

**Third Annual Monitoring Report to the Board of Directors
on the
Implementation of Remedial Actions
for the
Greater Mekong Subregion: Rehabilitation of the Railway Project
in the
Kingdom of Cambodia
(Asian Development Bank Loan 2288 and
Asian Development Bank Loan 2602/Grant 0187 [Supplementary])**

4 December 2017

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ACKNOWLEDGMENTS

The Compliance Review Panel (CRP) thanks those who contributed to the preparation of this report: the Asian Development Bank (ADB) Board of Directors, in particular the representative of the Government of Cambodia (Government) and members of the Board Compliance Review Committee; ADB Management and relevant staff, for the information and support they provided; the requesting parties, including their representatives, for their continuing trust in the ADB Accountability Mechanism; and the Government, including the IRC, for the cooperation and support it extended during the CRP monitoring mission.

ABBREVIATIONS

ADB	– Asian Development Bank
AH	– affected household
CPI	– consumer price index
CRP	– Compliance Review Panel
CUFA	– Credit Union Foundation Australia
DMS	– detailed measurement survey
EIRP	– expanded income restoration program
GRM	– grievance redress mechanism
IRC	– Inter-ministerial Resettlement Committee
O&M	– operation and maintenance
RoW	– right of way
SETC	– Transport and Communications Division of Southeast Asia Department, ADB
SHG	– self-help group
TA	– technical assistance

WEIGHTS AND MEASURES

m² – square meter

NOTE

In this report, “\$” refers to US dollars.

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I. INTRODUCTION

1. This is the third annual monitoring report of the Compliance Review Panel (CRP) on the implementation of the CRP recommendations as approved by the Asian Development Bank (ADB) Board of Directors (Board) and ADB Management's remedial actions following a compliance review of the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project (Project). For this report, the Project refers to ADB Loan 2288 and Loan 2602/Grant 0187 (Supplementary) approved by the ADB Board of Directors in December 2006 and December 2009, respectively. Loans 2288 and 2602 were closed on 01 November 2016 while Grant 0187 was closed on 20 April 2016.

2. The CRP carried out this compliance review under the 2003 Accountability Mechanism (AM) Policy of ADB as this request was first filed with the Office of the Special Project Facilitator and was declared eligible on 11 January 2012 before the revised AM Policy took effect on 24 May 2012. Thus, monitoring procedures as stipulated in the 2003 AM Policy were followed. The request for compliance review of the Project was sent to the CRP on 28 August 2012 by 22 project affected persons represented by David Pred of Inclusive Development International and Eang Vuthy of Equitable Cambodia. The requesters explicitly sought to keep their identities confidential.

3. Upon determination of eligibility of the request, the CRP submitted its report to the Board which subsequently authorized the conduct of a full compliance review on 9 October 2012. Upon completion of the compliance review, the CRP issued to the Board its findings and recommendations on 14 January 2014. The Board considered and decided on the CRP's recommendations on 31 January 2014, adopting them with certain modifications. In April 2014, Management submitted to the Board its action plan to bring the Project back into compliance in response to the Board's decision.

4. This report assesses the progress made on the implementation of the said Board-approved recommendations of 31 January 2014 and the action plan proposed by the Management; and identifies areas and issues for further action by the Management. This report covers the following:

- (i) a short description of the Project;
- (ii) the results of the CRP's compliance review and its recommendations;
- (iii) Management's action plan to comply with the Board-approved recommendations;
- (iv) the findings of the CRP in its third year of monitoring;
- (v) the CRP's conclusions regarding the current state of Management's compliance with the Board-approved recommendations; and
- (vi) the CRP's feedback regarding the implementation of Management's action plan.

5. This report is based on a site visit; review of Management's quarterly reports on the implementation of the remedial actions and other relevant documents submitted to the CRP by the Southeast Asia Department; interviews with concerned ADB staff (including staff at the ADB Cambodia Resident Mission); and feedback from relevant government officials, project affected persons, complainants, and relevant NGOs in Cambodia. The CRP conducted its monitoring mission to Cambodia from 24-29 September 2017 to assess the progress made with respect to the implementation of the CRP recommendations as approved by the Board and ADB Management's action plan. The CRP visited the resettlement sites in Phnom Penh, Poipet and Battambang. The list of persons met by the CRP for this monitoring report is in Appendix 1. For a better appreciation of the situation on the ground, the CRP also visited three (3) resettlement sites and met with affected households (AHs) including the complainants from those sites.

II. DESCRIPTION OF THE PROJECT

6. The Project was to support Cambodia's economic development and strengthen integration of countries in the Greater Mekong Subregion through increased domestic and regional trade movement through the railway system. The original Project (Loan 2288-CAM) involved rehabilitating or reconstructing the railway between Sihanoukville and Poipet and reestablishing a railway link with Thailand. It was estimated to cost the equivalent of \$73 million, including taxes and duties and was approved in December 2006.¹ A supplementary financing (Loan 2602-CAM) approved in December 2009 was estimated at the equivalent of \$68.6 million to (i) establish a new freight and rolling stock maintenance facility at Samrong; (ii) upgrade or strengthen parts of the main line to enable early initiation of integrated multimodal services; and (iii) establish additional sidings to terminals to facilitate multimodal connectivity. The Project also had financing of \$13 million from OPEC Fund for International Development (Loan 8228-CAM) which was approved along with the original loan.² The Department of Foreign Affairs and Trade (Australia) provided additional financing of \$960,000, which was approved by the ADB President in January 2012 for the expanded income restoration program (EIRP). Additionally, a technical assistance (TA) with an estimated cost of \$0.45 million (funded by the Government of Australia) for Outcome Monitoring and Procurement Review was provided to the Ministry of Public Works and Transport for (i) outcome monitoring; and (ii) procurement review for the works to be added to the project scope through variations to the existing contracts.³ Changes to the project and project history after the approval of the CRP recommendations by the Board in January 2014 were not included in this report.

7. Except for resettlement, which is implemented by the Inter-ministerial Resettlement Committee (IRC) through the Resettlement Department under the Ministry of Economy and Finance, the Project is implemented through Cambodia's Railway Department of the Ministry of Public Works and Transport. The loans and grant for the Project are administered from the ADB Headquarters by the Transport and Communications Division (SETC) of Southeast Asia Department, in close collaboration with the Cambodia Resident Mission. As it would physically and economically displace thousands of persons living along the corridor of impact of the railway, the Project was categorized as 'A' for impacts on involuntary resettlement. Resettlement issues primarily triggered the request for compliance review by project affected persons.

III. COMPLIANCE REVIEW AND RECOMMENDATIONS

8. After the Board's authorization of a compliance review and the clearance of the terms of reference for the compliance review by the Board Compliance Review Committee (BCRC), the CRP conducted its fact-finding from October 2012 to December 2013.⁴ The compliance review was done through (i) desk review of documents; (ii) interviews with ADB staff; (iii) meetings in

¹ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan to the Kingdom of Cambodia for the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project*. Manila.

² ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Supplementary Loan and Administration of Grant and Technical Assistance Grant to the Kingdom of Cambodia for the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project*. Manila.

³ ADB. 2009. *Technical Assistance to the Royal Government of Cambodia for Outcome Monitoring and Procurement Review*. Manila.

⁴ The report of the CRP on its compliance review of this Project is at [http://compliance.adb.org/dir0035p.nsf/attachments/Cambodia-FinalReport-13Jan2014_OSEC%20Submission.pdf/\\$FILE/Cambodia-FinalReport-13Jan2014_OSEC%20Submission.pdf](http://compliance.adb.org/dir0035p.nsf/attachments/Cambodia-FinalReport-13Jan2014_OSEC%20Submission.pdf/$FILE/Cambodia-FinalReport-13Jan2014_OSEC%20Submission.pdf)

Phnom Penh with relevant government officials, project consultants, and NGOs involved in the Project; (iv) meetings with the requesters, their authorized representatives, and other affected persons; and (v) visits to four of the five resettlement sites. Subsequent analysis of results and deliberation resulted in the following findings by the CRP:

- (i) major design flaws in the original 2006 Resettlement Plan;
- (ii) inadequate compensation for livelihood restoration;
- (iii) considerable inaccuracies in the detailed measurement survey;
- (iv) serious infrastructure problems in most resettlement sites;
- (v) inadequate income restoration programming to support resettled people; and
- (vi) high levels of project-induced indebtedness among the resettled people.

Figure 1: Affected Households (AHs) in the Right of Way in Phnom Penh (left) and Resettled AHs at Battambang Resettlement Site (right)



Source: Compliance Review Panel

9. The CRP concluded that the above findings which resulted in material harm to project affected persons were the direct results of ADB's failure to comply with its relevant operational policies and procedures during project design and implementation. As such, the CRP focused its recommendations on the following:

- (i) establishment of a compensation deficit payment scheme;
- (ii) improvement of facilities at resettlement sites;
- (iii) improvement of the functioning of the grievance redress mechanism, to be reflected in a time-bound and verifiable action plan;
- (iv) development of an appropriate program to build capacity for resettlement in the IRC, to be reflected in a time-bound and verifiable action plan;
- (v) establishment of a debt workout scheme to help highly indebted families repay their accumulated debts through a dedicated credit line and a debt workout facility; and;
- (vi) implementation of the expanded income restoration program in a sustained and sustainable manner.

10. With some modifications, the Board approved the CRP's recommendations on 31 January 2014. The Board-approved recommendations are set out in full in Appendix 2 of this report. Consequently, the Management submitted to the Board in April 2014 an action plan with the intent of responding to the Board-approved recommendations and to bring the Project back into compliance. In formulating the action plan, the Management had several policy dialogues with the Government of Cambodia (Government). A draft of the action plan was sent to the CRP for its comments prior to the submission of the plan to the Board. In its comments dated 3 April 2014,

the CRP noted that several aspects of the action plan fell short of the Board-approved recommendations. After the Management submitted the action plan to the Board, the CRP submitted further comments to the BCRC through its memo dated 24 April 2014 in which it also noted several aspects of the plan that fell short of the Board-approved recommendations. The CRP made it amply clear that unless identified basic changes were made to certain measures included in the action plan, the Project could not be brought into compliance even if the said plan was implemented fully.⁵

Figure 2: Consultation with Affected Households and the NGO (CUFA) at Phnom Penh and Battambang



Source: Compliance Review Panel

IV. RESULTS OF THE MONITORING OF THE ACTION PLAN

11. From its observations and findings in its monitoring of the Project, the CRP has noted significant progress in the implementation of Board-approved recommendations and the action plan from the time of the Board decision to this third annual monitoring. The CRP would like to commend the Management and the Government, particularly, IRC for committing so much time, effort, and funds to bring this Project back into compliance. The second CRP annual monitoring found full compliance with Recommendation 4. This third annual monitoring found full compliance with Recommendation 1; and partial compliance with Recommendations 2, 3, 5 and 6. Overall there has been significant progress towards compliance which is heartening to note, and ADB staff and the IRC must be complimented on their efforts. However, continued action including visits to resettlement sites and meetings with AHs during SETC monitoring missions is required on the part of ADB to ensure that remedial actions meet Board requirements. The CRP hopes that this monitoring report together with its findings and recommendations will be seen in the above light and in the spirit of continuing efforts to achieve full compliance with the Board-approved recommendations. The following paragraphs present the findings and conclusions of the CRP's third annual monitoring. Each Board-approved recommendation is mentioned first, together with the related actions proposed in the Management's action plan. The CRP's related findings, conclusions, and feedback follow.

