



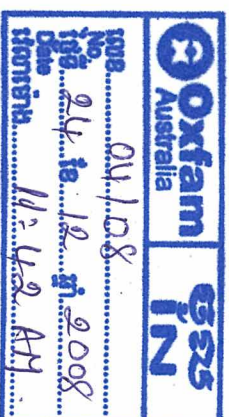
Asian Development Bank

Cambodia Resident Mission

23 December 2008

Mr. Kay Leak
Executive Director
Conservation and Development Cambodia (CDCam)
No. 42 AE0, Street 488, Sangkat Psar Derm Tkouv,
Khan Chamkarmorn, Phnom Penh

Dear Mr. Kay Leak,



**Subject: Loan 1659-CAM (SF): GMS Phnom Penh to Ho Chi Minh City Highway
Project — Response to the Letter from Krating Khok and Stoeung Slot
Communities in Prey Veng Province**

1. Thank you for your email of 19 December 2008 forwarding the Khmer and English versions of the letter from the Krating Khok and Stoeung Slot communities in Prey Veng Province with regard to the status of the proposed Livelihood Stabilization Program (LSP) which seeks to include affected households of the GMS Phnom Penh to Ho Chi Minh Highway Project. We believe in constructive dialogue with civil society and to that end appreciate CDCam's advocacy on the social impacts of development in the Mekong Region. As you are aware, on 28 November 2008, the ADB Cambodia Resident Mission (CARM) had the opportunity to meet the representatives of the two communities and concerned NGOs, including CDCam and Mekong Watch, to brief them in detail on the status of the proposed LSP, including preparation of land titles for affected households to be relocated.
2. In response to similar enquiries we received from Mekong Watch on 12 September 2008, we wish to refer you to the detailed answers and explanations that we presented to them (attached). We also provide to you a copy of our letter to Mekong Watch dated 14 December 2008 (also attached) in response to a follow-up letter from them which raised similar points to those in the letter you forwarded to us. This correspondence clearly articulates ADB's position on the proposed LSP to sustainably address the debt trap in which many poor families along Highway 1 find themselves.
3. In particular, we firmly believe that providing grants to write off debt is not a sustainable way forward for committed engagement from microfinance institutions (MFIs) to support livelihood enhancement. ADB will endeavor to ensure that MFI loans are delivered to the poor people at the most concessional rates of interest and terms possible to enable microfinance outreach, but rules and market principles cannot be ignored. The proposed LSP will apply a competitive bidding process to select those MFIs that can not only deliver the lowest interest rate possible for outreach, but can also partner with NGOs who can provide corollary training services. The key objective of the proposed LSP will be to enable poor households to generate income to service their loans at a later stage. Consequently, the grant element of the LSP will support those beneficiaries who pursue livelihood training that will help them escape the poverty trap. This process will ensure the most favorable terms and conditions for the poor people, while maintaining the sustainability, integrity, and viability features that are critical for a project of this nature.

U:\Documents and Settings\sv90M\My Documents\Vanma Sin Backup Jul 2008\Sokha\Draft letter to CDCam 23 December 2008 es.doc

29 Suramarit Blvd. (at corner of St. 19)
P.O. Box 2436
Sangkat Chaktomuk, Khan Daun Penh
Phnom Penh, Cambodia

Tel +855 23 215805 / 215806 / 216417
Fax +855 23 215807

adbcam@adb.org
www.adb.org/carmi

4. On the issue of land titles, CDCam received on 11 December 2008 updated information from us indicating that on 13 October 2008, the Ministry of Land Management and Urban Planning (MLMUP) had agreed to prepare land titles as requested by the Inter-ministerial Resettlement Committee of the Ministry of Economy and Finance (IRC/MEF) for the affected households to be relocated. This letter was sent to Prey Veng Provincial Department of LMUP. In accordance with Article 18 of the sub-decree on Social Land Concessions, it was indicated that land titles will only be provided for 26 affected households located in Stoeung Slot community that have been living there since May 2003. We expect that the land title might be provided to the Stoeung Slot community by early 2009.
5. CARM warmly welcomes the communities' request to participate in the proposed LSP process as demonstrated by the consultation meeting between our staff and the affected households in June 2008. As for the schedule of LSP implementation, we will keep you informed on the outcome of discussions with the Government of Japan in early 2009.
6. We would be grateful if CDCam could assist in explaining our responses detailed above to all members of the two communities at the next available opportunity.
7. In the meantime, we would like to express our appreciation to you and your team in conveying to us the letter of the two communities.

Sincerely,



Arjun Goswami
Country Director

Attachments: (i) CARM's letter to Mekong Watch dated 14 Dec. 2008
(ii) CARM's response to Mekong Watch questions dated 12 Sep. 2008

cc: Mr. Arjun Thapan, Director General, SERD
Mr. Anthony Jude, Director, SEID
Mr. Robert May, Special Project Facilitator, OSPF
Mr. Eric Sidgwick, Senior Country Economist, CARM
Ms. Karin Schelzig Bloom, Social Sector Specialist, CARM
Mr. Nida Ouk, Senior Project Implementation Officer, CARM
Mr. Chhith Sam Ath, Executive Director, NGO Forum on Cambodia
Mr. Toshiyuki Doi, Senior Advisor, Mekong Watch
Ms. Jessica Rosien, Advocacy Coordinator, Oxfam Australia