Fifth 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])

20 March 2020

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ABBREVIATIONS

ADB – Asian Development Bank
AH – affected household
CRP – Compliance Review Panel
CSE – community social enterprise
Cufa – Cufa Ltd, Australia
EIRP – expanded income restoration program
GRM – grievance redress mechanism
IRC – Inter-ministerial Resettlement Committee
MLMUPC – Ministry of Land Management, Urban Planning and Construction
O&M – operation and maintenance
SHG – self-help group
TA – technical assistance
VPSP – vocational placement strategy program

WEIGHTS AND MEASURES

m² – square meter

NOTE

In this report, “$” refers to United States dollars.

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In preparing any country program or strategy, in financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
I. INTRODUCTION

1. This is the fifth 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) following a compliance review of the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project (Project). In this report, the Project refers to ADB Loan 2288 and Loan 2602/Grant 0187 (Supplementary) approved by the Board in December 2006 and December 2009, respectively.

2. The CRP carried out its compliance review under the 2003 Accountability Mechanism Policy (AMP) of ADB as the complaint was first filed with the Office of the Special Project Facilitator and was declared eligible on 11 January 2012 before a revised AMP took effect on 24 May 2012. Thus, the CRP followed the monitoring procedures stipulated in the 2003 AMP.

3. 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.

4. Upon determination of eligibility of the request, the CRP submitted its report to the Board which subsequently authorized the conduct of a 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 CRP’s first six recommendations 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.

5. This report assesses the progress made by ADB Management on implementation of the Board-approved Recommendations of 31 January 2014. It has the following structure:

   (i) a short description of the Project;
   (ii) a summary of the outcomes of the CRP’s compliance review and the Board-approved Recommendations;
   (iii) a summary of Management’s action plan to implement the Board-approved Recommendations;
   (iv) the findings of the CRP in its fifth year of monitoring;
   (v) the CRP’s conclusions regarding the current state of Management’s implementation of the Board-approved Recommendations; and
   (vi) the CRP’s feedback regarding the implementation of Management’s action plan.

6. This report is based on the CRP’s review of i) ADB Management’s concluding progress report on the implementation of Management’s action plan to implement the Board-approved Recommendations on the Project (which was received by the CRP on 16 December 2019); ii) ADB Management’s written responses to additional queries from the CRP (which were received by the CRP on 16 January 2020); and iii) additional insights and information provided to the CRP by relevant ADB project staff and technical assistance (TA) consultants during a teleconference call on 30 January 2020. The CRP wrote to Eang Vuthy of Equitable Cambodia, who was the local representative of the complainants when the complaint was filed in 2012, inviting him to provide complainants’ views on the progress of the implementation of the Board-approved Recommendations in the period from March 2019 onwards. E. Vuthy indicated that Equitable
Cambodia had not been actively monitoring the situation on the ground over the past year and it was therefore difficult to offer comments.

7. The CRP did not conduct a monitoring mission to Cambodia in this fifth monitoring period. Consequently, this monitoring report was prepared without the benefit of direct observation of resettlement sites, or of the direct views of relevant agencies of the Government of Cambodia (Government), the complainants, or other affected persons.

II. DESCRIPTION OF THE PROJECT AND ITS STATUS

8. 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. Supplementary finance (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 received finance of $13 million from the OPEC Fund for International Development (Loan 8228-CAM) which was approved with the original loan. The Department of Foreign Affairs and Trade (Australia) provided additional finance of $960,000, which was approved by the ADB President in January 2012, for an expanded income restoration program (EIRP). Additionally, a technical assistance project with an estimated cost of $0.45 million (funded by the Government of Australia) was approved to enable the Ministry of Public Works and Transport to conduct: (i) outcome monitoring; and (ii) procurement review of works to be added to the project scope by means of variations to the existing contracts. A number of changes were approved to the Project scope in September 2014. Following these changes, CRP’s monitoring has centered on implementation of the Board-approved Recommendations in relation to the agreed revised Project rather than that originally approved.

9. With the exception of resettlement, which was implemented by the Inter-ministerial Resettlement Committee (IRC) through the Resettlement Department under the Ministry of Economy and Finance, the Project was implemented through Cambodia’s Railway Department of the Ministry of Public Works and Transport. The loans and grant for the Project were administered from ADB Headquarters by the Transport and Communications Division (SETC) of Southeast Asia Department, in close collaboration with the Cambodia Resident Mission. The Project was categorized as ‘A’ for impacts on involuntary resettlement as it entailed physically and economically displacing thousands of persons living along the corridor of impact of the

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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.
railway. Resettlement issues were also the primary trigger for the request for compliance review by project affected persons.

10. Loans 2288 and 2602 were closed on 01 November 2016 and Grant 0187 was closed on 20 April 2016. Loan closure also marked the official conclusion of the Government’s involvement in the implementation of remedial actions to address the Board-approved Recommendations. In the period since, ADB Management has addressed the remaining CRP recommendations through TA 8810-CAM: *Strengthening Resettlement and Income Restoration Implementation*. This TA was implemented from January 2016 to November 2019.

### III. COMPLIANCE REVIEW AND RECOMMENDATIONS

11. 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. The compliance review was done through (i) desk review of documents; (ii) interviews with ADB staff; (iii) meetings in 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 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.

12. The CRP concluded that the circumstances reflected in these findings, which resulted in material harm to project affected persons, were the direct result of ADB’s failure to comply with its relevant operational policies and procedures during Project design and implementation. As such, the CRP made recommendations which focused 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.