⁵ The CRP by separate communications have informed ADB Management and Board Compliance Review Committee (24 April 2014) of what these measures were and how they need to be revised to bring the Project into full compliance with ADB's operational policies and procedures.

A. Board-approved Recommendation 1

Recommendation 1: Establish a compensation deficit payment scheme.

Status of Compliance: At the time of this report, ADB is in full compliance with the Board-approved recommendation having provided (i) additional compensation for property losses and transition allowances (ii) additional income support covering the time gap between relocation and the start of the EIRP, (iii) additional compensation addressing the adjustment of the inflation rate for AHs in the Phnom Penh sector, and (iv) determination of eligibility, payment of compensation and transition support, and allocation of plots in the Phnom Penh and Poipet resettlement sites for AHs affected by the 30m² rule. Notwithstanding that compliance with the recommendation has been achieved, the CRP recommends that ADB raises the need with Government for a final effort regarding information dissemination targeting (a) the 404 AHs who could either not be contacted, did not sign the contract, or did not collect the payment regarding their continuing opportunity to collect the additional compensation for property losses and transition allowances, (b) the 82 AHs in the Phnom Penh section who could not be located regarding their entitlements under the CPI adjustment, and (c) the 14 potentially eligible AHs in Phnom Penh and Poipet who could not be contacted in the course of implementation of the 30m² rule. Furthermore, issuing of land titles to AHs in resettlement sites has commenced in Battambang and needs to be expedited in other resettlement sites as well.

Management's Action Plan:

- a. IRC reviews for each affected household (AH) the: (i) Detailed Measurement Survey (DMS); and (ii) contract between IRC and AH, for mis-categorization in the DMS.
- b. IRC computes compensation deficits for property losses due to mis-categorization and inflation using consumer price index (CPI) and (ii) living/income and transport allowances due to inflation using CPI.
- c. IRC conducts consultations and disseminates information to AHs on the: (i) timelines for house-to-house consultations; (ii) methodology for computation of compensation deficits; and (iii) appeal's mechanism under the improved Grievance Redress Mechanism (GRM) regarding computation and payment of compensation deficits.
- d. IRC prepares amended contracts for AHs reflecting compensation deficits.
- e. IRC conducts house-to-house consultations.
- f. IRC provides payments to AHs.
- g. Computation and payment of compensation for income losses for relocated AHs.

(For full text, see Appendix 2.)

CRP findings regarding compliance with Recommendation 1.

12. **Additional compensation for property losses and transition allowances:** By 31 October 2016, the IRC had contacted and consulted 3,338 (93.4%) of the 3,573 registered AHs; signed contracts for the additional payments with 3,259 AHs (91.2%); and had provided additional payments to 3,169 AHs (88.7% of total and 94.9% of those consulted). ADB verified the entitlement reviews by Government, participated in consultations with AHs, and monitored the payments to individual AHs. Additional asset and living/transition payments have been adjusted for inflation for the period 2006 until resettlement, but not for the period between resettlement and the time when the additional payments were paid out in the first two quarters of 2015. When this

issue was raised by an ADB mission in August 2016, the response from IRC was that the issue was outside the remedial actions and would not be entertained by IRC.⁶

13. On the additional compensation for property losses and transition allowances, the IRC used public notices in local newspapers and family/village/commune contacts to reach the AHs who could not be located or contacted through house visits, and conducted consultations with those who were reached. At the end of this effort, there were 235 AHs who were not located or contacted, while 79 of the contacted AHs did not sign the contract and 90 AHs who signed the contract did not collect payment (Table 1 in Appendix 4). Thus, a total of 404 AHs (11.3% of the 3,573 registered AHs) did not receive the additional compensation for property losses and living/transition allowances to which they were entitled. The CRP recommends that a final information dissemination effort is made to reach these 404 AHs to inform them of their entitlements as well as their opportunity to submit complaints through the grievance redress mechanism (GRM) regarding the allocated compensation, if needed.

14. **Additional income support covering the time gap between relocation and the start of the EIRP:** Additional living/transition allowances to compensate for the hardship of relocated AHs between their relocation to the resettlement sites and the start of the expanded income restoration program (EIRP) have been made by IRC. The records of the 407 entitled AHs living in the 5 resettlement sites were reviewed, the amount of additional living allowances due to each AH was calculated, after which each AH was consulted and payments were made. By April 2017, all but two AHs had received the payments (Table 2 in Appendix 4). The CRP's second annual monitoring report noted that these payments should be inflation adjusted for the period between resettlement and a date proximate to the date of payment of compensation. This issue was raised by the ADB mission in August 2016, and the response from ADB Management and IRC was that the issue was outside the action plan and would not be entertained.

15. **CPI corrections in Phnom Penh for the period 2006 to 2012:** In October 2016, IRC made additional payments for allowances for which CPI adjustments had to be made from 9.72% to 38.25% for the period from 2006 to 2011. This adjustment was not made for housing materials and trees since an adjustment for these of 9.72% covering the period 2009 to 2011 had been paid earlier in 2015.⁷ Of the total 1,268 AHs in the Phnom Penh section, 950 AHs were entitled to a CPI adjustment for allowances. By July 2017, 856 AHs had received payments. Of the remaining 94 AHs, 82 could not be located and 12 were no longer AHs under the revised scope of the Project as they did not remove any part of their affected structures in the corridor of impact (COI). In January and March 2017, IRC placed notices in local newspapers and in a news website mentioning that unreached AHs still had 30 days to obtain the CPI adjustment by contacting either IRC or local authorities. Nevertheless, the CRP recommends that a final information dissemination effort be made to reach the 82 AHs who could not be located to inform them of their entitlements. Regarding the CPI corrections, the CRP's second annual monitoring report again noted that these payments should be inflation adjusted for the period between resettlement and the time of payment of compensation. The ADB mission in October 2016 raised this issue with

⁶ BTOR of 8 August 2016 for *TA 8810-CAM: Strengthening Resettlement and Income Restoration Implementation, 3-4 August 2016*.

⁷ *Report on the Implementation of the CPI Correction for Allowances, Phnom Penh Section, Cambodia Railway Rehabilitation Project*, IRC Consultant, November 2016.

the Government, which responded that these are delayed payments for which inflation adjustment cannot be considered.⁸

16. **30m² rule issue in Phnom Penh and Poipet:** In response to a letter from ADB of 18 September 2015 regarding the issue of AHs in the Phnom Penh and Poipet sections, who might have been mis-categorized with regard to the 30m² rule, IRC with support of the ADB implemented comprehensive remedial actions between quarter 4 in 2015 and quarter 1 in 2017.⁹ The corrective actions comprised a drone based geo-referenced mapping between December 2015 and January 2016, followed in November 2016 by cross-checking and verification through house to house surveys to determine the AHs who might have been mis-categorized together with consultations on their entitlements, and finally detailed measurement surveys (DMS) with AH participation in December 2016. Each of the identified eligible AHs were given a Public Information Sheet (PIS) which defined two options, namely either remaining in the right of way (RoW) until the Government might need the land, at which point the house would be acquired and compensated, or moving to the resettlement site and receiving a plot there along with compensation for the structure in the RoW, a living/transition allowance, and a transportation allowance. The PIS also included a detailed description of the GRM. In both Phnom Penh and Poipet, the property compensation was based on new replacement cost studies conducted in October 2016, while living/transition allowances were based on surveys of current rice prices. The PIS gave the AHs the very short period of 15 days to decide whether to stay in the RoW or move to the resettlement site, and also stated that the absence of a response within that timeframe would be viewed as opting to stay in the RoW.

17. Of the 190 AHs in the Phnom Penh section, 63 AHs were found to have been mis-categorized under the 30m² rule, and of these 41 opted to move to the resettlement site and 4 AHs decided to remain in the RoW, while 6 did not respond and 12 could not be located or contacted. In the Poipet section there were 43 AHs along the railway line of which 11 AHs were found to have been mis-categorized, and of these 9 opted to move to the resettlement site while 2 could not be located or contacted. Property compensation and other entitlements were paid in early 2017 to the 41 AHs from the Phnom Penh Section and the 9 AHs from the Poipet section. As of June 2017, 24 of the AHs from Phnom Penh are constructing houses in the resettlement site, and in Poipet 2 of the AHs had moved to the resettlement site.

18. To reach the 14 eligible AHs in Phnom Penh and Poipet who could not be contacted during the house to house surveys, IRC placed notices in newspapers in January and March 2017 as well as on a news website, and informed community leader, which gave the AHs 30 day to respond. However, at a meeting with around 40 AHs on the 30m² rule during this annual monitoring, many of the AHs told the CRP that they do not (or only rarely) read newspapers and were not aware of the attempt by IRC to reach the un-contacted AHs.¹⁰ IRC informed the CRP that the potentially eligible AHs who could not be contacted can still receive compensation and a resettlement site plot if they contact IRC before the completion and closure of the action plan. The CRP therefore recommends that a final information dissemination effort utilizing other information

⁸ BTOR of 24 October 2016 for *TA 8810-CAM: Strengthening Resettlement and Income Restoration Implementation, 19-20 October 2016*.

⁹ The Resettlement Plans for Phnom Penh and Poipet stipulates that AHs who had part of their main house demolished because it intruded into the corridor of impact, and who had 30m² or less remaining after the demolition, would be considered fully affected and entitled to receive compensation for the whole house, a plot in the resettlement site, and a living and transport allowance.

¹⁰ It should also be recognized that a significant proportion of the APs are illiterate. Thus, the 2006 RP found that around one-third of women and one-fourth of male AH heads had not attended school (para 65 in CRP's *Final Report on Compliance Review Panel Request No. 2012/2*, January 2014).

tools is made to reach the 14 eligible AHs who could not be located to inform them of their entitlements.

19. **CRP conclusions regarding compliance with Recommendation 1.** The CRP finds that ADB is in full compliance with this Board-approved recommendation and has made significant efforts together with the Government, to achieve this outcome. These efforts include two missions by SETC from ADB headquarters which focused on and raised outstanding compliance issues under this recommendation, participation as observers during IRC's consultations in Phnom Penh and Poipet with AHs to identify those eligible under the 30m² rule, and amendment of the existing contract with the Credit Union Foundation Australia (CUFA) regarding the Expanded Income Restoration Program (EIRP) to also include collection of income, debt, and asset data on the 30m² resettlers, and to support them with financial literacy training (see Recommendation 6). During its two missions in August and October 2016, ADB made a due diligence effort by raising the issue with Government (identified in CRP's second monitoring report) that delayed compensation payments needed further inflation adjustment, but this was rejected by Government.

20. Notwithstanding that compliance with the recommendation has been achieved, the CRP recommends that Management raises the need with Government for a final effort regarding information dissemination to reach the three categories of AHs listed below to inform them of their entitlements as well as their opportunity to submit complaints, if needed, through the GRM.

- (i) The 404 AHs who could either not be contacted, did not sign the contract, or did not collect their additional compensation for property losses and transition allowances;
- (ii) The 82 AHs in the Phnom Penh section who could not be located regarding their entitlements under the CPI adjustment; and
- (iii) The 14 potentially eligible AHs in Phnom Penh and Poipet who could not be contacted in the implementation of the 30m² rule.

21. In addition, ADB should monitor the issuing of land titles to AHs in the resettlement sites, which have been initiated in Battambang but need to be expedited in other resettlement sites as well.

