

United States Position
Compliance Review Panel Final Report
on the Greater Mekong Subregion:
Rehabilitation of the Railroad in Cambodia Project
31 January 2014

This project has wallowed in problems for years. Most recently, mismanagement of this issue triggered interest by the U.S. Senate Appropriations Committee. However, as President John F. Kennedy once said, “Our task is not to fix the blame for the past—but to help fix the course for the future”. The Compliance Review Panel (CRP) report¹ is an important step in this process for this project.

The United States would like to commend the CRP on its thorough review, and we believe its findings clearly confirm that this ADB project to rehabilitate the railway system in Cambodia is not in compliance with ADB’s operational policies and procedures. Many affected households have not been adequately compensated, and this compensation has been delayed for far too long. Management needs to move quickly to take additional steps aimed at bringing this project back into compliance with ADB’s policies and procedures.

The United States would like to first focus on the seven CRP recommendations and then say a few words regarding ADB’s preparation and overall supervision of this project.

Concerning the CRP’s recommendations, the United States has presented a version of the CRP recommendations amenable to the majority of this Board. In brief, the United States supports recommendations 2, 3, and 4 as written by the CRP. The United States supports recommendations 1, 5, and 6 as well, but with a few strengthening modifications. The enhancements in recommendation 1, in particular, are designed to guarantee that it is consistent with ADB’s safeguards policy and facilitate the creation of an accelerated remedial action plan.

With respect to recommendation 7, the United States understands from consultations with Management that the Samrong component of the project is in the process of being removed at the request of the Cambodian Government. While the United States agrees with the conclusion that there has been serious non-compliance in the Samrong facility as well, since it is clear that the facility will no longer be part of the ADB project, the United States must reserve a decision on recommendation 7 until it has further information on the status of the Samrong facility.

With respect to ADB’s preparation and supervision of this project, the rehabilitation of the railway in Cambodia would clearly seem to be a worthwhile project that would substantially

¹ [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)

boost economic activity throughout the country. The United States sees compelling arguments for why ADB supported this project. However, the non-compliance conclusions by the CRP are deeply troubling. The resettled households constitute poor and vulnerable people whose welfare should always be of paramount concern in any ADB project.

In reviewing how ADB has arrived at this point, the United States sees many problems. First, ADB's original resettlement plans could have been designed much better and did not include sufficient consultation with those households that would be affected. Second, ADB planning of resettlement facilities was not up to ADB standards. Third, the ADB did not initially index for inflation when calculating compensation. Fourth, income restoration plans were not well designed.

These flaws were compounded by poor monitoring of the resettlement plan implementation. This is particularly egregious given that Cambodia was emerging from decades of civil war and clearly required active engagement by ADB staff to successfully comply with policies and procedures. This is even more troubling because ADB was already aware of serious resettlement issues associated with a recent major project in Cambodia where, evidently, lessons were not learned.

Further exacerbating these problems was the slow response by the ADB to complaints. Only by 2010 did the ADB begin to take a more effective response. And yet to date many affected households still remain undercompensated.

The design issues and the failure to undertake stronger measures in reaction to the concerns initially raised have not only affected vulnerable households, but also damaged ADB's reputation. Moreover, the issue continues to represent a serious reputational risk for the ADB. For these reasons, the United States believes the CRP's proposed "rough and ready", time-bound action plan is the best way to get appropriate compensation to the affected households as quickly as possible. The United States also believes the CRP should report to the Board in six months on progress made in implementing the recommendations.

In reviewing lessons learned, the United States agrees with the CRP that ADB has paid inadequate attention to addressing resettlement issues and that these considerations need to become a more integral part of project formulation and implementation.

The United States agrees that continuous and adequate ADB staffing must be in place throughout the project cycle to ensure that projects are in compliance with ADB's operational policies and procedures. In this connection, the United States is encouraged that, as part of its recently completed transformation exercise, ADB brought on many new staff with expertise in ensuring full project safeguards compliance.

With the further assurance we have offered mandating full compensation for all affected households, the United States supports the recommendations made by the CRP. The United States urges the Bank to move forward and fix these problems and set the course for a better future for this project.