13. The Board considered the CRP’s recommendations and Board-approved Recommendations were adopted by decision of the Board on 31 January 2014. The Board-
approved Recommendations are set out in full in Appendix 2 of this report. Subsequently, the ADB Management submitted to the Board in April 2014 an action plan to address the Board-approved Recommendations and bring the Project back into compliance. In formulating the action plan, ADB Management held several policy dialogues with the 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 comments dated 3 April 2014, the CRP noted that several aspects of the action plan fell short of the Board-approved CRP recommendations. After ADB Management had submitted the action plan to the Board, the CRP submitted further comments to the BCRC through a memorandum 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 clear that unless changes were made to certain measures included in the action plan, the Project would not be brought into compliance even if the action plan was implemented fully.6

14. During the fourth monitoring period, the CRP sought advice from ADB’s General Counsel on how to apply its monitoring mandate under the 2003 AMP. The CRP was advised that its monitoring function was limited to monitoring the implementation of Board-approved actions and to reporting on the progress on those actions. Accordingly, in this fifth monitoring report, as with the fourth monitoring report, the CRP has focused on whether ADB’s actions since adoption of the Board-approved Recommendations have implemented those recommendations.

IV. RESULTS OF THE MONITORING OF THE BOARD-APPROVED RECOMMENDATIONS

15. Based on CRP’s desk review of ADB Management’s report, including its response to additional information requests by the CRP, and discussions during its videoconference with ADB staff at ADB Headquarters, an individual ADB consultant involved in implementation of TA-8810, and Cufa Ltd, Australia (Cufa), the following paragraphs describe CRP’s assessment of ADB’s progress in implementing the Board-approved Recommendations over the period November 2018 to January 2020.

6 The CRP by separate communications informed ADB Management and the 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 relevant ADB operational policies and procedures.
A. Board-approved Recommendation 1

**Recommendation 1:** Establish a compensation deficit payment scheme.

**Status of implementation:** The CRP concluded in its fourth monitoring report that this recommendation had been implemented. However, it encouraged ADB Management to continue to monitor the issuance of land titles to AHs at the resettlement sites. ADB Management has indicated that it has done so.

**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.)

16. **CRP findings regarding compliance with Recommendation 1.** This recommendation had been implemented at the time of CRP’s fourth monitoring report. However, the CRP encouraged ADB Management to continue monitoring the issuance of land titles to AHs at the resettlement sites. ADB has informed the CRP that it has done so on an informal basis, through Cufa.

17. The CRP understands from information provided by ADB during the present monitoring period that affected households (AHs) in all five resettlement sites have received land certificates issued by local authorities which the AHs have been able to use to sell their land or use it as collateral. However, only at Battambang have AHs been issued with official land title certificates by the Ministry of Land Management, Urban Planning and Construction (MLMUPC). As to the remaining resettlement sites, according to ADB, AHs who were provided with land plots and have resided on their plots for 5 years are eligible to apply for and acquire land title certificates from the MLMUPC. Based on this information and written household survey data provided by ADB and Cufa, as well as the report of an external evaluation of Cufa’s work under TA-8801 commissioned by Cufa’7 (referred to elsewhere in this report as the ‘external evaluation report’), the CRP understands that the absence of official Government-issued land title certificates for AHs at Poipet, Phnom Penh, Pursat, and Sihanoukville does not, in practice present obstacles to those wishing to sell their land or to use it as security for loans. The CRP notes that the external evaluation report records that the remaining AHs would benefit from close monitoring and

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facilitation of the process of issuing official land title certificates by the MLMUPC.\(^8\) ADB may wish to consider whether its further routine engagement with the Government provides opportunities to stay abreast of developments in this regard.

B. Board-approved Recommendation 2

**CRP Recommendation 2: Improve facilities at resettlement sites.**

**Status of implementation:** At the time of its fourth monitoring report, the CRP concluded that ADB had implemented this recommendation. The CRP continues to encourage ADB Management to communicate to the Government, in the course of its ongoing relationship, the value of further developing and assuming responsibility for maintenance of infrastructure at all five resettlement sites.

**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.)

18. **CRP findings regarding implementation of Recommendation 2.** In the absence of physical observation of the resettlement sites, the CRP has relied during this fifth monitoring period on the final completion report of Cufa\(^9\) and the external evaluation report of Cufa’s work under TA-8810 dated February 2019.\(^10\) Information provided on the status of infrastructure in the external evaluation report as of February 2019 (Figure 30, p. 51) shows that only at Phnom Penh were all AHs connected to a piped water supply system. At Poipet and Sihanoukville, a majority of the AHs were connected to a piped water supply system. It should be noted that in Pursat and Battambang, there is still no option for the AHs to be connected to piped treated water. While they do have piped water, those are internally sourced and operated by their respective O&M committees. As to drainage, while there are operational drainage networks at Phnom Penh, Pursat, Battambang and Sihanoukville, at Poipet the external evaluation report records, as at February 2019, that the drainage system was said to be broken.\(^11\) Additionally, the report records that AHs at Phnom Penh had complaints about the drainage system, and that there had been road flooding indicating drainage problem in Sihanoukville.\(^12\) At Pursat, wastewater reportedly

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\(^8\) Footnote 7, p.53, para. 143.
\(^10\) Footnote 7.
\(^11\) Footnote 7, p. 46.
\(^12\) Footnote 7, p. 47.
flows into drainage and then to the river nearby.\textsuperscript{13} Solid waste collection and disposal is also a continuing concern. Despite evidence that awareness of environment-friendly practices has increased, AHs at all sites save for Phnom Penh commonly burn solid waste near or at the sites due to a lack of alternatives.

19. The long-term sustainability of community infrastructure necessitates that it be handed over to local government agencies for development, maintenance and improvement. However, materials reviewed by the CRP during this monitoring period indicate that only the Phnom Penh O&M Committee has been able to successfully transfer responsibility for water, waste, and road maintenance to local authorities. The CRP understands that the O&M committee at this site has consequently ceased to operate having completed its tasks. Drainage networks are operated by local government agencies at Phnom Penh, Sihanoukville and Pursat. However, these exceptions aside, remaining infrastructure is reportedly still maintained through O&M committees at four of the five sites.