B. Board-approved Recommendation 2

CRP Recommendation 2: Improve facilities at resettlement sites.

Status of Compliance: At the time of this report, ADB is in partial compliance with this recommendation. The CRP notes that effort has been made across the resettlement sites facilitated by CUFA with progress achieved in some to strengthen the local O&M committees and to establish linkages with local government entities, who after the transfer to these resettlement sites in 2016, have overall responsibility for resettlement site infrastructure. However, further effort is needed to improve services (particularly solid waste disposal and water supply), and to ensure the sustainability of the resettlement site infrastructure by building the capacity of local O&M committees, strengthen fund raising for O&M in the resettlement sites, and regularize the relations between the O&M committees and local government entities within an agreed medium-term planning and budgeting framework.

Management's Action Plan:

- a. IRC assesses facilities at the relocation sites to ensure that these facilities conform to relevant national, provincial, or local authority standards.
- b. IRC prepares a time-bound action plan for the improvement of the facilities at the relocation sites.
- c. IRC improves the facilities at the relocation sites identified as urgent actions under the time-bound action plan.
- d. IRC hands over the improved facilities to the appropriate local authorities.
- e. IRC requests the Ministry of Health (MOH) to ensure that the medical center at the Phnom Penh relocation site operates as per national standards.
- f. O&M mechanism of the facilities at the relocation sites.

(For full text, see Appendix 2.)

22. **CRP findings regarding compliance with Recommendation 2.** Following improvements in the first half of 2015 of the access roads to all resettlement sites; of internal roads in Battambang, Pursat, and Phnom Penh resettlement sites; and of internal drainage in the Poipet and Phnom Penh resettlement sites, IRC in September 2015 handed over operation and maintenance (O&M) responsibilities for the infrastructure to local O&M Committees that had been formed in each resettlement site. Since the resettlement sites are incorporated into the sub-national governance structures, O&M of public infrastructure at resettlement sites is part of the local commune's infrastructure responsibilities.

23. During its second monitoring, the CRP found that while the O&M committees were functioning they would not have the capacity to sustain the use of existing facilities unless the concerned sub-national governance structures at the commune, municipality, and provincial level also provide funding and expertise to the maintenance and repair of the roads and other infrastructure. To address this concern, ADB in July 2016 amended CUFA's contract so that two staff of CUFA were assigned to support and enhance O&M across the five resettlement sites with a focus on organizational support and training for the O&M committees; improved solid waste management; fund raising for O&M from the AHs; and a strengthening of relations between the O&M Committees and local governance structures. During visits to the Phnom Penh, Poipet, and Battambang resettlement sites the CRP found that while this effort had yielded results, they were uneven, and that the effort needs to continue to ensure the sustainability of the resettlement site infrastructure. Moreover, while O&M manuals tailored to the infrastructure in each resettlement site have been developed, they are very brief and provide too little technical guidance on subjects such as hand-pump maintenance.

24. In the Phnom Penh resettlement site, the CRP was informed that all AHs are connected to piped water supply, and observed that efforts to liaise with sub-national governance structures were yielding results since the provincial government had been financing construction of concrete roads within the resettlement site (of which 380m out of the planned 550m were completed). The O&M Committee had also managed to mobilize AHs to clean drainage, and overall solid waste management had improved within the section of the larger settlement inhabited by the AHs, although garbage continued to be dumped at the entrance to the settlement. At a meeting with AHs including members of the O&M Committee, the CRP was informed that the committee had

not managed to raise regular contributions for O&M from the AHs.¹¹ At a meeting with AHs, which included members of the O&M Committee, the CRP was informed that the committee had not managed to raise regular contributions for O&M from the AHs. AHs also informed the CRP that they did not use the local medical center, since it did not keep regularly scheduled operating hours, and the CRP observed that there was no signboard.

25. In the Poipet resettlement site, the O&M Committee had worked with volunteer affected persons to cut vegetation and remove rubbish in drains along roads, and had also succeeded in getting the commune to loan them machinery for maintenance of the access road. As in the Phnom Penh resettlement site, the Committee had not been able to raise regular contributions for O&M from the AHs. While the resettlement site appeared cleaner than at last year's visit by the CRP, this is deceptive since the garbage is currently dumped at the north-west corner at the site creating a potential health hazard. SERD informed the CRP that the observed accumulation of garbage is unusual as it resulted from cooking performed for the Pchum Ben festival which coincided with the CRP visit. According to SERD, efforts are underway to engage a garbage collection service funded by contributions of the residents. A particular challenge is drinking water supply. Of the 65 hand pumps in the resettlement site, only 37 are operational, and some AHs buy water from a private company for drinking. The O&M Committee is engaged in negotiations with the city authorities to obtain a reduction in the rate for connections to the city's pipe water system. The previous problem of air pollution from garbage burning on a neighboring site beyond the resettlement site was reported by APs not to be an issue any more.

Figure 3: Internal Roads in Phnom Penh Resettlement Site Before and After Improvement



Source: CUFA Quarterly Report: April to June 2017

26. The Battambang resettlement site visited by the CRP appeared cleaner and its infrastructure comprising roads and water supply seemed better maintained than at the other two sites, and despite lower average income levels the O&M Committee has managed to collect monthly O&M fees from AHs for maintenance of the water supply. However, here too drinking water supply and solid waste disposal are unresolved challenges. Water for the resettlement site is supplied from a nearby pond, pumped into filtration tanks and on to an overhead tank from which it is distributed to stand-posts in each house. When the pump broke down, funds were

¹¹ The Southeast Asia Department informed the CRP that the accumulation of garbage observed by the CRP was the result of Pchum Ben festival where lots of cooking takes place, which coincided with the CRP site visit. SERD stated that garbage is picked up regularly and that residents in the resettlement community pay \$1 per month for garbage collection. This payment is included in the electricity bill of the residents.

raised from the AHs (with a contribution from the Self-Help Group) to replace it, but AHs only use the water for bathing and washing of clothes since they are concerned about fertilizer and herbicide run-off from the rice fields surrounding the pond, which moreover is prone to dry up during the dry season. Currently, the CRP was informed, only rain water or purchased water is used for drinking, and the O&M Committee is negotiating with the provincial water authority regarding connections to the city's pipe water system. However, the CRP was also informed by IRC that each family of the resettlement site has been provided a water purifier. The O&M Committee has so far not been able to find a solution for solid waste disposal since the city's garbage trucks will not come to the resettlement site which is located on a connecting road, and there is no location at the main road where the garbage from the site can be left until it is picked up.

27. **CRP conclusions regarding compliance with Recommendation 2.** The CRP finds that there has been significant progress in the implementation of this recommendation and that progress has been achieved in some resettlement sites to strengthen the local O&M committees and to establish linkages with local government entities after the transfer to these in 2015 of overall responsibility for resettlement site infrastructure. The CRP welcomes the efforts made by ADB which first engaged a consultant to design the O&M program and provided initial implementation support and subsequently engaged CUFA for continued support at the resettlement sites. However, further effort is needed to improve services (particularly solid waste disposal and water supply), and to ensure the sustainability of the resettlement site infrastructure by building the capacity of local O&M committees; strengthen fund raising for O&M in the resettlement sites; and regularize the relations between the O&M committees and local government entities within an agreed medium-term planning and budgeting framework that defines obligations and provides more predictability as to what will take place. According to information provided to the CRP, ADB during its two brief missions to Cambodia in August and October 2016 to review the progress made on remedial actions, ADB did not make any visits to the resettlement sites or did not hold any meetings with AHs to review the implementation of its action plan. The CRP notes that a staff from CARM participated in an O&M workshop in October 2016 where O&M leaders from the resettlement sites were represented. CARM has also actively supported the implementation of the TA, which funds the CUFA engagement. But these were not visits directly to the resettlement site. Moreover, since oversight of the action plan is managed from ADB headquarters, its missions in the future should include visits to resettlement sites and meetings with AHs as part of a due diligence effort.

Figure 4: Water Supply System at Battambang Resettlement Site



Source: Compliance Review Panel

28. **CRP feedback to Management on actions to bring the Project into full compliance with Recommendation 2.** For ADB to bring the Project into compliance with Board-approved recommendation as well as the action plan, the CRP suggests that Management take the following actions:

- (i) extend the contract with CUFA, regarding support for the O&M program across the five resettlement sites for a sufficient period of time to make the O&M program sustainable;
- (ii) continue the efforts strengthen the local O&M committees and establish linkages between these and local government entities within an agreed medium-term planning and budgeting framework to strengthen the mutual obligations of the two parties and bring greater predictability;
- (iii) focus on improving service delivery comprising solid waste disposal and drinking water supply; and
- (iv) SETC to include visits to resettlement sites and meetings with AHs in its future monitoring missions.

C. Board-approved Recommendation 3

CRP Recommendation 3: Improve the functioning of the grievance redress mechanism (GRM), to be reflected in a time-bound and verifiable action plan.

Status of Compliance: At the time of this report, ADB is in partial compliance with this recommendation. The CRP is informed that AHs in both Phnom Penh and Poipet have encountered problems accessing the GRM. In contrast, the ADB Resident Mission and the IRC stated their view that the GRM mechanism is functioning. Accordingly, the CRP suggests that ADB needs to take a review to assess and where needed remedy the GRM structure and process, and to ensure that APs are informed when this has been achieved, so that they – as they have been promised - have access to a GRM which can credibly address the complaints they might submit.

Management's Action Plan:

- a. IRC prepares a specific and verifiable time-bound action plan for improving the functioning of the GRM.
- b. IRC implements the specific and verifiable time-bound action.

(For full text, see Appendix 2.)

29. **CRP findings regarding compliance with Recommendation 3.** The CRP notes that none of the GRM-related recommendations in the CRP's second monitoring report have been addressed. These recommendations were that the GRM manual should be adjusted to include a compulsory appeal proceeding when complaints are rejected by the original GRM committee, that complaints can be made regarding resettlement issues other than compensation, that AHs with the same grievance can submit their complaint as a group, that the appeal proceedings be conducted as close to the AHs' resettlement sites as possible, and that appeal proceedings explain the reasons for complaint rejection to AHs. (See para. 30 of the CRP's second annual monitoring report.)

30. In the 15-month period from the start of May 2016 till the end of July 2017, the CRP was informed that no new complaints from AHs are reported to have been submitted through the GRM. This is noticeable since during this period additional compensation was provided by IRC for (i) property losses and transition allowances under which 235 AHs could not be contacted; 79 of the contacted AHs did not sign the contract; and 90 AHs who signed the contract did not collect payment; (ii) CPI corrections in Phnom Penh for the period 2006 to 2012 where 82 AHs could not be located; and (iii) corrective actions regarding the 30m² issue in Phnom Penh and Poipet where 14 eligible AHs could not be contacted (and other AHs may have considered themselves eligible).

31. At a meeting of the CRP with around 40 AHs, of whom some had been found eligible under the 30m² issue and had moved or were in the process of moving to the Phnom Penh resettlement site, the CRP was told by AHs that while they were aware of the GRM process described in the Public Information Sheet (PIS) given to them during IRC's assessment of eligibility, and while they had been informed by IRC that complaints should be submitted to the commune *sangkat*, the commune chief had informed them that the commune had no role in the resolution of the complaints that some had attempted to submit. The AHs also claimed that they had informed IRC that the commune chief refused to receive and process their complaints. In its meetings with AHs in Poipet, the CRP was told by the complaints handling officer - who is elected by the community - that his role when contacted by a complainant is to verify the circumstances of the complaint and then forward it to the commune chief, but that the process was in disarray. At a meeting with the chief of a *sangkat*, the CRP found that there was confusion about the respective roles of the *sangkat* office and the municipality. The PIS provided to AHs specifies that complaints through the GRM should be filed at the *sangkat* level, while the *sangkat* office visited stated that there was no capacity at the *sangkat* level to process such claims.

