: (i) setting up of systems to address safeguards due diligence and monitoring of complex projects; (ii) strengthening the capacities of PSOD staff; and (iii) an increase in safeguard staff to ensure sufficient allocation of qualified technical resources to work on safeguard compliance.
- **Strengthening of PSOD safeguard capacities.** The experiences gained through PSOD engagement in the compliance review process has positively contributed to systemic improvements to PSOD safeguards due diligence, particularly, environmental assessments. PSOD increased its assessment of client's capacity and its efforts to reinforce safeguards compliance, through, for example, increasing the number of safeguard personnel to avoid a recurrence of similar noncompliances in future.

### D. Results of Cost-Benefit Analysis

78. **Economic analysis results.** The EIRR of investing in the compliance review process through ADB's AM is estimated at (-) 21.0% for the 'project,' with NPV at (-) \$3.6 million (see Table 27). The resulting EIRR is less than the EOCC at 9.0% in ADB's Guidelines for Economic Analysis of Projects.<sup>20</sup> This implies that the benefits that resulted from the implementation of the RAP actions could only partially address and resolve the grievances of the complainants. This result is fully consistent with the partial implementation of the RAP actions.

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<sup>20</sup> ADB. 2017. [Guidelines for Economic Analysis](#).

**Table 27. Cost and Benefit Streams**  
(\$ million)

Year	Costs	Benefits					Net Benefits
	AM Implementation Cost	Annual Vehicle Operating Cost and Travel Time Cost Saving	Annual Savings in Drinking Water Purchase	Additional Household Income through Fishing Equipment Supplied	Additional Household Income through Livelihood Support Activities Other Than Fishing	Total Benefits	
2013	1.6	-	-	-	-	-	(1.59)
2014	1.0	0.02	0.029	0.033	0.003	0.1	(0.92)
2015	0.7	0.02	0.029	0.033	0.003	0.1	(0.64)
2016	0.7	0.02	0.029	0.033	0.003	0.1	(0.60)
2017	0.7	0.02	0.029		0.003	0.1	(0.60)
2018	0.4	0.02	0.029		0.003	0.1	(0.36)
2019	-	0.02	0.029		0.003	0.1	0.05
2020	-	0.02	0.029		0.003	0.1	0.05
2021	-	0.02	0.029		0.003	0.1	0.05
2022	-	0.02	0.029		0.003	0.1	0.05
2023	-	0.02	0.029		0.003	0.1	0.05
2024	-	0.02	0.029		0.003	0.1	0.05
2025	-	0.02	0.029		0.003	0.1	0.05
2026	-	0.02	0.029		0.003	0.1	0.05
2027	-	0.02	0.029		0.003	0.1	0.05
2028	-	0.02	0.029		0.003	0.1	0.05
<b>Total</b>	<b>5.1</b>	<b>0.3</b>	<b>0.4</b>	<b>0.1</b>	<b>0.0</b>	<b>0.9</b>	<b>(4.20)</b>
<b>NPV@9%</b>	<b>4.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.5</b>	<b>(3.6)</b>
<b>EIRR</b>							<b>(21.0%)</b>

\$ = US dollar; ( ) = negative; EIRR = economic internal rate of return; NPV = net present value.

Source: OSPF consultant's analysis.

79. **Sensitivity analysis.** A sensitivity analysis was conducted to assess the effects of changes in key variables in seven sensitivity scenarios including 10% decrease in benefits and 10% increase in AM costs. Results given in Table 28 reveal that the results are found not satisfactory against negative shocks or positive changes, in line with the 'base case' results, as EIRRs are lesser than the minimum required 9.0%. However, these results should be considered along with the important qualitative benefits discussed above.