20. \textbf{CRP conclusions regarding implementation of Recommendation 2.} The CRP did not conduct site visits to the resettlement sites during its fourth nor this fifth monitoring period. Consequently, the CRP’s observations are based solely on information received from ADB and Cufa, together with the external evaluation report of Cufa’s work under TA-8810 as at February 2019. The CRP notes that the physical status of community infrastructure at the five resettlement sites is recorded in the external evaluation report. This report notes progress in community access to piped water supply, drainage networks, and to some extent, the road infrastructure. However, the CRP has an outstanding concern regarding solid waste management at all resettlement sites save for Phnom Penh. The CRP notes that the O&M committees formed at the resettlement sites were able to improve at least some of the community infrastructure and services at all five resettlement sites. Prior to Cufa’s involvement, resettled communities faced significant issues accessing critical community infrastructure services, including waste management, water, drainage and road maintenance. There was also a lack of appreciation on the part of AHs of the importance of these services for a healthy environment and the health and well-being of the communities. ADB, through Cufa, supported communities to establish, fund and manage O&M committees that organized local improvements; collected monthly contributions toward works and services; undertook tree and village garden planting; and campaigned for local authorities to contribute to, or assume management of these vital services. The CRP noticed during visits to resettlement sites in earlier monitoring periods that the capacity building through training and knowledge sharing that O&M committees developed through TA-8810 improved environmental awareness and management strategies.

21. \textbf{CRP suggestions for Management on implementation of Recommendation 2.} The CRP encourages ADB Management to communicate to the Government, through its ongoing relationship, the value of local authorities engaging in processes of further development and maintenance of critical infrastructure at all five resettlement sites so as to ensure sustained operations of such infrastructure and affordable access to all.

\textsuperscript{13} Footnote 7, p.46.
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 implementation:** At the time of its fourth monitoring report, the CRP did not have evidence that this recommendation had been fully implemented but noted that further assessment was difficult as the Project had closed. Nevertheless, the CRP suggests that ADB Management regularly engage with Government and also with affected persons to ensure that a GRM is functioning and that affected persons have access to a GRM which can credibly address any complaints they might submit.

**Management’s Action Plan:**
- IRC prepares a specific and verifiable time-bound action plan for improving the functioning of the GRM.
- IRC implements the specific and verifiable time-bound action.

(For full text, see Appendix 2.)

22. **CRP findings regarding implementation of Recommendation 3.** This recommendation was closed in the CRP’s fourth monitoring report. However, the CRP suggested that ADB Management regularly engage with Government and also with affected persons to ensure that a GRM is functioning and that affected persons have access to a GRM which can credibly address any complaints they might submit. This was discussed elaborately in the telecall with ADB team and Cufa on 30 January 2020. With this Board-approved Recommendation closed, the CRP has not been able to gather clear information on the functioning of the project-related GRM at the project sites over the present monitoring period. ADB informed the CRP that the O&M committees act as a first-tier grievance redress platform that is able to coordinate with local government units and to which local community members have easy access. The CRP appreciates that the O&M committees may be able to provide an effective mechanism for addressing grievances and local concerns related to infrastructure and potentially other local issues. However, the CRP has concerns about whether O&M committees are equipped to deal with grievances related to the full range of issues covered under the compliance review. The CRP notes that ADB has informed it that no complaints have been received by the ADB resident mission in Cambodia over the present monitoring period. However, the CRP emphasizes that it has not been able to confirm with AHs whether any grievances relating to the Project have been raised during the same period.
D.  Board-approved Recommendation 4

**Board-approved 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:** The CRP’s second annual monitoring report found full compliance with this action. No further steps were required. Accordingly, the CRP has not considered implementation of this recommendation further during this fifth and final monitoring period.

**Management’s Action Plan:**
- IRC, in consultation with ADB, prepares a time-bound and verifiable action plan for capacity building.
- IRC implements the time-bound and verifiable action plan.

(For full text, see Appendix 2.)

23. **CRP findings regarding compliance with Recommendation 4.** The CRP’s second annual monitoring report found that ADB had fully complied with this Recommendation\(^{14}\) and no further steps were required. Implementation of Recommendation 4 has not been considered further during the present monitoring period.

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 implementation:** The CRP concludes, as in its fourth monitoring report, that Recommendation 5 has been partially implemented, since debt accumulated by AHs to finance construction of homes equivalent to those that they occupied prior to resettlement was not eligible for debt workout. The CRP considers nonetheless that Recommendation 5 should be closed, since data gathered during the fifth monitoring period indicates that outstanding loans by AHs cannot be attributed to debt incurred by AHs to construct houses equivalent to their pre-resettlement homes.

**Management’s Action Plan:**
- Develop and implement measures to help address financial sustainability of AHs.

(For full text, see Appendix 2.)

24. **CRP findings regarding implementation of Recommendation 5.** The CRP’s fourth monitoring report concluded that Recommendation 5 had been partially implemented. While the objective of the Management remedial action reflected in Recommendation 5 was to support the reduction of debt accumulated by AHs as a result of resettlement, the ADB-supported debt workout scheme excluded all housing construction debt from the scheme. Accordingly, the CRP suggested that ADB support the reduction of debt accumulated by AHs for purposes of investing.

\(^{14}\) Note on terminology: At the time of its second annual monitoring report, the CRP considered whether Board-approved Recommendations had been ‘complied’ with. With effect from the fourth monitoring period, the CRP began to consider whether Board-approved Recommendations had been ‘implemented’. 
in housing assets to the quality of houses which the AHs occupied prior to resettlement, extending the TA accordingly. The existence of such debt should be an inclusion criterion for the debt workout scheme when it can reasonably be directly attributed to resettlement from properties along the railway.

