

ASIAN DEVELOPMENT BANK

**SAMUT PRAKARN WASTEWATER MANAGEMENT PROJECT
FIFTH SEMIANNUAL
REPORT
TO THE BOARD OF DIRECTORS
ON
IMPLEMENTATION OF THE RECOMMENDATIONS
OF THE BOARD INSPECTION COMMITTEE
AS ADOPTED ON 25 MARCH 2002**

February 2005

ABBREVIATIONS

ADB	–	Asian Development Bank
PCD	–	Pollution Control Department

I. INTRODUCTION AND BACKGROUND

1. On 25 March 2002, the Board of Directors of the Asian Development Bank (ADB) met to consider the recommendations of the Board Inspection Committee pursuant to the inspection of the ADB-funded Samut Prakarn Wastewater Management Project (the Project) in Thailand.¹ At that meeting, the Board noted the report of the committee and, after deliberation, approved its recommendations as quoted in paragraph 1 of Board document IN.251-02 dated 3 October 2002.² This is the fifth semiannual report to the Board, covering the period 26 March 2004 to 25 September 2004. Although the report was scheduled to be submitted to the Board in early October 2004, it was held back in the expectation of further developments on the Project.

II. PROJECT STATUS

2. As noted in the fourth semiannual report, as a result of investigations into the Project in early 2003 initiated by the Minister for Natural Resources and Environment in the Government, the turnkey contract was declared null and void on the basis that there had been contractual irregularities. The Executing Agency, the Pollution Control Department (PCD), officially advised the turnkey contractor of its decision on 28 February 2003 and ADB on 18 March 2003. Total disbursement under the main turnkey contract has remained static since that time at about B20 billion, out of a total contract value of about B23 billion (87%). PCD announced that it would file a civil suit against the turnkey contractor,³ in which it intended to sue for all monies paid to date under the contract.

3. PCD did proceed with the filing of a suit in May 2004, requesting repayment of all monies paid under the contract to date, based on its claim that the contract was null and void. The civil court rejected PCD's claim, and recommended that it seek resolution of the matter through the contract's arbitration provisions. No further progress has been made on this matter.

4. As reported in the fourth semiannual report, work on all project-related activities remains suspended.

5. No further progress has been made in respect of the fraud charges laid against several individuals associated with the acquisition of the land for the wastewater treatment plant.

6. PCD's review of the Project's technical aspects is under way, but no findings have been announced. Its review of the Project's social aspects has not yet commenced.

¹ ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Thailand for the Samut Prakarn Wastewater Management Project*. Manila (Loan 1410-THA); ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Supplementary Loan to the Kingdom of Thailand for the Samut Prakarn Wastewater Management Project*. Manila (Loan 1646-THA).

² ADB. 2002. *Samut Prakarn Wastewater Management Project First Semiannual Report to the Board of Directors on Implementation of the Recommendations of the Board Inspection Committee*. Manila.

³ The turnkey contractor comprises a consortium of companies: Gateway Development Co. Ltd., Krung Thon Engineering Co. Ltd., Prayoonvisava Engineering Co. Ltd., See Sang Karn Yotah (1979) Co. Ltd., and Vichitbhan Construction Co. Ltd.

III. COMPENSATION PLAN, MONITORING SYSTEMS, COMMUNITY INVOLVEMENT, AND ODOR AND EFFLUENT MANAGEMENT

7. Since the submission of the fourth semiannual report, no further action or progress has been made on (i) implementation of the resettlement plan, (ii) implementation of the monitoring systems, (iii) community involvement, or (iv) any measures taken that are associated with odor and effluent (if any).

IV. CONCLUSION

8. After almost 2 years of investigations, and following loan closure, the Project remains incomplete and all project-related activities remain suspended. No further action or progress has taken place with respect to the compensation plan, monitoring activities, community involvement initiatives, or odor and effluent management. No further action will be taken with respect to these issues until the contractual dispute between PCD and the turnkey contractor is resolved.