**Table 28. Economic Internal Rate of Return and Sensitivity Analysis**  
(\$ million)

Particulars	Combined		
	EIRR	NPV	SV
<b>1. Base case</b>	<b>(21.0%)</b>	<b>(3.6)</b>	
<b>2. Case 1:</b> 10% decrease in benefits	(21.9%)	(3.6)	(771%)
<b>3. Case 2:</b> 10% increase in AM costs	(21.9%)	(4.0)	(89%)
<b>4. Case 3:</b> 0.1 million Indian rupees cash received was fully invested into fishing and livelihood instead of 70% spent on debt servicing and investments	(19.6%)	(2.9)	
<b>5. Case 4:</b> The incremental annual income from fishing lasts for the duration of the analysis instead of only 3 years	(15.5%)	(3.0)	
<b>6. Case 5:</b> If average additional HH income was underestimated, test for 1,5000 Indian rupees instead of 7,000 Indian rupees	(19.3%)	(3.1)	

Particulars	Combined		
	EIRR	NPV	SV
7. <b>Case 6:</b> If, PSOD safeguards due diligence and environmental assessments were improved systematically prior to the case then cost of AM decreases by 50%	(12.8%)	(1.3)	
8. <b>Case 7:</b> In case VOC was underestimated, test if VOC value is 20% higher (which means VOC savings would be higher)	(19.0%)	(3.1)	

\$ = US dollar; ( ) = negative; AM = Accountability Mechanism; EIRR = economic internal rate of return; HH = household; NPV = net present value; PSOD = Private Sector Operations Department; SV = switching value; NR = no result; VOC = vehicle operating cost.  
Source: OSPF consultant's analysis.

## E. Conclusion

80. The RAP implementation for the Mundra complaint resulted in only marginal benefits to the complainants. The relevant stakeholders (PSOD, CRP, the executing agency, CGPL, and the complainants) experienced a negative return for their expenses related to the compliance review process as is reflected in the negative EIRR (-) 21%. Given the negative EIRR, the sensitivity analysis with seven scenarios, as expected, has resulted in negative results. While not quantified, the RAP implementation has resulted in significant institutional improvements and systemic changes in PSOD handling complex projects with high-risk environment and social impacts. The compliance review process has been instrumental for PSOD to enhance its environment and social safeguard capacities and strengthen its staff resources. While these systemic improvements have avoided a recurrence of similar noncompliances across PSOD projects, the results of the economic analysis demonstrate that the compliance review process with only partial compliance results has not brought about (or led to) satisfactory remedies for the complainants.

## V. ANALYSIS OF BUDGET UTILIZATION AND COSTS OF COMPLAINT HANDLING

### A. Annual Budget Allocation and Utilization by Accountability Mechanism Offices (2012–2022)

81. The budget allocation and utilization by the two AM offices were reviewed for the period of implementation of the AMP from 2012 to 2022. There have been no significant changes in the budget allocation for the entire period of AMP implementation for both AM offices. The budget utilization for most of the years has been around 80% and the utilization rate has only increased over the years, consistent with the caseloads handled by the two offices. The number of staff in the two offices has remained constant since the adoption of the AMP in 2012. Table 30 presents the annual budgets and the corresponding utilization by the two AM offices. The two AM offices, apart from the heads of the two functions, included one international staff, one national staff, and one administrative staff for the entire period. Based on interactions with the staff of the AM offices, it is understood the budget utilization in the initial years of the AM Policy included more outreach, and preparation of toolkits and manuals, which have built systems and procedures for the two offices to carry out their respective roles in handling complaints registered with the AM.

### B. Overview of Complaints Received by the Accountability Mechanism Offices (2012–2022)

82. A total of 119 AM related complaints were received from 2012 to 2022, of which 99 complaints were with the problem-solving function. In terms of eligible complaints, a total of 20 complaints were deemed eligible under the problem-solving function and another six of the complaints were assessed as eligible complaints for compliance review. Table 29 presents the annual numbers of eligible and ineligible complaints for the two offices.