25. **CRP conclusions regarding implementation of Recommendation 5.** The CRP finds that Recommendation 5 has not been fully implemented. The ADB-supported debt workout scheme ended in October 2018 at the conclusion of a May-October 2018 TA contract extension and was not further extended. However, the CRP’s fourth monitoring report also considered whether evidence then available on the outcomes of the debt workout scheme indicated that it had served its remedial purpose such that no further action was needed. As the fourth monitoring report noted, if that were the case, the non-inclusion of housing debt in the scheme would be of little practical consequence. The CRP found it difficult to reach a conclusion on this issue on the basis of the evidence then before it. ADB extended the closing date of the TA to December 2019, and extended Cufa’s TA contract in August 2019 to allow for additional household data collection. The contract extension focused on data collection from those AHs which had outstanding loans as at 30 September 2018 and provided for Cufa to gather household data during November 2019. Data collection parameters included, among others, information regarding relevant AHs’ indebtedness, to include amount and purpose of loans, outstanding loan amounts, and remaining payment periods. On the basis that they were recorded as having outstanding loans by Cufa as at September 2018, 207 AHs fell within the scope of the data collection exercise. Of these 207 AHs, Cufa was able to gather data from a total of 151 AHs (73%). The data indicates that 37 of the 151 AHs no longer had any debt. Of the remainder, ADB’s assessment is that remaining debt cannot be attributed to resettlement impact (including loans taken out in order to finance construction of replacement houses upon resettlement).15

26. The CRP notes that the external evaluation of TA-8810 commissioned by Cufa and provided to the CRP during the monitoring process records that anecdotal evidence suggested that there was still an issue with project-induced indebtedness and that in some instances, AHs had reported that compensation payments were too low to cover expenses for house construction, which compelled them to take out loans. At the same time however, CRP understands that many AHs built houses of better quality than those they had lived in prior to resettlement.

27. For those AHs who resettled over the initial 2010-2011 period, the November 2019 dataset shows that outstanding loans (for those for whom data was available) were all taken out significantly later than resettlement, with the earliest recorded loan taken out in 2015 (one loan), two loans in 2016, and the remainder between 2017-2019. This indicates that any loans taken out by those AHs to build replacement houses upon resettlement had either been paid off as at November 2019, or, to the extent that any may then have remained in place, were held by AHs that were not reachable by Cufa for purposes of data collection.

28. The CRP has also considered the available aggregated loan data for seven AHs identified as ‘newly-resettled AHs’ in Phnom Penh (5) and Poipet (2). The CRP is unable to verify ADB’s assertion that none of the loans currently held by these AHs were taken out for purposes of house construction associated with resettlement, since individual AHs are not identified by their resettlement date in the disaggregated dataset. However, a Cufa report on the updated data collected in November 2019 records that debt levels of those 5 newly resettled AHs with debt and

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for whom data is available are manageable and have reduced as a result of assistance provided. The CRP notes that a community debt workout scheme, referred to as an "Immediate Debt Relief/Community Program", was extended to APs who were unable to join the job placement program. Such AHs were employed by Cufa under the O&M program to undertake community work until their debt was cleared, provided that they satisfied other criteria for inclusion in such a program. Among these criteria, the scheme was made available only to AHs whose income was insufficient to enable them to pay off their debts, rather than those with affordable debts.

29. With no evidence in the currently available limited November 2019 household dataset of outstanding unaffordable debt to build replacement houses, any technical, partial non-implementation of the Board-approved Recommendation does not inherently point to the value at this point in restarting an Immediate Debt Relief/Community Program. Such a restarted program would cater for the hypothetical possibility that AHs may still, now or (in the case of those still to resettle) in the future, incur unaffordable debt to build replacement houses equivalent to those that they occupied prior to resettlement. The CRP notes further that in the case of all but 12 of the 157 AHs for whom data was collected in November 2019, recorded quarterly income exceeded expenses including loan repayments. For each of the 12 AHs whose income did not exceed expenses and loan repayments, Cufa’s data recorded that the AH had capacity to repay its debts, for example through business income or by reducing unnecessary expenses.

30. **CRP feedback to ADB Management on actions to fully implement Recommendation 5.** Considering the integrity of the data gathered by Cufa, and in the absence of direct information to the contrary from APs during this fifth monitoring period, the CRP is content to form a view on the basis of the available evidence. In light of the evidence from Cufa’s additional data collection exercise, the CRP concludes that while Recommendation 5 was partially rather than fully implemented, its extension in respect of debt accumulated to construct new houses is not justified. This Recommendation should be considered closed.

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17 Footnote 7, para. 20, p. 12.
F. Board-approved Recommendation 6

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

**Status of Implementation**: The CRP concluded at the time of its fourth monitoring report that ADB had implemented this Recommendation but noted that ADB was awaiting the final report of its consultant, Cufa. ADB has not continued vocational training and community and social enterprise development over the fifth monitoring period. Data indicates that overall average AH incomes have continued to rise, and positive outcomes have also been recorded for the vocational training program delivered under the TA. However, independent evaluation of Cufa’s work under TA-8810 concluded that the self-help groups (SHGs) developed under the EIRP were only partially sustainable. This is an indication that the Management Action Plan was not optimally designed to deliver the Board-approved Recommendation in this respect. The CRP suggests that ADB Management reflect carefully on the results of the EIRP in order to integrate lessons learned within future income and livelihood restoration activities.

**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.)

31. **CRP findings regarding implementation of Recommendation 6.** During the fourth monitoring period, activities implemented under the EIRP included a vocational training program and a vocational placement strategy program (VPSP), support for establishment and development of community micro-enterprises and individual social enterprises, and ongoing support to SHGs. The CRP concluded that with the extension of Cufa’s contract to October 2018 to allow for additional vocational training and enterprise development activities at all five resettlement sites, the CRP considered on balance that the EIRP had by October 2018 been implemented, with just Cufa’s final reporting and associated data awaited by ADB at the time of its fourth monitoring report.

32. In its fourth monitoring report, the CRP noted that it was not in a position to form a clear view on the outcome of the most recent income restoration activities as final reports were not yet available. Based on disaggregated household data made available to the CRP for the five quarters to September 2018 in respect of AHs who resettled over the initial resettlement period, the CRP noted that while average quarterly income levels at each of the five resettlement sites showed increases as against average pre-resettlement real income levels, there were still individual AHs at four of the five sites whose incomes had not yet reached average pre-resettlement real incomes. It was not possible at that time based on the available data to consider in detail the specific circumstances of AHs affected by the 30m² rule who had resettled to Phnom Penh and Poipet.