32. However, at the meeting with ADB's Cambodia Resident Mission and the meeting with IRC, the CRP was informed that the existing GRM is functioning not only on the compensation complaints but also on other issues. The basis of this position is the processing of two recent complaints which were received by the ADB Cambodia Resident Mission and IRC directly from the AHs in Phnom Penh and which relate to the eligibility of AHs under the 30m² issue, of which one has been identified as eligible and other is not with clear justification. The fact that these two complaints were received and processed is presented as evidence that the GRM works. It should be noted, however, that the PSI lays out a GRM process that AHs should follow, which does not provide for filing complaints directly with the ADB Resident Mission or the IRC. While the CRP recognizes the utility of AHs addressing their concerns directly to the IRC and the ADB and does not wish to discourage this practice, the issue remains that the PSI defines a GRM process which requires filing and appeals processes through the *sangkat* and Municipality level. As the PSI is an integral part of the contractual agreement signed between the IRC and the AP, it is important that these processes as spelled out, are actually functioning.

33. **CRP conclusions regarding compliance with Recommendation 3.** The CRP finds that the evidence received in Phnom Penh and Poipet during this monitoring suggest at the very least that there are serious disarrays in access to the GRM for the AHs, and this urgently needs to be addressed to provide the AHs with a clear and accessible structure and process to address complaints.

34. **CRP feedback to Management on actions to bring the Project into full compliance with Recommendation 3.** For ADB to bring the Project into compliance, the CRP suggests that Management take steps to assess and, where needed, remedy the GRM structure and process, and to ensure that APs are informed when this has been achieved, so that they have access to a GRM which can credibly address the complaints they might submit. The CRP again notes that –

according to information provided to the CRP – during the two brief two-day missions of ADB staff to Cambodia in August and October 2016 to review the progress made on remedial actions, ADB staff did not make any visits to resettlement sites or conduct any meetings with AHs which - since this activity is managed from ADB headquarters – should be part of a due diligence effort in the future. The CRP notes that CARM supported the implementation of the TA and sent staff to participate at workshops for vocational training and on O&M management. But these were not visits directly to the resettlement sites and were not direct interactions with AHs to gauge potential concerns of AHs and to learn how these concerns have been addressed through the GRM. Moreover, as this is a project which is supervised from ADB headquarters, visits to the resettlement sites and direct interactions with the AHs on the resettlement site should be part of the headquarter-managed supervision effort. ADB should find ways to ensure that implementation of this remedial action pertaining to the GRM is done and compliance achieved particularly since the Project is managed from the ADB headquarters.

D. Board-approved Recommendation 4

CRP Recommendation 4: Develop an appropriate program to build capacity for resettlement in the IRC, to be reflected in a time-bound and verifiable action plan.

Status of Compliance: Recommendation implemented and brought into compliance.

Management’s Action Plan:

- a. IRC, in consultation with ADB, prepares a time-bound and verifiable action plan for capacity building.
- b. IRC implements the time-bound and verifiable action plan.

(For full text, see Appendix 2.)

35. **CRP findings regarding compliance with Recommendation 4.** SERD’s 12th Quarterly Progress Report of July 2017 states that the capacity of IRC regarding DMS verification including consultations with AHs has improved, as was also noted by the CRP in connection with the remedial actions on the 30m² issue.

36. **CRP conclusions regarding compliance with Recommendation 4.** CRP’s second annual monitoring report found full compliance with this action and no further steps are required.

37. **CRP feedback to Management on actions to bring the Project into full compliance with Recommendation 4:** None.

E. Board-approved Recommendation 5

CRP Recommendation 5: Establish a debt workout scheme to help highly indebted families repay their accumulated debts through a dedicated credit line and a debt workout facility.

Status of Compliance: There is partial compliance with Recommendation 5. The engagement since November 2016 of CUFA has strengthened the effort to assist highly indebted families repay their accumulated debts. At the time of CRP's third annual monitoring, there is still considerable indebtedness among AHs in particular the AHs affected by 30m² rule, and therefore CUFA's effort is still work-in-progress that needs to be continued.

Management's Action Plan:

Develop and implement measures to help address financial sustainability of AHs.

(For full text, see Appendix 2.)

38. **CRP findings regarding compliance with Recommendation 5.** To carry out this Board-approved recommendation and Management's action plan, ADB has assumed the implementation responsibility since the Government took the position that it would not be involved in actions to address the indebtedness of AHs (due to the perceived moral hazard and since debt workout is not viewed as a compliance issue). ADB thus directly implements this recommendation without engagement of the Government. ADB initially tried to support a debt workout approach through an ongoing program of a development partner. Since January 2016, CUFA has been engaged under an ADB TA to collect data on income and debt levels, the nature and sources of debts, and the income patterns and job skills of each of the resettled households. In November 2016, the engagement of CUFA was amended to include support for highly indebted AHs who live on the resettlement sites as part of the ongoing EIRP. This program is expected to continue until May 2018. 75% of the 304 AHs resident on resettlement sites continue to be indebted. However, the number of loans has decreased from 363 by December 2016 to 301 by June 2017, and the average debt among AHs across the five resettlement sites has decreased by 8% over the second quarter of 2017.¹² The composition of the type of lenders has also changed somewhat over time, and there has been a moderate shift from private lenders to self-help groups (SHGs) and micro-finance institutions (MFIs), with many AHs having loans from more than one source. More AHs have what CUFA classifies as 'consumptive' loans (which includes food, medical, and wedding expenses, but somewhat counter-intuitively also investment in housing – an asset) than 'productive' loans (which includes investments in vehicles used for business, other business activities, education, and travel for employment). According to CUFA, the residual target group for debt reduction in the Phnom Penh and Poipet resettlement sites comprises around 80 AHs. A comparison based on CUFA data from June 2017 of the average quarterly income for AHs in the five resettlement sites with their quarterly expenditures on consumption and on repayment of the interest and principal of their loans indicates that incomes would only meet expenditures in four of the five resettlement sites if repayments are confined to the interest and do not include the principal (Table 4 in Appendix 4). While these figures gloss over the considerable variation in the circumstances of individual AHs, they suggest that indebtedness remains a considerable challenge for the economic viability of many AHs, and that support to improve AH incomes need to be pursued.

¹² Credit Union Foundation Australia (CUFA): Strengthening Resettlement and Income Restoration (SRIRI) Report April-June 2017.

39. The CRP is concerned that the focus of CUFA on consumption loans only, excluding loans for house construction, is too narrow. The objective of the remedial action to redress debt levels, is to correct the excessive debt of AHs accumulated for house construction during the resettlement process, when in many cases adequate compensation had not been paid and AHs thus took out high debt levels to construct better houses on the plots on the resettlement sites. The objective of the debt restructuring program is thus to support the reduction of debt accumulated by AHs for housing assets. The CRP suggests that CUFA includes that portion of the debt for housing assets under the debt restructuring program which was required to reconstruct the quality of houses which the AHs previously had lived in the ROW.

40. CUFA's overall EIRP strategy with its job placement program and financial literacy training is expected to have a positive impact over time on the ability of AHs to manage and repay their debts. In addition, an immediate debt relief program targets highly indebted low-income AHs by involving them in intermittent maintenance work in the resettlement sites, and their wages are paid to their debtor to repay the debt. The selection criteria include AHs who are unemployed or have incomes that are too low to make repayments on their debts. Of 16 AHs identified in Phnom Penh, Poipet and Pursat for this activity, 5 have managed to repay their debts, while 3 are still working under the scheme. The remaining 7 AHs objected to having their salary paid directly to the lender, but CUFA is attempting to persuade them to join the scheme.

41. The CRP notes that special support should be provided to AHs from the group affected by the 30m² group who now resettle to the resettlement sites of Phnom Penh and Poipet. This group has a low capital stock as its recent compensation only includes the assets of the residual assets of less than 30m², as they already had received compensation for the partial demolition of their assets during the first round of compensations. There is thus danger that this group will fall into high debt when building houses on the plots assigned to them in the resettlement sites. CUFA's efforts should be focused in providing advisory support in financial management to this particular group to prevent excessive debts levels on unfavorable terms. (For a more detailed discussion on this, see para. 54).

42. **CRP conclusions regarding compliance with Recommendation 5.** The CRP finds that Recommendation 5 has been partially complied with. While the focused measures to support debt reduction among highly indebted AHs have achieved moderate results, there is still a need to continue this effort along with the overall EIRP strategy to enhance AH livelihoods and address the considerable indebtedness which challenges the economic viability of many AHs. The original rationale for Recommendation 5 was that some AHs with limited property compensation became heavily indebted because they had to borrow money to construct new houses in the resettlement sites, and with CUFA's current approach to debt reduction, such AHs may not be targeted. This needs reconsideration.

43. **CRP feedback to Management on actions to bring the Project into full compliance with Recommendation 5.** To bring the Project into compliance, ADB needs to continue the CUFA effort to assist the debt reduction among highly indebted AHs within the framework of the overall EIRP strategy, and with a focus that includes the AHs who became heavily indebted because the compensation for their property in the railway line was inadequate to finance construction of replacement houses, and they had to borrow money to construct new and better houses in the resettlement sites. Moreover, progress on this issue should to be documented. The CRP considers the support provided by CUFA in the debt restructuring very valuable and is of the view that the CUFA program should be extended for a sufficient time to reduce the debt levels of AH to an appropriate level, including, the AHs affected by 30m² rule.

F. Board-approved Recommendation 6.

CRP Recommendation 6: Implement the expanded income restoration program (EIRP) in a sustained and sustainable manner.

Status of Compliance: At the time of this report, ADB is in partial compliance with this recommendation. The efforts to strengthen the EIRP beyond the strengthening of self-help groups (SHGs) are commendable, and the additional menu of activities comprising the vocational placement strategy, the financial literacy training, and support for self-employment has achieved results. This effort needs to be continued, possibly together with a renewed emphasis on relevant skills training, until the overall objective of ADB's resettlement policy – restoration of incomes and living standards – has been achieved.

Management's Action Plan:

- a. IRC to continue implementation of the EIRP.
- b. Build capacity of self-help groups (SHGs) for sustainability.
- c. IRC to design exit strategies for SHGs.
- d. IRC to implement exit strategies for SHGs.

(For full text, see Appendix 2.)

44. **CRP findings regarding compliance with Recommendation 6.** In its second annual monitoring report, the CRP recommended that the scope of the EIRP should be expanded from exclusively focusing on the SHGs to also include a vocational skills training program, which would reflect business and employment opportunities in and around the resettlement sites, and provide ongoing support to the application of acquired skills in employment and business creation support as needed. Moreover, the EIRP would need to be extended for a sufficient length of time so that the skills training program and vocational support could be designed and implemented.

45. ADB in November 2016 amended the TA with CUFA to comprise a menu of activities to strengthen the EIRP till May 2018. These activities include a Vocational Placement Strategy (VPS) program to be piloted for AHs in Phnom Penh and Poipet, job fairs to link AHs with potential employers, employment/business support, community social enterprises, continuation of the financial literacy education for AHs along with the associated 24/7 financial helpline, and continuation of the support for the SHGs.