**Table 29. Details of Complaints Received for Accountability Mechanism (2012–2022)**

Year	OSPF				OCRCP				TOTAL
	Eligible	Ineligible	Withdrawn	Total	Eligible	Ineligible	Withdrawn	Total	
2012	0	1	0	1	0	0	0	0	1
2013	0	6	0	6	1	0	0	1	7
2014	2	1	0	3	0	0	0	0	3
2015	0	1	0	1	0	1	0	1	2
2016	1	5	0	6	2	1	0	3	9
2017	2	10	0	12	1	3	0	4	16
2018	4	7	0	11	1	1	1	3	14
2019	4	7	1	12	0	2	0	2	14
2020	4	7	0	11	0	0	0	0	11
2021	0	16	1	17	1	0	0	1	18
2022	3	16	0	19	0	3	2	5	24
<b>Total</b>	<b>20</b>	<b>77</b>	<b>2</b>	<b>99</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>20</b>	<b>119</b>

OCRCP = Office of the Compliance Review Panel; OSPF = Office of the Special Project Facilitator.

Source: ADB. 2023. *Searching for Solutions: Finding the Lessons. Accountability Mechanism Annual Report 2022*. Manila.

### C. Key Activities of the Accountability Mechanism Offices and Time Spent

83. The key activities of the two AM functions include:

- (i) complaints handling and monitoring, including the eligible and ineligible complaints received by the respective offices;
- (ii) policy support, internal and external capacity building, preparation of knowledge products, and
- (iii) institutional coordination; interaction with ADB Management, Board Members and other external stakeholders including civil society representatives; and collaboration with AMs of other international financial institutions.

84. The time spent on each of these three major activities were identified based on discussions with the AM offices and is presented below (Table 30):

**Table 30. Composition of Activities for the Accountability Mechanism by the Office of the Social Project Facilitator and the Office of the Compliance Review Panel**

Activities	Time Spent (%)		
	OSPF	OCRCP/CRP	Average
Complaints handling	70	60	65
Policy support/capacity building	20	25	22.5
Institutional coordination/collaboration	10	15	12.5

AM = Accountability Mechanism; CRP = Compliance Review Panel; OCRCP = Office of the Compliance Review Panel; OSPF = Office of the Special Project Facilitator.

Source: Consultation with staff of AM Offices, 2023.

### D. Determination of Costs Incurred for Complaint Handling

85. The annual caseloads of the two offices were determined as follows:

- Annual case load handled by the AM offices = Number of eligible and ineligible complaints (that were carried forward from the previous year) at the start of each year + Number of eligible and ineligible complaints received throughout the year

86. Based on consultations with the staff of the AM offices, it was assessed that the time spent by OSPF for each ineligible complaint was 20% of the time spent on eligible complaints, while for OCRP it was assessed at 10% of the time spent on eligible complaints. OSPF spends considerable human resource hours overseeing "ineligible" cases to ensure that these are resolved by the project teams, sometimes involving significant negotiations and diplomacy. These weightages were used to determine the complaint equivalents handled by the respective AM offices for that year (Table 31).

**Table 31. Annual Active Caseloads of the Accountability Mechanism Offices (2012–2022)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>OSPF</b>											
Eligible	0	0	2	2	2	4	6	9	12	9	11
Ineligible	1	7	7	6	10	14	14	19	20	31	31
<b>Complaint equivalents</b>	<b>0.2</b>	<b>1.4</b>	<b>3.4</b>	<b>3.2</b>	<b>4</b>	<b>6.8</b>	<b>8.8</b>	<b>12.8</b>	<b>16</b>	<b>15.2</b>	<b>17.2</b>
<b>OCRP</b>											
Eligible	0	1	1	1	3	2	2	1	1	2	2
Ineligible	0	0	0	1	1	4	2	2	0	0	5
<b>Complaint equivalents*</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1.1</b>	<b>3.1</b>	<b>2.4</b>	<b>2.2</b>	<b>1.2</b>	<b>1</b>	<b>2</b>	<b>2.5</b>

OCRP = Office of the Compliance Review Panel; OSPF = Office of the Special Project Facilitator.

Note: Complaint equivalent has been assessed as follows: (i) for OSPF: time and effort spent on one ineligible complaint = 0.2 x eligible OSPF complaint; and (ii) for OCRP: time and efforts spent on one ineligible complaint = 0.1 x eligible CRP complaint.