33. The CRP suggested that in order to further enable sustainable income restoration of all AHs at the resettlement sites, consideration be given to:
• continuing vocational and skills training, job placement and other enterprise-based income restoration activities under the EIRP with a focus on those AHs who are able and willing to work and whose quarterly incomes had not yet been restored to average pre-resettlement real income levels, and

• offering skills and income restoration support to the small number of AHs who still have to move to the Phnom Penh (14) and Poipet (5) resettlement sites.

34. The CRP also indicated that it looked forward to reviewing the data in Cufa’s final reporting to ADB and any associated end-of-TA evaluation, with a view to providing further feedback and reflections if appropriate during the coming monitoring period.

35. EIRP activities in the form of vocational and skills training, job placement and other enterprise-based income restoration activities under the EIRP have not continued during this fifth monitoring period. ADB has informed the CRP that no further AHs have moved to the Phnom Penh and Poipet resettlement sites over the fifth monitoring period. The CRP has therefore focused on analysis of new information regarding the outcomes and performance of the EIRP and household data that has been generated over the period since its fourth monitoring report.

36. In this fifth monitoring period, the CRP has reviewed Cufa’s October 2018 quarterly report; its final project completion report;18 the report of an external evaluation of TA-8810 commissioned by Cufa with finance under the TA and issued in March 2019;19 additional household data and associated reporting by Cufa, including one quarter’s income data from 175 AHs gathered by Cufa in November 2019 under a further contract extension to the TA;20 and additional information and updates provided by ADB and Cufa during the monitoring process. The CRP has been able to reflect on the situation of AHs as reflected in data provided to Cufa in November 2019, as well as the outcomes as at November 2019 of the VPSP implemented at Phnom Penh and Poipet and the vocational training program implemented at all five resettlement sites during the May-October 2018 TA extension.

37. Cufa’s contract extension tasked it with gathering comprehensive household data only from those AHs with outstanding loans/debts as at September 2018. The income data for the quarter ending October 2019 therefore offers a broad, if imprecise, comparison with the 2018 average income data for the quarter ending September 2018. The updated data shows an average increase (in absolute, as opposed to inflation-adjusted, terms) of an impressive 69% overall21 for AHs (aside from those ‘newly-resettled’ to Phnom Penh and Poipet, for whom data was recorded separately) Average increases at Poipet were 56%; Phnom Penh 70%; Pursat 95%; Battambang 80%; and Sihanoukville 65%. A total of seven newly resettled AHs at Phnom Penh and Poipet for whom Cufa was able to gather data also recorded significant income increases over this period. The external evaluation of Cufa’s TA implementation records an average increase in household income of 143% compared to pre-settlement data, i.e., from $637 per quarter to $1,549, over the period of Cufa’s TA implementation.22 However, as noted in earlier CRP monitoring reports, income growth varied considerably among the various resettlement sites, and each site presented different contextual characteristics for implementation of the EIRP.

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18 Footnote 9.
19 Footnote 7.
20 This was an internal document provided by to the CRP by the Southeast Asia Department project team following a request from the CRP.
21 Footnote 9, Table 9, p. 11.
22 Footnote 7, Figure 5, p. 27.
38. The CRP’s fourth monitoring report noted that the overall picture in terms of restoration of incomes was encouraging, but that more granular analysis indicated that challenges may have remained for a number of individual AHs from four of the five resettlement sites (the exception being Sihanoukville). In order to consider whether the situation of the poorest AHs had further improved, the CRP has, in this monitoring period, reviewed disaggregated (AH level) data for a total of 28 AHs whose reported quarterly incomes, as at September 2018, had been lower than average pre-resettlement AH real (inflation-adjusted) incomes for four or five successive quarters. Cufa gathered data as at October 2019 for 18 of these 28 AHs. The CRP observes that the incomes of all of those in this group for whom data was available had increased. Aside from one AH whose income was extremely low and had increased by only a reported $10 per quarter, other AH incomes had increased by at least 34% when compared to September 2018 figures and in many cases significantly more. The incomes of six of these 18 AHs remained below average pre-resettlement income levels for the respective resettlement sites. However, not all AHs would have had pre-resettlement incomes above the average figures. The lack of individual AP or AH pre-resettlement income data means that it is not possible to draw firm conclusions on whether the income of individual AHs has been restored to pre-resettlement levels.

39. **Community social enterprises and vocational placements.** A VPSP which was implemented over the period from November 2016 to October 2018 incorporated a range of skills- and income-development activities. At the Phnom Penh and Poipet resettlement sites the VPSP included a job placement element under which, as at October 2018, a total of 86 members of AHs had been placed in waged employment. The external evaluation noted relatively high drop-out rates of 41 percent in Phnom Penh and 20 percent in Poipet as at October 2018. However, it is important to temper any judgment of these figures with recognition that the skills and competencies developed through the VPSP may nonetheless have enabled even those AH members who dropped out of the program subsequently to gain employment or develop enterprises elsewhere.

40. The VPSP also established nine community social enterprises (CSEs) across the five resettlement sites as a means of generating skills and revenue streams that elderly people and others unable to take on regular employment could benefit from. Cufa’s May-October 2018 contract extension provided for it to carry out a rapid market assessment of the needs, market and business conditions in all resettlement sites and recommend additional income-generating opportunities with a focus on the Battambang and Pursat resettlement sites, which had the lowest average AH incomes. While at the end of Cufa’s engagement in October 2018, nine CSEs were operating, by February 2019, an external evaluation report recorded that half of the CSEs had dissolved, while CSEs at Phnom Penh, Sihanoukville, and three (of an original five) at Pursat remained operational, with the CSE at Sihanoukville highlighted as bringing significant additional income to its members. Poipet and Battambang CSEs reportedly faced difficulties with participation and identification of demand for their products. At the same time, the external evaluation of TA-8810 records that as at February 2019, some former CSE members at Phnom Penh had gone on to form a new production group through a partnership with a private company.

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24 In particular, data was only gathered for one of eight relevant AHs at Poipet as the remainder at this resettlement site did not have debts at September 2018.