46. In February 2017, as part of VPS, job fairs (Employment Expos) were arranged by CUFA with participation by 45 employers and 400 community members in Poipet, and 40 employers and 300 community members in Phnom Penh. Under the VPS, 68 resettled AHs with incomes below their pre-resettlement levels were identified as needing support regarding income opportunities, and CUFA informed the CRP that by end September 2017 there were 48 AHs who were in employment (providing incomes to 71% of the targeted AHs), 7 older AHs are still to find employment, while 13 AHs for whom employment had been identified did not start, dropped out due to the cost of transport to the places of employment, were fired, or found better paying jobs at the Thai border. The focus of the VPS is on immediate job opportunities rather than pre-job skills training that may or may not result in employment. At the same time, CUFA is monitoring that the employed AHs receive the necessary on-the-job training to hold their jobs. By end September 2017, about 3,400 financial literacy training events had been conducted involving both male and female AHs, and CUFA is monitoring related changes in behavior.

47. Under the community social enterprise initiative, one activity has been started in each of the Phnom Penh and Poipet resettlement sites (production and sale of rugs and soap). However, CUFA is still trying to find a market for the products, which seems to indicate that these activities were not identified in relation to an existing demand.

48. A considerable effort has been made to improve the performance of the SHGs, and between January 2016 and March 2017, 961 sessions were held with participation of 1,227 AHs (of which 625 were female) to review and revise the SHG policies and procedures. The result has been an improvement in the operation of the 14 SHGs across the five resettlement sites with a focus on their function as savings groups. At a meeting with CUFA, they informed the CRP that to become organizationally and financially sustainable in the longer term, the SHGs would need to scale up their membership, which could either happen by allowing more than one person per AH to become members, or by allowing non-AHs to join the SHGs (as in Phnom Penh where the larger population includes people who were not resettled from the railway ROW), or by merging the SHGs within a particular resettlement site.

49. In its second annual monitoring report, the CRP emphasized that while the focus in the EIRP on support to SHGs was very important, it was not sufficient. The objective of the EIRP was to improve incomes and the SHGs alone cannot restore the incomes of AHs. Thus, while important, the sustainability of the SHGs and successful implementation of an SHG exit strategy is not equivalent to the successful completion of the EIRP. The SHGs are a tool, and together with the other tools that have more recently been added to the EIRP – the VPS, job fairs, community social enterprises, financial literacy training, and the immediate debt relief program – the purpose is to achieve the objective of ADB’s policy on Involuntary Resettlement, which is that AHs “will be at least as well off as they would have been in the absence of the project.”¹³ Moreover, “where people are seriously affected by the loss of assets, incomes, and employment ... such people will be entitled to rehabilitation assistance measures for restoring incomes and living standards.”¹⁴ Restoration of incomes and living standards are the critical benchmarks against which the success of the EIRP should be measured.

50. During its meetings with AHs from the resettlement sites in Phnom Penh, Poipet, and Battambang, there was near consensus among the AHs that their current living standards and conditions of life in the resettlement sites had improved compared to their situation when they lived along the railway lines. AHs living in the Phnom Penh resettlement site agreed that while living conditions had been difficult early on, life was now easier and their houses better than in their original location. AHs met by the CRP on the Poipet and Phnom Penh resettlement sites stated, that it had also become easier to find employment both because job opportunities in the vicinity of the resettlement site were improving and due to CUFA’s facilitation, although incomes continued to be constrained by low salaries and high transport costs for some. In Poipet and Battambang, the AHs also stated that conditions in the resettlement site compared favorably with their original location at the railway. In Battambang, most household members of working age appeared to have moved out of the resettlement site in search of employment (mostly in Thailand), and were sending back remittances to their families residing there. As economic opportunities in Battambang are very limited and the Battambang resettlement site is located far away from the areas of employment, employment opportunities for the AHs which reside on the Battambang resettlement site are limited. CUFA does not implement an employment program on the

¹³ ADB’s Operations Manual section F2 (Involuntary Resettlement), Bank Policy, issued on 29 October 2003, para. 3.

¹⁴ See footnote 4.

Battambang site as the remaining population is mostly old and employment opportunities are constrained.

51. The rather positive view of current living standards and conditions of life in the three resettlement sites, stands in contrast with the large number of AHs that were originally scheduled to move to the resettlement sites but have either never moved there or have left the resettlement sites. The aggregate number of AHs in the Updated Resettlement Plans, who were entitled to a plot in the resettlement sites were 981, and by March 2017 only 304 (31%) of these were living in the sites (see Table 6 in Appendix 4). The other 69% of the AHs either never relocated or left the resettlement sites after unsuccessfully trying to settle and cope there. Importantly, there has been very high outflow from the resettlement site between 2015 and 2017. During the last 2 years, a total of 25% of the remaining households have left the resettlement sites. The outflow is most pronounced from the Battambang site where 50% of the remaining AHs have left; 28% left from the Phnom Penh; 17% from the Poipet site; and 38% from the Sihanoukville site. These more recent high outflow rates are startling for resettlement sites for which data – except for Battambang site – indicate that real income levels have increased and living conditions have improved. (See para. 53.) The CRP has no data which provides reasons why during the last 2 years, 25% of the households settled have left the sites. Information provided in interviews to the CRP suggests that in Battambang, some families sold their plot while others had built a shelter there but lived and worked elsewhere; and in Poipet most of the out-migrants had sold the plot while a few rented out their house and land. While indebtedness was given as a reason for the out-migration of some in Poipet, it was not stated to be a cause by AHs in Phnom Penh.

52. CUFA selected data on quarterly average level household incomes which is provided in Table 5 Appendix 4. These data indicate that average income levels are above pre-resettlement levels in nominal and in real terms for all resettlement sites, except Battambang. Real quarterly income levels for Battambang remain about 5% below the assumed pre-resettlement level.¹⁵ Average real income increases were most pronounced for residents of the Poipet and Sihanoukville sites. It should also be noted that Cambodia over the corresponding period experienced high annual real GDP growth of an average of 7% p.a. It is reassuring that for the Poipet, Phnom Penh and Sihanoukville resettlement sites, the real income growth exceeds this national average. For the Pursat and Battambang resettlement sites, real income growth remained significantly below that level. The CRP could not obtain data on the distribution of income levels and thus cannot judge what share of AHs living on the resettlement sites have increased their real income to levels at par or above their pre-resettlement income. Given the below resettlement average real income level of the Battambang site, it is clear that full income restoration has not been achieved for the Battambang site due to some reasons. As for the other sites where average real incomes are above the pre-resettlement levels, the CRP cannot assess whether all or almost all resettled AHs have achieved pre-resettlement real income levels, as it does not have the distribution of incomes or pre-resettlement and 2017 figures. The CRP has obtained data on medium level incomes. (See Appendix 4 Table 6.) There are significant differences between average and medium level incomes for the Pursat and Battambang resettlement sites, with medium level incomes being lower than average levels and a large share of household having only the medium level income. This indicates that the average income levels are increased for a few households which have incomes significantly above the medium level, and that most households have income levels significantly below the average income level.

¹⁵ For real income level calculations, the following inflation rates were assumed: 2011- 5.5%; 2012- 2.9%, 2013 – 3%, 2014 – 3.9%, 2015 – 1.2%, 2016 – 3%. (Source: IMF World Economic Outlook)

53. As a result of the corrective actions regarding the 30m² rule, an additional 41 AHs will be moving to the Phnom Penh resettlement site and 9 AHs to the Poipet site. These 50 AHs are likely to be comparatively more vulnerable than many if not most of the earlier resettlers, since they have received their property compensation piecemeal, with one part when the section of their house extending into the COI was demolished; another when the CPI corrections in Phnom Penh were paid; and the last when the rest of their house was compensated when they were found eligible under the 30m² rule. Those met by the CRP all stated that they had long since used the two earlier compensation amounts for consumption. Thus, these AHs have less money available to build replacement housing in the resettlement sites, and are more exposed to indebtedness than earlier resettlers. Currently, 5 of the 41 AHs in Phnom Penh, and 2 of the 9 AHs in Poipet have taken loans after their move to the resettlement sites. While CUFA is currently providing financial literacy training to the 24 AHs who are constructing houses in the Phnom Penh resettlement, it is critical that its TA is amended so that the entire menu of EIRP activities can be provided in support of these AHs.

54. **CRP conclusions regarding compliance with Recommendation 6.** The CRP finds that Management's efforts to innovatively strengthen the scope of EIRP and involve CUFA in its implementation are commendable. The CRP recognizes that efforts under the CUFA program to support the employment search for AHs on the Poipet and Phnom Penh resettlement sites seems to have had important successes. The CRP notes that no such programs are conducted for the Pursat, Battambang, and Sihanoukville resettlement sites. While an employment support program does not seem to be needed for the Sihanoukville site, where average and medium income levels are high and only 8 of the resettled households remain on the site, the modest income growth for the Pursat resettlement site and the low-income levels for the Battambang site remain a serious concern. On the aggregate, pre-settlement average real income levels have not been achieved for the Battambang site, where income earning opportunities are low and the site is located at some distance from the city center. Given the low average and medium income levels on this site, ADB should consider what special support could be provided to AHs residing on the Battambang and possibly also to AHs residing on the Pursat resettlement site.

55. **CRP feedback to Management on actions to bring the Project into full compliance with Recommendation 6.** ADB needs to ensure that the EIRP with its current menu of activities, and possibly new ones if needed, is continued until monitoring data clearly document that the overall objective of ADB's resettlement policy – restoration of incomes and living standards – has been achieved. The CUFA EIRP presently does not provide support to AHs on the Battambang and the Pursat resettlement sites. A special program should be included for these two sites, especially on the Battambang site where data indicates that average real income levels remain slightly below pre-resettlement levels. A special focus on the AHs affected by the 30m² rule, which now resettles to the sites of Phnom Penh and Poipet, is needed. The TA with CUFA should be extended for a sufficient time to achieve this. As noted above, with regard to recommendations 2 and 3, SETC needs to include visits to resettlement sites and meetings with AHs in its future monitoring missions to also assess progress towards achievement of restoration of incomes and living standards for the AHs.

V. CONCLUSIONS

56. In summary, the CRP concludes that there has been very significant progress in the implementation of the remedial action program. Currently, ADB is in full compliance with Board-approved Recommendation 1 and 4, and in partial compliance with the Recommendations 2, 3, 5, and 6. A summary of the Management Action Plan together with the CRP's main conclusions

and feedback to Management on actions to bring the Project into full compliance, can be seen in the table below.