Source: OSPF and OCRP complaint registries.

87. It was not possible to identify costs incurred by the two offices for handling complaints, whether eligible or ineligible, due to the lack of specific expenses incurred for complaint handling. As a result, the proportion of annual budget and time utilized for complaint handling and the active caseloads during the particular year were used to arrive at the average cost per complaint handling for that particular year. Table 32 below clearly illustrates that the costs of handling complaints by OCRP has reduced by 50% while the costs for OSPF handling has significantly reduced to about 10% of the original costs. Part of the reasons for the significant drop in OSPF cases could be the significant increase in the number of complaints received by OSPF and also the larger proportion of ineligible complaints, and shorter resolution time for ineligible complaints.

**Table 32. Estimated Costs Incurred per Complaint (2013–2022)**  
(\$ million)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OCRP (60% of budget utilized)	0.76	0.85	0.70	0.86	0.84	0.91	0.73	0.63	0.66	0.90
OSPF (70% of budget utilized)	0.58	0.43	0.62	0.64	0.70	0.78	0.60	0.67	0.66	0.71
<b>Costs per complaint (OCRP)</b>	<b>0.76</b>	<b>0.85</b>	<b>0.63</b>	<b>0.28</b>	<b>0.35</b>	<b>0.41</b>	<b>0.61</b>	<b>0.63</b>	<b>0.33</b>	<b>0.36</b>
<b>Costs per complaint (OSPF)</b>	<b>0.42</b>	<b>0.13</b>	<b>0.19</b>	<b>0.16</b>	<b>0.10</b>	<b>0.09</b>	<b>0.05</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>

OCRP = Office of the Compliance Review Panel; OSPF = Office of the Special Project Facilitator.

Source: ADB. 2023. *Searching for Solutions: Finding the Lessons. Accountability Mechanism Annual Report 2022*. Manila.

## E. Conclusion

88. There have not been significant changes to the annual budgets of the two AM offices since 2012. However, the utilization rates by the offices of the budget have steadily improved over time with recent utilization rates consistently over 80% of the allocated budget. Handling of complaints received, both eligible and ineligible complaints, continue to be the major function of the two offices, with OCRP reporting that it takes up 60% of the time and efforts while OSPF reported 70% of its time and efforts in handling complaints received (Table 30). Consultations with the AM offices demonstrate that the initial years of the policy rollout focused on the establishment of relevant guidelines, protocols, and procedures. Additionally, the outreach to stakeholders and capacity building activities were significant activities, especially given the initial low number of complaints received by both offices. With the increasing trend in complaints received and hardly any increase in the budgets, the costs incurred in handling complaints has significantly reduced for both offices. This reflects the improved capacities of the AM offices in efficient and timely resolution of complaints received.

## VI. CONCLUSION

89. The results of the cost-benefit analysis for the three selected case studies clearly demonstrate strong gains on 'institutional reform and capacity building' through the success achieved in addressing procedural, policy, and institutional gaps to mitigate and prevent recurrence of similar complaints in future. In addition, the cost-benefit analysis carried out using a quantitative estimation of benefits for the two problem-solving case studies has shown that welfare of the affected people involved has significantly improved after appropriate measures were taken, as shown in the high EIRRs of 17.8% and 28.8% respectively. For the third case study on compliance review, since the implementation of the RAP actions resulted only in partial compliance, the benefits to the complainants were marginal, as reflected in the negative EIRR (-) 19.7% and consequently the negative results in the sensitivity analysis too. Table 34 summarizes the results of economic analysis.

**Table 33. Summary of the Economic Analysis of Three Case Studies**

No.	Case Study	AM Function	EIRR
1	Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1 and 2 (45007-004/45007-005)	Problem-solving	17.8%
2	Georgia: Batumi Bypass Road Project (50064-001)	Problem-solving	28.8%
3	India: Mundra Ultra Mega Power Project (41946-014)	Compliance review	-19.7%

AM = Accountability Mechanism; EIRR = economic internal rate of return; No. = number.