26 Footnote 7, para. 53, p. 23.
itself brokered by Cufa. The CRP notes further the observation in the external evaluation report that elderly affected household members across the CSEs learned how to implement business ideas in a community-based setting; knowledge that could (in principle) allow them to pursue similar endeavors in the future.27

41. **Vocational training program.** Following a TA contract extension and amendment, a vocational training program was initiated by Cufa in June 2018 at all five resettlement sites, running until October 2018. A total of 70 AH members participated in the vocational training. The program placed individuals for a 3-month period within a variety of vocational training centers to develop their vocational skills, either through micro-enterprise or through employment. At the time of the CRP’s fourth monitoring report, available information on outcomes was limited as the program had only recently concluded. The CRP has reviewed data produced since October 2018 on the outcomes of the vocational training. Of the 70 APs who participated, the external evaluation of Cufa’s work under TA-8810 noted that as at October 2018 40 were employed; seven were running their own business; seven continued skill learning; and 16 continued to look for work.28 One year later, the situation had further improved, and Cufa reported as at October 2019 that 20 were running their own business (including taxi service providers and retailers, small restaurants, and beauty salons) with incomes ranging from $150 to $1,000 per month. Thirty-seven APs were employed, with earnings ranging from $180 to $600 per month, nine APs were unreachable for a variety of reasons, and just four APs were unemployed.29

42. **Self Help Groups.** The Board-approved Recommendation provides that for the EIPR to be sustainable “capacity building should be provided over an extended period, to allow SHGs to develop into sustainable institutions and eventually into savings groups, and SHG systems and financial management processes to mature.” As indicated above, the CRP concluded in its fourth monitoring report that Recommendation 6 had been implemented but noted that a number of SHGs may still be fragile. The CRP notes that over the present monitoring period, the evaluation report of TA-8810 concluded, as at February 2019, that SHGs established at the five resettlement sites were ‘partially sustainable’.30 Of the 14 SHGs established across the five resettlement sites, two (both in Poipet) were reportedly functioning well while five (i.e. one in Poipet, one in Battambang and two in Phnom Penh) had experienced challenges for reasons including leadership difficulties, weak organizational policies and procedures, and trust issues among SHG members.31 In Cufa’s view, the relatively small number of residents at some resettlement sites, along with the unexpected departures of leaders and members of some SHGs, meant that mergers of SHGs would have been necessary to ensure their sustainability. Such mergers did not take place during the life of the TA (though as the CRP noted in its fourth monitoring report, this does not mean that they could not do so in the future).

43. Cufa’s interventions under TA-8810 were designed to strengthen the organizational, administrative and management capacities of SHGs and to build trust among SHG members. Like other kinds of community-based organizations, the CRP recognizes that SHGs need time to grow and become sustainable, and setbacks and challenges are unsurprising. Cufa’s interventions brought with them the potential to enhance the resilience of SHGs. The CRP notes that Cufa also shared its opinion that a period of at least seven years would ideally be needed for any to become sustainable. In the present instance, Cufa was contracted under TA-8810 for a period of 2 years following an earlier period of some 2.5 years during which technical support to

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27 Footnote 7, p. 51, para. 140.
28 Footnote 9, Appendix 4.
29 Footnote 9, p. 12, para. 11.
30 Footnote 7, p. 48, para. 127.
31 Footnote 9, paras. 24-28.
the SHGs under the EIRP had been implemented with the technical support of other organizations. It is possible, though the CRP does not have evidence to put the case more strongly than this, that support to the SHGs was not provided over a sufficiently long period, in addition to the transition challenges naturally flowing from the change of TA support contractors; governance issues experienced by some SHGs; and the relatively small populations at the resettlement sites. The CRP further notes, but has not been in a position to evaluate in detail, Cufa’s view that the provision of funding to the SHGs through third parties (rather than the members of the SHGs themselves) may have reduced the extent to which AHs felt ownership of them. The CRP notes that this model is one that is itself integrated within the Board-approved Recommendation as a result of the CRP’s compliance findings.

44. **CRP feedback to Management on Recommendation 6.** The CRP concluded at the time of its fourth monitoring report that Recommendation 6 had been implemented, while indicating that it looked forward to reviewing final reporting data and any associated end-of-TA evaluation with a view to providing further feedback and reflections if appropriate during its fifth monitoring period.

45. The CRP is pleased to acknowledge substantial improvements in AH household circumstances for a very significant majority of the AHs working with Cufa over the EIRP implementation period. While lack of full baseline household data for AHs prior to resettlement prevents accurate examination of individual circumstances, it is clear that overall, average real incomes at each site have improved as compared to the period prior to resettlement, as has loan affordability. The incomes and loan affordability of the poorest AHs as at October 2018 also appear to have improved considerably by October 2019.

46. The CRP is satisfied that some, and potentially a significant proportion of, these improvements can be directly attributed to the TA, though it is not possible to offer clear insights into causation as distinct from correlation. Available data indicates that inward investment at and around some resettlement sites (notably at the Sihanoukville resettlement site, which is located within an economic development zone); the work of other public and not-for-profit service delivery agencies (e.g. in respect of skills training and microfinance); the proximity of the Poipet resettlement site to employment opportunities across the border in Thailand, as well as the skills and resourcefulness of AHs more generally, have also contributed.

47. The CRP notes that the EIRP has, through adaptive design over successive contract amendments, been able to reach all AHs who have chosen to engage with its menu of activities, including those who have not yet moved to the resettlement sites. It is unfortunate that one of the most successful activities under the EIRP (i.e., the vocational training) was introduced only in 2018, in the final 3 months of the EIRP, after an earlier period during which a job placement scheme was offered at only two resettlement sites. However, the CRP considers that the iterative evolution of the EIRP has in part been responsible for its positive outcomes.

48. The CRP wishes to sound a note of caution about the support provided to SHGs within the EIRP. External evaluation of TA-8810 concluded in February 2019 that the SHGs were only partially sustainable. This is an indication that the Management Action Plan was not optimally designed to deliver the Board-approved Recommendation in this respect.

49. The CRP has appreciated the reflections in Cufa’s final report and the insights in the external evaluation report on Cufa’s implementation of TA-8810. The CRP commends the learning reflected in these documents to ADB as a source of inspiration, where relevant, for the design of future income restoration and livelihood activities.
V. CONCLUSIONS

50. At the end of the 5-year monitoring period, the CRP has drawn the following conclusions on the status of implementation of the six Board-approved CRP Recommendations.