CRP Recommendations	Feedback to Management on Actions to Bring the Project into Full Compliance
1. Establish a compensation deficit payment scheme.	<p>Status of compliance: Fully complied with</p> <p>The CRP finds this recommendation in full compliance but recommends that Management raises the need with Government for a final effort regarding information dissemination to reach the three categories of AHs listed below to inform them of their entitlements as well as their opportunity to submit complaints, if needed, through the GRM regarding the allocated compensation.</p> <ul style="list-style-type: none"> (i) The 404 AHs who could either not be contacted, did not sign the contract, or did not collect their additional compensation for property losses and transition allowances; (ii) The 82 AHs in the Phnom Penh Section who could not be located regarding their entitlements under the CPI adjustment; (iii) The 14 potentially eligible AHs in Phnom Penh and Poipet who could not be contacted in the implementation of the 30m² rule. <p>In addition, ADB should monitor the issuing of land titles to AHs in the resettlement sites, which while initiated in Battambang needs to be expedited in the other resettlement sites as well.</p>
2. Improve facilities at resettlement sites.	<p>Status of compliance: Partially complied with</p> <p>For ADB to bring the Project into compliance, the CRP suggests that Management takes the following actions:</p> <ul style="list-style-type: none"> (i) extend the contract with CUFA regarding support for the O&M program across the five resettlement sites until to establish an effective and sustainable O&M program. (ii) continue the effort strengthen the local O&M committees and establish linkages between these and local government entities within an agreed medium-term planning and budgeting framework to strengthen the mutual obligations of the two parties and bring greater predictability; (iii) focus on improving service delivery comprising solid waste disposal and drinking water supply; and (iv) SETC to include visits to resettlement sites and meetings with AHs in its future monitoring missions.

CRP Recommendations	Feedback to Management on Actions to Bring the Project into Full Compliance
3. Improve the functioning of the grievance redress mechanism, to be reflected in a time-bound and verifiable action plan.	<p>Status of compliance: Partially complied with</p> <p>For ADB to bring the Project into compliance, the CRP suggests that Management take steps to assess and where needed remedy the GRM structure and process, and to ensure that AHs are informed when this has been achieved, so that they have access to a GRM which can credibly address the complaints they might submit. SETC to include visits to resettlement sites and meetings with AHs in its future monitoring missions.</p>
4. Develop an appropriate program to build capacity for resettlement in the IRC, to be reflected in a time-bound and verifiable action plan.	<p>Status of compliance: Fully complied with</p>
5. Establish a debt workout scheme to help highly indebted families repay their accumulated debts through a dedicated credit line and a debt workout facility.	<p>Status of compliance: Partially complied with</p> <p>To bring the Project into compliance, ADB needs to continue the CUFA effort to assist the debt reduction among highly indebted AHs within the framework of the overall EIRP strategy, and with a focus that includes the AHs who became heavily indebted because the compensation for their property in the railway line was inadequate to finance construction of replacement houses, and they had to borrow money to construct new houses in the resettlement sites. CUFA should provide special support to AHs affected by the 30m2 rule who now resettle to the sites of Phnom Penh and Poipet to avoid excessive indebtedness of these AHs. Moreover, progress on this issue should be documented. The contract of CUFA should be extended to fully implement this program.</p>
6. Implement the expanded income restoration program (EIRP) in a sustained and sustainable manner.	<p>Status of compliance: Partially complied with</p> <p>ADB needs to ensure that the EIRP with its current menu of activities, and possibly new ones if needed, is continued until monitoring data clearly document that the overall objective of ADB's resettlement policy – restoration of incomes and living standards – has been achieved. An EIRP program needs to be implemented on the Battambang resettlement site and preferably also for the Pursat site. The TA with CUFA should be extended as needed to achieve this. As noted above with regard to recommendations 2 and 3, SETC needs to include visits to resettlement sites and meetings with AHs in its future monitoring missions to also</p>

CRP Recommendations	Feedback to Management on Actions to Bring the Project into Full Compliance
	assess progress towards achievement of restoration of incomes and living standards for the AHs.

57. ADB Management has agreed with CRP to provide quarterly progress reports on each of the four commendations which are not, yet, fully complied with. The CRP will assess progress in its fourth annual monitoring report to be submitted to the Board in the first half of 2018.

/S/ Dingding Tang, Chair, Compliance Review Panel

/S/ Arntraud Hartmann, Member, Compliance Review Panel

/S/ Ajay Achyut Rao Deshpande, Member, Compliance Review Panel

4 December 2017

LIST OF PERSONS MET DURING THE COMPLIANCE REVIEW MONITORING

The Compliance Review Panel (CRP) contacted the following persons within and outside the Asian Development Bank (ADB) in carrying out its monitoring of the request for compliance review under the project. This list is not exhaustive as it does not include persons who requested their identities to be kept confidential.

ADB Staff

1. Takeshi Fukayama, Transport Specialist, Transport and Communications Division, Southeast Asia Department (SETC-SERD)
2. Samiuela Tukuafu, Country Director, Cambodia Resident Mission (CARM), SERD
3. Sokha Ouk, Senior Environment Officer, CARM, SERD
4. Hideaki Iwasaki, Country Director, Thailand Resident Mission (former Director, SETC-SERD)
5. Gemma Bade, Project Analyst, SETC-SERD

Government

1. H.E. Nhean Leng, Chairman of Inter-Ministerial Resettlement Committee, MEF
2. H.E. Im Sethyra, Director General of GDR
3. Nhean Vannak, Deputy Director General, GDR
4. Soan Sereivathanak, Director, DR2/GDR
5. Sun Sokny, Deputy of DR2/GDR
6. Zamine Ly
7. Natin Patel, Advisor, MEF

Requesters' Representative and Complainants

1. Meg Fukuzawa, Equitable Cambodia
2. Pol Tourist, Equitable Cambodia

The names of complainants were withheld upon their request. The CRP met with at least 66 complainants/affected persons from Phnom Penh; 20 from Poipet; and 9 from Battambang.

Others

1. Peter Mason, Credit Union Foundation Australia (CUFA)
2. Kundi Lay, CUFA
3. Mao Ye, CUFA
4. Adelaida Mortell, ADB consultant

MANAGEMENT'S ACTION PLAN FOR IMPLEMENTING THE RECOMMENDATIONS OF THE COMPLIANCE REVIEW PANEL

Management's Action Plan

To Implement the Board Decision on the Recommendations of the CRP Final Report: Compliance Review Request on the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project Loans 2288-CAM and 2602-CAM, and Grant 0187-CAM

To implement the Board's decision on the six recommendations of the Compliance Review Panel (CRP) Final Report - Compliance Review Request on the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project - Loans 2288-CAM and 2602-CAM, and Grant 0187-CAM, Management, in consultation with the Government of Cambodia (Government), has developed remedial actions. The attached matrix includes remedial actions that have been agreed to by the Government, with their implementation arrangements and timelines.

Following the Board's decision, an Oversight Committee, headed by the Vice President (Operations 2), was established to provide advice and guidance in the formulation and implementation of the remedial actions which are intended to bring the project into compliance. To facilitate the process and secure the Government's understanding, members of the Oversight Committee also held high-level meetings with senior Government officials.

Actions to implement the six recommendations are summarized in the following paragraphs.

With respect to Recommendation 1, ADB requested the Government to establish a remedial action program. An agreed time-bound remedial action program is given in the attached matrix. The Government has agreed to review for each affected household (AH) the detailed measurement survey (DMS) and the corresponding contract, and provide compensation deficits for (i) property losses due to mis-categorization and due to inflation using consumer price index; and (ii) transition allowances (living/income and transport allowances) due to inflation using consumer price index. However, the Government does not agree to provide compensation for additional income losses from the date of relocation of AHs up to the commencement of income restoration activities. ADB is continuing its dialogue with the Government with a view to reach a resolution of this issue.

To ensure timely and effective implementation of Recommendation 1 within 12-18 months as recommended by CRP, ADB will verify the Government's review of the DMS and will actively engage with the Government in developing information dissemination documents and conducting consultations with AHs. ADB will also closely review reports of external monitoring consultants to ensure proper delivery of compensation deficits.

With respect to Recommendation 2, Government has agreed to assess the public facilities at the relocation sites and improve them to conform to relevant country standards. ADB will review, in close consultation with the Government, the operations and maintenance of the facilities at the relocation sites, and will explore ways for capacity development of community-funded and -driven maintenance mechanisms, by working with self-help groups established at the relocations sites to come up with appropriate operations and maintenance arrangements.

On Recommendations 3 and 4, ADB is ready to provide technical assistance to support the Government in strengthening the grievance redress mechanism (GRM) and building capacity of the Inter-ministerial Resettlement Committee. To ensure transparency of the GRM,

the Government has agreed to include representatives of AHs in the GRM and provide details of grievances regarding computation and payment of compensation deficits in external monitoring reports which are disclosed on ADB's website.

On Recommendation 5, the Government does not agree to establish a debt workout scheme on the grounds that debt workout is not a compliance issue, but has agreed that ADB may help identify possible resources and develop a support program with the participation of a micro finance institution, non-governmental organization, or other suitable entry, to help address the financial sustainability of AHs.

On Recommendation 6, ADB will continue to support the ongoing expanded income restoration program (EIRP) to ensure its sustainability.

Remedial actions will be implemented in consultation with AHs and other stakeholders. Prior to implementation, the remedial actions will be explained to AHs in the project sites and feedback will be sought. The compensation deficit payment scheme (under Recommendation 1) entails multiple tiers of consultations that will be undertaken with AHs.

ADB will continue to perform its supervisory role and will actively support and engage with the Government with the aim of bringing the project into compliance with ADB policies and procedures. In particular, ADB will continue close monitoring of the remedial actions, with increased field presence, through frequent review missions and site visits with Government officials. The Oversight Committee will continue to monitor and guide further development and implementation of the remedial actions.

Remedial Actions

Actions	Implementation	Milestones
Recommendation 1: Establish a compensation deficit payment scheme.		
Inter-ministerial Resettlement Committee (IRC) reviews for each affected household ¹ (AH) the: (i) Detailed Measurement Survey (DMS); and (ii) Contract between IRC and AH, for mis-categorization in the DMS.	IRC completes review of the DMS and the Contracts for 3,581 AHs and identifies mis-categorizations. (By Quarter (Q) 3, 2014 ²) ADB verifies the results of IRC's review. (By Q3, 2014)	Review completed by Q3, 2014.
IRC computes compensation deficits for: (i) property losses due to mis-categorization and inflation using consumer price index (CPI) ³ ; and (ii) transition allowances (living/income and transport allowances) due to inflation using CPI.	IRC prepares adjusted quantities due to mis-categorizations and new unit rates for: (i) property losses; and (ii) transition allowances (living/income and transport allowances). ⁴ (By Q3, 2014) ADB verifies adjustments. (By Q3, 2014)	Computations completed by Q3, 2014.
IRC conducts consultations and disseminates information to AHs on the: (i) timelines for house-to-house consultations; (ii) methodology for computation of compensation deficits; and (iii) appeal's mechanism under the improved Grievance Redress Mechanism ⁵ (GRM) regarding computation and payment of compensation deficits.	IRC prepares: (i) timelines for house-to-house consultations; and (ii) information dissemination materials, including grievance redress. (By Q4, 2014) IRC conducts consultations. (By Q4, 2014) ADB observes IRC's consultations with AHs.	Consultation and information dissemination materials prepared by Q4, 2014. Consultations conducted and information disclosure completed by Q4, 2014.
IRC prepares amended contracts for AHs reflecting compensation deficits.	IRC prepares amended draft contracts. (By Q4, 2014) ADB reviews sample amended draft contracts. (By Q4, 2014)	Amended draft contracts prepared by Q4, 2014.
IRC conducts house-to-house consultations.	IRC provides AHs with copies of the amended draft contracts and	House-to-house consultations and

¹ 3,581 partially or fully AHs under the Project, excluding households at Samrong Estate.

² Review of 116 records has already been completed during the OSPF process; the balance to be reviewed by Q2, 2014.