Source: OSPF consultant's analysis.

90. None of the three case studies included valuation of broader qualitative benefits such as improvements to the policy and institutional arrangements, strengthening of GRMs, capacity building of stakeholders, and enhancing the corporate reputation and image of the borrowers. Some key lessons emerging from these case studies and an analysis of the budgets of the two AM offices are summarized below:

- (i) The benefits achieved to the complainants through the problem-solving process in terms of improved compensation practices and environmental practices in the two complaints have been integrated within the overall project in both case studies. This approach of not ringfencing the benefits through the AM process solely to the complainants, has strengthened the safeguard performance in these projects and thereby avoided recurrent complaints in those projects to the AM. This has been



achieved through the policy and institutional level changes at the project level and has resulted in significant benefits to all stakeholders involved.

- (ii) Though the RAP implementation in case of the IND: Mundra ultra mega power project did not result in its intended benefits to the complaints, the RAP implementation has resulted in significant institutional improvements and systemic changes in the way PSOD handles complex projects with high-risk environment and social impacts. The compliance review process has been instrumental in helping PSOD to enhance its environment and social safeguard capacities and strengthen its staff resources.
- (iii) An analysis of the budget utilization, number of complaints handled, and the complexity of complaints received, confirms that during the implementation of the AM Policy, the capacities, procedures, and systems of the AM offices have improved and the results are evident from the reduced costs of complaint handling by both the AM offices.



**Table 34. Annual Budget and Utilization (2013–2022) of the Two Accountability Mechanism Offices**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>OCRP + CRPN</b>										
<b>A. Budget</b>										
a. CRP										
i. OCRP	693,300	759,100	556,300	761,000	707,800	977,400	939,000	1,047,900	806,000	819,300
ii. CRPN	942,300	918,400	890,400	899,000	909,400	865,200	860,000	799,200	601,000	626,700
Subtotal	<b>1,635,600</b>	<b>1,677,500</b>	<b>1,446,700</b>	<b>1,660,000</b>	<b>1,617,200</b>	<b>1,842,600</b>	<b>1,799,000</b>	<b>1,847,100</b>	<b>1,407,000</b>	<b>1,446,000</b>
<b>B. Utilization</b>										
a. CRP										
i. OCRP	434,245	568,813	479,128	577,881	704,799	679,822	603,895	616,445	565,492	680,667
ii. CRPN	836,188	848,515	682,990	863,718	701,467	831,693	616,134	441,528	533,448	823,449
Subtotal	<b>1,270,433</b>	<b>1,417,328</b>	<b>1,162,118</b>	<b>1,441,599</b>	<b>1,406,266</b>	<b>1,511,514</b>	<b>1,220,029</b>	<b>1,057,973</b>	<b>1,098,940</b>	<b>1,504,116</b>
<b>Utilization (%)</b>	<b>77.7</b>	<b>84.5</b>	<b>80.3</b>	<b>86.8</b>	<b>87.0</b>	<b>82.0</b>	<b>67.8</b>	<b>57.3</b>	<b>78.1</b>	<b>104.0</b>
<b>OSPF</b>										
<b>A. Budget</b>	1,229,400	1,217,500	1,065,300	1,073,000	1,020,800	1,008,400	1,118,000	1,156,000	1,217,000	1,197,000
<b>B. Utilization</b>	832,913	616,987	888,500	911,173	1,003,232	1,118,180	863,344	957,138	939,011	1,011,808
<b>Utilization (%)</b>	<b>67.75</b>	<b>50.68</b>	<b>83.40</b>	<b>84.92</b>	<b>98.28</b>	<b>110.89</b>	<b>77.22</b>	<b>82.80</b>	<b>77.16</b>	<b>84.53</b>

CRP/CRPN = Compliance Review Panel; OCRP = Office of the Compliance Review Panel; OSPF = Office of the Special Project Facilitator

Source: ADB. 2023. *Searching for Solutions, Finding the Lessons: Accountability Mechanism Annual Report 2022*. Manila.