<table>
<thead>
<tr>
<th>Board-approved Recommendations</th>
<th>Status of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establish a compensation deficit payment scheme.</td>
<td>Implemented</td>
</tr>
<tr>
<td>2. Improve facilities at resettlement sites.</td>
<td>Implemented</td>
</tr>
<tr>
<td>3. Improve the functioning of the grievance redress mechanism, to be reflected in a time-bound and verifiable action plan.</td>
<td>Recommendation closed</td>
</tr>
<tr>
<td>4. Develop an appropriate program to build capacity for resettlement in the IRC, to be reflected in a time-bound and verifiable action plan.</td>
<td>Implemented and brought into compliance</td>
</tr>
<tr>
<td>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.</td>
<td>Recommendation closed Available evidence indicates that outstanding debt cannot be attributed to loans taken out to finance construction of homes equivalent to those occupied prior to resettlement.</td>
</tr>
<tr>
<td>6. Implement the expanded income restoration program (EIRP) in a sustained and sustainable manner.</td>
<td>Implemented</td>
</tr>
</tbody>
</table>
VI. LESONS LEARNED

51. At the conclusion of this fifth annual monitoring period for this Project, the CRP takes the opportunity to offer some brief reflections on lessons learned.

52. **Baseline data.** Implementation of the Board-approved Recommendations and successive CRP monitoring reports underscore the imperative to obtain robust baseline household and individual data - including on income, debt, and occupations of household members. Without such baseline data, optimal targeting of subsequent livelihood or income restoration efforts is difficult, and measurement of progress must rely on estimates or highly aggregated figures. This in turn hampers the full realization of individuals’ and communities’ legitimate expectations of ADB-financed projects.

53. The Project illustrated the value of aerial baseline data collection applications, with a drone-enabled aerial survey of the community to be resettled from areas adjacent to the railway alignment. The use of drone surveys provided accuracy, impartial observation, and also enabled retention of the data in digital format. The challenge in future applications is to ensure availability of the necessary skilled human resources for collection and analysis, and to integrate aerial surveys with on-the-ground triangulation of data.

54. **Livelihood/Income Restoration.** The EIRP evolved over its lifetime in response to emerging evidence of outcomes and effectiveness. Remedial action plans (and, in the present instance, Board-approved Recommendations) can usefully provide for adaptive programming in response to emerging evidence of outcomes and impacts. However, in the case of remedial actions implemented through technical assistance, sufficient time needs to be factored in for end-of-TA evaluation prior to drawing firm conclusions on the status of implementation.

55. The outcomes of resettlement processes and associated initiatives are significantly impacted by the characteristics of each resettlement site. In the present case, many AHs relocated to Poipet were able to benefit from waged employment opportunities across the border in nearby Thailand, for example, whereas the Sihanoukville resettlement site was located in the vicinity of significant inward investment by Chinese businesses. In contrast, at Battambang, many of the AHs had more older people and there were fewer pre-existing livelihood opportunities near the resettlement site. AHs relocated to Phnom Penh found themselves dislocated by a site far from their original livelihoods and also relatively distant from the center of the capital. The location of resettlements sites is thus a critical variable in the design and outcome of income and livelihood restoration and infrastructure improvement efforts, necessitating tailored approaches. Successful income and livelihood restoration efforts take time. Furthermore, the sustainability of initiatives that aim to build institutions for self-help can be substantially affected by the design of technical assistance. Retaining the flexibility for adaptive approaches to remedial actions and TA design is therefore valuable.

56. **Value of site visits during monitoring.** The CRP attaches great significance to site visits as an integral part of its annual monitoring. In the present instance, the CRP’s monitoring process over five years benefitted immensely from site visits to resettlement sites and opportunities to engage with members of AHs, other residents, government officials, and ADB staff and consultants in Cambodia. Site visits to the resettlement sites also provided the CRP with an opportunity to understand site conditions and any constraints and also to identify any issues of concern which should be brought to the attention of ADB’s Board and Management. Board-approved remedial actions aim to bring the project back in compliance. Whether these are incorporated in recommendations or in remedial action plans, they may include environmental
and social corrective actions with defined objectives which can only be effectively monitored through site visits and site-based verification.

/S/Elisea G. Gozun  
Chair, Compliance Review Panel

/S/Ajay Deshpande  
Part-time Member, Compliance Review Panel

/S/Halina Ward  
Part-time Member, Compliance Review Panel
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 implementation of actions to address the Board-approved CRP recommendations on the compliance review of the Project.

**ADB Staff**

1. Hiroaki Yamaguchi, Director, Transport and Communications Division, Southeast Asia Department (SETC-SERD)
2. Tsuneyuki Sakai, Unit Head, Project Administration, SETC-SERD
3. Meenakshi Ajmera, Principal Safeguards Specialist, SEOD, SERD
4. Rangina Nazrieva, Safeguards Specialist (Resettlement), CARM, SERD
5. Gemma Bade, Project Analyst, SETC-SERD

**ADB Consultants**

1. Peter Mason, Cufa Ltd, Australia (Cufa)
2. Mao Ye, (Cufa)
3. Adelaida Mortell
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

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

\(^1\) 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 matrix of URP (see footnote 3 for URP).