³ Prices will be updated using the CPI from 2006 up to (i) the year of relocation for AHs who relocated to 5 resettlement sites, and (ii) the year of compensation for other AHs. All adjustments will be consistent with the entitlement matrix of Updated Resettlement Plans (URP Phnom Penh, 2010; URP Poipet, 2010; URP Southern Line, 2009; and URP Northern Line and Missing Link, 2008).

⁴ Living/income and transport allowances refer to the category: "Impacts During Relocation and Loss of Income or Source of Livelihood" based on entitlement matrixes of URPs (see footnote 3 for URPs).

⁵ Improved GRM to include representative(s) of AHs in each Commune Resettlement Sub-Committee and quarterly monitoring reports of the existing external monitor to include details of grievances regarding computation and payment of compensation deficits.

Actions	Implementation	Milestones
	<p>explains corrections to DMS and computation of compensation deficits. (By Q1, 2015)</p> <p>IRC provides AHs with opportunity to comment on the amended draft contracts within one month from the date of individual consultations. However, the amended draft contract can be signed within this period if AH decides and agrees. (By Q1, 2015)</p> <p>IRC explains GRM for appeals against payment computations. (By Q1, 2015)</p> <p>IRC effectively uses media and other communication channels for outreach of consultations. (Q4, 2014-Q1, 2015)</p> <p>ADB monitors, through the existing external monitor, consultations with AHs. (By Q1, 2015)</p>	supply of amended draft contracts to AHs completed by Q1 2015.
IRC provides payments to AHs.	<p>IRC provides payments. (Q1-Q2, 2015)</p> <p>ADB monitors, through the existing external monitor, payments to AHs.</p>	Payments completed by Q2 2015.
Computation and payment of compensation for income losses ⁶ for relocated AHs.	Under discussion.	Under discussion.
Recommendation 2: Improve facilities at resettlement sites.		
IRC assesses facilities at the relocation sites to ensure that these facilities conform to relevant national, provincial, or local authority standards.	<p>IRC: (i) visits each relocation site; (ii) prepares inventory lists of the existing public facilities⁷ and existing non-public facilities; and (iii) assesses the quality and adequacy of public facilities based on national, provincial or local authority standards. (Q4, 2014)</p>	Assessments completed by Q4, 2014.
IRC prepares a time-bound action plan for the improvement of the facilities at the relocation sites.	IRC prepares a time-bound action plan which: (i) identifies urgent actions to improve public facilities at the relocation sites; and (ii) provides cost estimates and detailed implementation schedule of the	Time-bound action plan prepared by Q1, 2015.

⁶ Additional income losses from the date of relocation of AHs up to the commencement of income restoration activities.

⁷ Public Facilities refer to facilities that will be owned by national, provincial or local governments.

Actions	Implementation	Milestones
	<p>identified urgent actions. (Q1, 2015)</p> <p>ADB reviews the time-bound action plan. (By Q1, 2015)</p>	
IRC improves the facilities at the relocation sites identified as urgent actions under the time-bound action plan.	IRC improves public facilities at the relocation sites in accordance with the time-bound action plan. (Q1-Q2, 2015)	Facilities improved by Q2, 2015.
IRC hands over the improved facilities to the appropriate local authorities.	IRC hands over the non-public facilities to the residents and the improved public facilities to the appropriate local authorities with a clear statement that O&M will be the responsibility of the respective recipients. (By Q1, 2015)	Facilities handed over by Q1, 2015.
IRC requests the Ministry of Health (MOH) to ensure that the medical center at the Phnom Penh relocation site operates as per national standards.	IRC advises MOH in writing to ensure that the medical center at the Phnom Penh relocation site operates as per national standards set by MOH. (Q3, 2014)	Medical center at the Phnom Penh relocation site operates as per national standards set by MOH by Q3, 2014.
O&M mechanism of the facilities at the relocation sites.	Under discussion.	Under discussion.
Recommendation 3: Improve the functioning of the grievance redress mechanism, to be reflected in a time-bound and verifiable action plan.		
IRC prepares a specific and verifiable time-bound action plan for improving the functioning of the GRM.	<p>IRC prepares a specific and verifiable time-bound action plan. (Q4, 2014)</p> <p>ADB reviews and provides feedback on the action plan. (By Q4, 2014)</p>	Agreed action plan prepared by Q4, 2014.
IRC implements the specific and verifiable time-bound action.	Implements the specific and verifiable time-bound action. (Starts by Q4, 2014)	Commencement of implementation of the action plan by Q4, 2014.
Recommendation 4: Develop an appropriate program to build capacity of IRC, to be reflected in a time-bound and verifiable action plan.		
IRC, in consultation with ADB, prepares a time-bound and verifiable action plan for capacity building.	IRC prepares a time-bound and verifiable action plan for capacity building with ADB assistance. (By Q1, 2015)	Time-bound and verifiable action plan developed by Q1, 2015.
IRC implements the time-bound and verifiable action plan.	<p>IRC implements the action plan. (Starts Q2, 2015)</p> <p>Upon IRC's request, ADB provides expertise and arranges training programs and exchange visits of IRC staff in Asia. (Starts Q1, 2015)</p>	Implementation of the action plan starts by Q2, 2014.

Actions	Implementation	Milestones
Recommendation 5: Establish a debt workout scheme to help highly indebted families repay their accumulated debts through a dedicated credit line and a debt workout facility.		
Develop and implement measures to help address financial sustainability of AHs.	Under discussion.	Under discussion.
Recommendation 6: Implement the expanded income restoration program (EIRP) in a sustained and sustainable manner.		
IRC to continue implementation of the EIRP.	IRC continues supporting existing EIRP activities in all relocation sites. ADB continues monitoring of the EIRP.	
Build capacity of self-help groups (SHGs) for sustainability.	Builds capacity of SHGs in managing the EIRP funds. (Starts Q3, 2014)	Implementation commences by Q3, 2014.
IRC to design exit strategies for SHGs.	IRC designs exit strategies and assists in laying the foundation/building blocks for eventual transformation of such SHGs into saving groups. (By Q4, 2014)	Exit strategies designed by Q4, 2014.
IRC to implement exit strategies for SHGs.	IRC implements exit strategies. (Starts by Q1, 2015)	Projected completion by Q4, 2015.

DECISION OF THE BOARD OF DIRECTORS OF THE ASIAN DEVELOPMENT BANK ON THE CRP'S RECOMMENDATIONS

31 January 2014

DECISION OF THE BOARD OF DIRECTORS OF THE ASIAN DEVELOPMENT BANK

On 31 January 2014, the Board considered DOC.R1-14: CRP Final Report – Compliance Review Request on the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project - Loans 2288-CAM and 2602-CAM, and Grant 0187-CAM, and made the following final decision regarding the recommendations set out in Section X of the CRP Final Report. The Board approved recommendations 2, 3, and 4 as proposed by CRP and approved recommendations 1, 5, and 6 with modifications.

Taking into account the modifications as approved by the Board, Section X of the CRP Final Report would read as follows:

264. The CRP has given long, serious, and earnest consideration to these recommendations. Their main purpose is to bring the project into compliance with ADB safeguard policies, in view of the noncompliance on the part of ADB that the CRP compliance review disclosed. The recommendations also seek to avoid further harm to affected persons.

265. **Recommendation 1: Establish a compensation deficit payment scheme.** With regard to our findings under sections A.1 (on the adequacy of resettlement plan preparation and implementation), B.1 (on the adequacy of compensation for property losses), B.2 (on the adequacy of transition assistance for affected households), and B.3 (on the adequacy of compensation for lost income and income restoration), the most obvious recommendation appeared to be a fresh independent replacement cost study from 2006 to 2013 and a resettlement audit of compensation payments with a follow-up payment program to ensure that full compensation is paid to all AHs.¹ However, on further reflection the CRP concluded that a resettlement audit would not fully serve the purpose of speedily bringing this project into compliance. An audit would take at least 2 years to complete and another year would be spent making compensation payments to AHs. These AHs need assistance as soon as possible and the delay is not justifiable. Besides, the CRP's interviews with government officials clearly showed that the government does not favor a resettlement audit.

266. The CRP therefore turned to examining alternative ways of bringing this aspect of the project into compliance. It identified international and national mass compensation claims processing techniques as a model for a potential solution. There is considerable experience and knowledge on mass claims processing techniques in a wide range of situations including post-conflict war reparations to victims, dormant account claims on Swiss banks, and refugee and immigrant compensation schemes at the international level,² as well as natural disaster compensation schemes at the national level. The CRP's recommendation for addressing compensation deficits for property and income losses, as well as transition allowances, draws on these experiences and models. The CRP believes

¹ This is a key recommendation made in a confidential ADB Report of 12–22 September 2012.

² Howard Holtzmann and Edda Kristjansdottir, eds. 2007. *International Mass Claims Processes: Legal and Practical Perspectives*. Oxford University Press.

ADB would thus be able to address the compensation deficits and rectify noncompliance effectively and quickly.³ The recommendation below is provided with the expectation that if and when it is approved by the Board, it would be used by ADB Management as a guide in crafting its action plan for implementing the recommendations. The recommendation must therefore be seen as a broad framework and not as a rigid scheme.

267. The CRP recommends that ADB require the GoC:

- a. to establish a remedial action program to compensate the AHs. Such a program must ensure that AHs are compensated in accordance with ADB's safeguards policy and applicable ADB procedures and the guidelines set forth below, which CRP estimates would likely fall in the range of \$3 million to \$4 million. The source of funding for such program should be an ADB loan or other sources of funds; and
- b. to agree to the implementation and administration of such program, consistent with the guidelines set forth below, with the assistance, advice and oversight of ADB.

268. There are several options for how such a program could be established and operated and what factors might be considered in computing compensation deficits, but the operations of the program have to satisfy the following guidelines, consistent in any case with ADB's safeguards policy, applicable ADB procedures, and relevant loan covenants:

- (i) The program must be established and the compensation paid to AHs quickly (within 12-18 months of the approval of these recommendations by the Board) and efficiently.
- (ii) The program might not compute compensation deficits with precision but should establish sufficient and clear entitlements for compensation categories (property loss, cost adjustments for inflation, transition allowance, income loss, etc.) in compliance with ADB's safeguards policy and applicable ADB procedures for which AHs could apply.
- (iii) The program has to mitigate property, transitional, and income losses suffered by AHs so that they are not made worse off as a consequence of the resettlement.
- (iv) As required by paragraph 128 of the Accountability Mechanism Policy, all remedial actions will be carried out in accordance with applicable ADB policies and procedures, and with the consent of GoC as contemplated by such paragraph 128.

³ This would include the additional 248 AHs in Phnom Penh that were initially assessed as partially affected, but later found to be fully affected (paras. 153–154). The still pending Addendum RP for Phnom Penh was intended to provide compensation and resettlement assistance for the 105 AHs that opted to move to the Phnom Penh resettlement site. The remaining AHs who choose to relocate close to their original place of habitation would apparently not receive any additional compensation although their houses had been found to be fully affected.

- (v) Appropriate arrangements (including necessary skills and infrastructure) will be devoted to implement the program.
- (vi) The program should operate transparently.
- (vii) The program must have an oversight body which can also act as a single-tier appeal body regarding computation and payment of compensation.

269. An illustrative example of how such a scheme could be designed and implemented is provided in Appendix 5 of this report.

270. ADB Management in its response to the *draft* CRP report stated that it “agrees that compensation deficits should be rectified” but that the “establishment of an ADB fund for compensation payments is not the appropriate mechanism” for the reasons set out in its response. One reason adduced by ADB Management was that the recommendation constituted “damages” and was not within the competence of the CRP. The CRP believes that the recommendations contained in this *final* report fall squarely within the definition of compensation payable to AHs under ADB operational policies and procedures and its recommendation seeks to bring this project into compliance.

271. The requesters in their comments on the CRP draft report state that the “broad contours of the proposed compensation deficit payment scheme represent an acceptable remedy for the issues of inadequate compensation for losses.” However they assert that “there is too much discretion granted to ADB Management in the CRP’s recommendation to design the scheme” and “(g)iven their experience over the past four years, the requesters have little faith that the ADB will follow through appropriately with this recommendation unless the basic structure and principles of the scheme are clearly prescribed as recommendations by the CRP and adopted by the Board.” In the CRP’s view, the guidelines set out in the recommendation if and when adopted by the Board will need to be followed by the ADB Management, and the CRP will have an opportunity to comment on Management’s action plan drawn up in pursuance of those guidelines and to monitor the implementation of the action plan if and when it is approved by the Board.

272. **Recommendation 2: Improve facilities at resettlement sites.** With regard to its findings in section A.2 (on adequacy of basic services and facilities at resettlement sites), the CRP acknowledges that considerable efforts are under way to ensure that the access roads are improved after the rainy season ends in November 2013. The CRP also found that all the sites now have water and electricity supply, though in Battambang the quality of the water supply is still a significant issue. A primary school has been built in Poipet and the school at the Phnom Penh resettlement site is being enlarged to accommodate 10 more classrooms. The CRP also expects to see the continued provision of the medical insurance scheme formerly provided by SKY. The CRP recommends that the medical center at the Phnom Penh site be refurbished, provided with a better supply of medication, and properly staffed with a medical doctor. ADB Management should present a time-bound action plan that spells out, in some detail, both urgent and longer-term actions to be taken to improve and maintain the facilities on all sites.

273. Recommendation 3: Improve the functioning of the grievance redress mechanism, to be reflected in a time-bound and verifiable action plan. The CRP's findings under section A.4 acknowledge the improvements that have been made in the grievance redress mechanism. Yet it is still not functioning as expected. The CRP suggests that the ADB Management review this mechanism and propose interventions, including training and capacity building, as well as a greater up-front role for IRC in providing guidance on complaint handling. ADB Management should have an action plan with specific time-bound and verifiable actions for improving the functioning of the grievance mechanism.

274. Recommendation 4: Develop an appropriate program to build capacity for resettlement in the IRC, to be reflected in a time-bound and verifiable action plan. With regard to the CRP's findings under section A.5, ADB has taken action to build the capacity of the executing agency (IRC) for resettlement. In CRP interviews with the IRC, it was clear that the resettlement committee has an enthusiastic group of young staff, many of whom are willing to learn best practices and find ways to improve performance in resettlement and other safeguards. IRC now provides services to many projects funded by different donors and it is therefore in the interests of ADB to continue to build the capacity of the IRC by offering training and exchange visits to other places in Asia where resettlement is being carried out more successfully. The CRP suggests that ADB, in consultation with IRC, develop an appropriate capacity-building program for IRC, to be reflected in a time-bound and verifiable action plan. The plan may include training and other interventions such as the provision of expertise.

275. Recommendation 5: Establish a debt workout scheme to help highly indebted families repay their accumulated debts through a dedicated credit line and a debt workout facility. The dedicated credit line would provide funds at a highly subsidized interest rate and at sufficiently long maturity. ADB loans or other funds could be used to finance this debt work out scheme. Funds could be used only to repay debts. Funds provided under the debt workout program would be disbursed directly against AH loan repayment obligations, and would not be disbursed to indebted households. The repayment of informal lenders that have lent at usury rates to AHs presents a special challenge. Households interested in participating in the debt workout scheme should be consulted on how procedures for repaying debts to informal money lenders directly through the debt workout facility could be established. AHs would be required to use the incremental compensation payments proposed in recommendation 1, for debt repayment. Funds provided under the facility to a single household would need to be capped, for example at \$1,000, to avoid fund capture by better-off households, which could borrow larger amounts because they have more valuable assets. AHs participating in the scheme would also be required to participate in basic financial training to improve household financial management. The scheme could be implemented by an NGO or other suitable institution that can demonstrate adequate financial management competence. Further data on the debt levels of resettled households would be required to establish the approximate size of the fund for a debt workout.

276. Recommendation 6: Implement the expanded income restoration program in a sustained and sustainable manner. The EIRP now being implemented is an appropriately designed program. It provides funds to SHGs for capacity building, some

funds for investments, and training support. For the program to be sustainable, capacity building should be provided over an extended period, to allow SHGs to develop into sustainable institutions and eventually savings groups, and SHG systems and financial management processes to mature. In light of the vulnerabilities and high indebtedness experienced by many AHs during the resettlement process, support under the EIRP to resettled households should be continued.

With respect to recommendation 7 relating to the freight facility at the Samrong Estate, the Board noted that the government of Cambodia has requested that the development of that freight facility be removed from the project scope. The Board also noted Management's advice that an appropriate amendment to the project scope was being processed, and would be presented to the Board for consideration in due course. The Board did not adopt recommendation 7 pending a final determination of the scope change.

Uploaded by: OCRP
Date: 7 February 2014

DATA ON THE STATUS OF REMEDIAL ACTIONS AND SOCIO-ECONOMIC CONDITION OF AFFECTED HOUSEHOLDS
Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project

Table 1: Status of additional compensation for property losses and transition allowances by 30 April 2017

Section	Total no. of AHs	AHs contacted & consulted	AHs signed contract	AHs paid	AHs not located	AHs who did not sign contract	AHs did not collect payment
Southern Line	206	206	206	206			
Northern Line	1,156	1,102	1,097	1,081			
Poipet	943	820	801	791			
Phnom Penh	1,268	1,210	1,155	1,091			
TOTAL	3,573	3,338 (93.4%)	3,259 (91.2%)	3,169 (88.7%)	235	79*	90**

Table 2: Status of additional income support received for time gap between relocation and EIRP start by 30 April 2017

Resettlement Site	AHs entitled	AHs signed contracts	AHs paid
Sihanoukville	13	13	13
Battambang	38	38	38
Pursat	31	31	31
Poipet	253	253	252
Phnom Penh	72	71	71
TOTAL	407	406	405

Table 3: Sources of number of loans (productive and consumption) of resettled AHs in Poipet and Phnom Penh

Loan source	Jan-March 2016	Apr-June 2016	July-Sept 2016	Oct-Dec 2016	Jan-March 2017	April-June 2017
Private Lender	52	39	42	36	35	33
Relative	9	24	19	18	18	14
Self-Help Group	75	85	99	101	92	78
MFI	139	165	179	197	192	148
Bank	12	10	11	11	11	28
TOTAL	287	323	350	363	347	301

Table 4: Income, Expenses and Assets versus Debt and Repayment Obligations by June 2017 (in US\$)

Resettlement Site	Income, Expenses and Assets			Debt and Repayment Obligations		
	Average Quarterly Income of AHs by June 2017	Average Quarterly Expenses of AHs	Average Value of AH Assets	Average Debt Remaining across AHs	Average Interest on AH Loans to be paid in the next three months	Average Principal and Interest on loans to be paid in the next three months
Phnom Penh	\$1,418.62	\$845.22	\$15,016.50	\$1,981.49	\$156.89	\$511.68
Poipet	\$1,536.42	\$1,067.93	\$14,529.60	\$2,626.96	\$153.48	\$640.05
Pursat	\$1,148.05	\$929.88	\$5,808.52	\$731.19	\$41.90	\$338.11
Battambang	\$649.05	\$540.51	\$6,545.07	\$685.48	\$38.97	\$205.36
Sihanoukville	\$1,831.56	\$1,164.94	\$14,346.94	\$4,526.88	\$234.37	\$1,185.40
Averages	1,317	910	11,249	2110	125	576

Based on data in CUFA: Strengthening Resettlement and Income Restoration (SRIRI) Report April-June 2017.

Table 5: CUFA: Average Quarterly Income of AHs (in US\$) – Before Resettlement; RIEL (ending March 2015); SRIRI (March-Dec 2016), SRIRI (Jan-March 2017), and SRIRI (April-June 2017)

Resettlement Site	Average Quarterly Income of AHs: Before Resettlement	Average Quarterly Income of AHs during the RIEL Project (by March 2015)	Average Quarterly Income of AHs during the SRIRI Project (by March 2016)	Average Quarterly Income of AHs during the SRIRI Project (by June 2016)	Average Quarterly Income of AHs during the SRIRI Project (by September 2016)	Average Quarterly Income of AHs during the SRIRI Project (by December 2016)	Average Quarterly Income of AHs during the SRIRI Project (by March 2017)	Average Quarterly Income of AHs during the SRIRI Project (by June 2017)
Phnom Penh	\$693.06	\$949.32	\$1,531.69	\$1,402.67	\$1,352.94	\$1,528.39	\$1,508.11	\$1,418.62
Poipet	\$552.60	\$1,122.63	\$1,194.48	\$1,423.69	\$1,437.85	\$1,611.35	\$1,482.02	\$1,536.42
Pursat	\$735.00	\$1,120.77	\$496.29	\$679.85	\$762.35	\$1,031.11	\$1,067.36	\$1,148.05
Battambang	\$581.67	\$845.82	\$529.58	\$756.20	\$707.97	\$749.67	\$693.63	\$649.05
Sihanoukville	\$624.99	\$1,114.29	\$1,286.52	\$1,582.57	\$1,421.88	\$1,541.25	\$1,599.38	\$1,831.56
Averages	637.46							1,316.74

TABLE 6: CUFA Medium Quarterly Income in US (\$)

Resettlement Site	Estimated Quarterly Median Income Before Resettlement (\$)	Total Household Quarterly Median Income: SRIRI (Apr-June 2016) (\$)	Total Household Quarterly Median Income: SRIRI (July-Sep 2016) (\$)	Total Household Quarterly Median Income: SRIRI (Oct-Dec 2016) (\$)	Total Household Quarterly Median Income: SRIRI (Jan- Mar 2017) (\$)	Total Household Quarterly Median Income: SRIRI (Apr-June 2017) (\$)
Phnom Penh	\$675.00	\$1,200.00	\$1,200.00	\$1,256.25	\$1,350.00	\$1,380.00
Poipet	\$450.00	\$1,153.57	\$1,293.21	\$1,457.14	\$1,500.00	\$1,427.50
Pursat	\$150.00	\$750.00	\$750.00	\$907.50	\$750.00	\$870.00
Battambang	\$262.50	\$660.00	\$405.00	\$798.75	\$637.50	\$450.00
Sihanoukville	\$675.00	\$1,412.50	\$1,355.00	\$1,615.00	\$1,270.00	\$1,657.50
All Sites	\$450.00	\$1,153.57	\$1,200.00	\$1,256.25	\$1,270.00	\$1,380.00

Table 7: Status of AH residence in the Resettlement Sites

Resettlement site	Updated RP figures for AHs to resettle	AHs residing at resettlement sites as of July 2015	AHs residing at resettlement sites as of December 2016	AHs residing at resettlement sites as of March 2017
Phnom Penh	266	72	53	52
Poipet	601	253	210	209
Pursat	33	31	20	18
Battambang	48	38	17	17
Sihanoukville	33	13	8	8
TOTAL	981	407	308	304