\(^5\) 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.
<table>
<thead>
<tr>
<th>Actions</th>
<th>Implementation</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explains corrections to DMS and computation of compensation deficits. (By Q1, 2015)</td>
<td>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)</td>
<td>Supply of amended draft contracts to AHs completed by Q1 2015.</td>
</tr>
<tr>
<td>IRC explains GRM for appeals against payment computations. (By Q1, 2015)</td>
<td>IRC effectively uses media and other communication channels for outreach of consultations. (Q4, 2014-Q1, 2015)</td>
<td></td>
</tr>
<tr>
<td>ADB monitors, through the existing external monitor, consultations with AHs. (By Q1, 2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRC provides payments to AHs. (By Q1-Q2, 2015)</td>
<td>IRC provides payments.</td>
<td>Payments completed by Q2 2015.</td>
</tr>
<tr>
<td>ADB monitors, through the existing external monitor, payments to AHs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computation and payment of compensation for income losses for relocated AHs</td>
<td>Under discussion.</td>
<td>Under discussion.</td>
</tr>
</tbody>
</table>

**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. | IRC: (i) visits each relocation site; (ii) prepares inventory lists of the existing public facilities 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) | 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. |

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5 Additional income losses from the date of relocation of AHs up to the commencement of income restoration activities.
6 Public Facilities refer to facilities that will be owned by national, provincial or local governments.
<table>
<thead>
<tr>
<th>Actions</th>
<th>Implementation</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified urgent actions. (Q1, 2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADB reviews the time-bound action plan. (By Q1, 2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRC improves the facilities at the relocation sites identified as urgent</td>
<td>IRC improves public facilities at the relocation sites in accordance with the</td>
<td>Facilities improved by Q2, 2015</td>
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<tr>
<td>actions under the time-bound action plan. (Q1-Q2, 2015)</td>
<td>time-bound action plan. (Q1-Q2, 2015)</td>
<td></td>
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<tr>
<td>IRC hands over the improved facilities to the appropriate local</td>
<td>IRC hands over the non-public facilities to the residents and the improved</td>
<td>Facilities handed over by Q1, 2015</td>
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<tr>
<td>authorities.</td>
<td>public facilities to the appropriate local authorities with a clear statement</td>
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<td></td>
<td>that O&amp;M will be the responsibility of the respective recipients.</td>
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<tr>
<td>(By Q1, 2015)</td>
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<tr>
<td>IRC requests the Ministry of Health (MOH) to ensure that the medical</td>
<td>IRC advises MOH in writing to ensure that the medical center at the Phnom</td>
<td>Medical center at the Phnom Penh</td>
</tr>
<tr>
<td>center at the Phnom Penh relocation site operates as per national</td>
<td>Penh relocation site operates as per national standards set by MOH. (Q3, 2014)</td>
<td>relocation site operates as per</td>
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<tr>
<td>standards.</td>
<td></td>
<td>national standards set by MOH by Q3, 2014</td>
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<tr>
<td>O&amp;M mechanism of the facilities at the relocation sites.</td>
<td>Under discussion.</td>
<td>Under discussion.</td>
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<tr>
<td>Recommendation 3: Improve the functioning of the grievance redress</td>
<td>IRC prepares a specific and verifiable time-bound action plan. (Q4, 2014)</td>
<td>Agreed action plan prepared by Q4, 2014</td>
</tr>
<tr>
<td>mechanism, to be reflected in a time-bound and verifiable action plan.</td>
<td>ADB reviews and provides feedback on the action plan. (By Q4, 2014)</td>
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<tr>
<td>IRC implements the specific and verifiable time-bound action.</td>
<td>Implements the specific and verifiable time-bound action. (Starts by Q4, 2014)</td>
<td>Commencement of implementation of the action plan by Q4, 2014</td>
</tr>
<tr>
<td>Recommendation 4: Develop an appropriate program to build capacity of</td>
<td>IRC prepares a time-bound and verifiable action plan for capacity building with</td>
<td>Time-bound and verifiable action plan</td>
</tr>
<tr>
<td>IRC, to be reflected in a time-bound and verifiable action plan.</td>
<td>ADB assistance. (By Q1, 2015)</td>
<td>developed by Q1, 2015.</td>
</tr>
<tr>
<td>IRC, in consultation with ADB, prepares a time-bound and verifiable</td>
<td>IRC implements the action plan. (Starts Q2, 2015)</td>
<td>Implementation of the action plan</td>
</tr>
<tr>
<td>action plan for capacity building.</td>
<td>(By Q1, 2015)</td>
<td>starts by Q2, 2015.</td>
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<td>IRC implements the time-bound and verifiable action plan.</td>
<td>Upon IRC's request, ADB provides expertise and arranges training programs and</td>
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<td>exchange visits of IRC staff in Asia. (Starts Q1, 2015)</td>
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<tr>
<td>Actions</td>
<td>Implementation</td>
<td>Milestones</td>
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<td>------------------------------------------------------------------------</td>
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<td><strong>Recommendation 5.</strong> Establish a debt workout scheme to help highly indebted families repay their accumulated debts through a dedicated credit line and a debt workout facility.</td>
<td>Under discussion.</td>
<td>Under discussion.</td>
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<tr>
<td>Develop and implement measures to help address financial sustainability of AHs.</td>
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<tr>
<td><strong>Recommendation 6.</strong> Implement the expanded income restoration program (EIRP) in a sustained and sustainable manner.</td>
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<td>IRC to continue implementation of the EIRP.</td>
<td>IRC continues supporting existing EIRP activities in all relocation sites.</td>
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<td>ADB continues monitoring of the EIRP.</td>
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<tr>
<td>Build capacity of self-help groups (SHGs) for sustainability.</td>
<td>Builds capacity of SHGs in managing the EIRP funds.</td>
<td>Implementation commences by Q3, 2014</td>
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<tr>
<td>(Starts Q3, 2014)</td>
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<tr>
<td>IRC to design exit strategies for SHGs.</td>
<td>IRC designs exit strategies and assists in laying the foundation/building blocks for eventual transformation of such SHGs into saving groups.</td>
<td>Exit strategies designed by Q4, 2014</td>
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<tr>
<td>(By Q4, 2014)</td>
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<tr>
<td>IRC to implement exit strategies for SHGs.</td>
<td>IRC implements exit strategies.</td>
<td>Projected completion by Q4, 2015</td>
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<tr>
<td>(Starts by Q1, 2015)</td>
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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. 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, 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

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1 This is a key recommendation made in a confidential ADB Report of 12–22 September 2012.
ADB would thus be able to address the compensation deficits and rectify noncompliance effectively and quickly. 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.

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5 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.
Appendix

(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.

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Date: 7 February 2014