



# Report and Recommendation of the President to the Board of Directors

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Project Number: 37269  
November 2009

Proposed Supplementary Loan, and Administration of  
Grant and Technical Assistance Grant  
Kingdom of Cambodia: Greater Mekong Subregion:  
Rehabilitation of the Railway in Cambodia Project

## CURRENCY EQUIVALENTS

(as of 31 October 2009)

Currency Unit	–	riel/s (KR)
KR1.00	=	\$0.00024
\$1.00	=	KR4,178.73

## ABBREVIATIONS

ADB	–	Asian Development Bank
CMC	–	concession management committee
GMS	–	Greater Mekong Subregion
IEE	–	initial environmental examination
km	–	kilometer
MEF	–	Ministry of Economy and Finance
MPWT	–	Ministry of Public Works and Transport
OFID	–	OPEC Fund for International Development
RRC	–	Royal Railways of Cambodia
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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- C. Financial Analysis
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## SUPPLEMENTARY FINANCIAL ASSISTANCE AND PROJECT SUMMARY

<b>Original Project</b>	The original project is in <i>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</i> (Loan 2288-CAM for \$42.0 million, approved on 13 December 2006).
<b>Borrower</b>	Kingdom of Cambodia
<b>Classification</b>	Targeting classification: General intervention Sector (subsectors): Transport, and information and communication technology (rail transport) Theme (subthemes): <b>Regional cooperation and integration</b> (cross-border infrastructure), economic growth (promoting economic efficiency and enabling business environment) Climate change: Climate change adaptation Location impact: Regional (high impact); national (medium impact) Partnership: Government of Australia
<b>Environment Assessment</b>	The railway alignment is outside environmentally sensitive areas such as national parks and other protected areas and their buffer zones. The project falls into environmental category B. The additional works to be implemented under the modified project do not introduce new or significantly different environmental impacts, since they are largely contained within or close to the areas already assessed in the original project's initial environmental examination (IEE). The site for Samrong Station consists of paddy fields and grassland with sparsely populated areas nearby. Other components involve rehabilitation of existing sidings and construction of short new sidings (about 500–800 meters in length) linking to two dry ports about 50 meters from the existing main line. The Ministry of Public Works and Transport (MPWT) has completed an IEE of the additional works.
<b>Social Safeguards Assessment</b>	The original project was formulated to minimize potential risks relating to involuntary resettlement. The resettlement plan for the original project is being updated, following the completion of detailed design. The modified project will result in additional resettlement impacts at Samrong because of the construction of a new freight facility. An additional 232 households in this area will be affected. The draft resettlement plan for Samrong has been finalized and approved by the Government of Cambodia and the Asian Development Bank (ADB). The principles for addressing social and gender issues are set out in the original project. The additional works under the proposed supplementary financing do not lead to new or different issues. The mitigation measures adopted for the original project will also be implemented for the supplementary financing.

**Supplementary  
Financing  
Description**

The original project is rehabilitating and restructuring the railway in Cambodia. In addition to this, the supplementary financing will be used to (i) establish a new freight and rolling stock maintenance facility at Samrong, 10 kilometers west of Phnom Penh, with sufficient space to meet future multimodal transport requirements; (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 combination of the original project and the supplementary financing will be referred to as the modified project. The key activities for implementing the new facility at Samrong include design of the facility; procurement of contracts; preparation, approval, and implementation of the resettlement plan for the area; and implementation of works. Strengthening and upgrading of track does not require additional design or resettlement, activities consist primarily of the installation of heavier rails and new sleepers. Installation of additional sidings to terminals requires additional design and minor resettlement. The outcome would be a selectively upgraded railway in Cambodia exceeding the rehabilitation envisaged in the original project, enabling early takeoff of an integrated, railway-based, multimodal transport system.

**Technical  
Assistance**

Technical assistance (TA) for Outcome Monitoring and Procurement Review will be provided to assist MPWT in developing long-term output monitoring as required by ADB and the governments of Australia and Cambodia. Outcome monitoring will take an integrated approach and build on the project-level monitoring taking place through the work of MPWT, the contractor, and the project consultant. The TA will also support the procurement of additional works for track upgrading, which will be implemented through variations of the existing track rehabilitation contracts.

**Rationale**

The private sector concessionaire selected for the railway in Cambodia is a large international logistics firm that operates worldwide. The concessionaire has proposed a business plan that would not only develop railway traffic, but also integrate the railway into a seamless regional multimodal transport system with the railway providing the medium- and long-distance backbone for links between dedicated terminals in Cambodia and Thailand, and to destinations in southern Viet Nam. This plan would elevate Cambodia from a subregionally connected local transport market into a subregional hub in the southern Greater Mekong Subregion (GMS). Achieving hub status could create significant additional long-term development opportunities in Cambodia in areas such as logistic services (warehousing, packaging, and forwarding) and manufacturing (assembly and production of components). It would also generate substantial subregional benefits by enabling the streamlining and rationalization of supply lines, which are essential to achieving and maintaining international competitiveness.

Establishing integrated logistics services based on the railway would be an early realization of the commitment that GMS leaders made at the 2008 summit in Vientiane to expand the GMS economic corridor

network through multimodal links. It would also enhance the original objectives of the rehabilitation project by upgrading railway transport from a supplier of transport services to a supplier of complete logistics solutions. This would improve transport efficiency and the integration of Cambodia into the southern GMS. In the medium term, this transformation would strengthen trade and integration, and enhance the GMS countries' collective competitiveness and economic development potential.

**Impact and Outcome** The impact of the modified project will be increased domestic and regional trade movement on the railway system, thereby supporting sustainable economic growth and poverty reduction. This will be achieved by developing the railway in Cambodia into a provider of logistics services in Cambodia and neighboring GMS countries. The outcome of the modified project will be a railway that is sustainable and efficiently operated.

**Revised Project Investment Plan** The modified project is estimated to cost \$141.6 million, including taxes and duties of \$14.9 million. Of the total, \$73.0 million is estimated for the original rehabilitation project and \$68.6 million for the additional components under the supplementary financing.

**Revised Project Investment Plan**  
(\$ million)

Item	Original Project	Additional Components under Supplementary Financing	Modified Project <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>			
1. Civil works	52.9	50.0	102.9
2. Equipment	2.8 <sup>c</sup>	3.2	6.0
3. Land acquisition, resettlement, and social mitigation	3.8	3.8	7.6
4. Restructuring costs	0.7	0.1	0.8
5. Consulting services	3.4	2.5	5.9
6. Institutional support and capacity building	0.0	3.0	3.0
7. Project administration	0.2	0.2	0.4
<b>Subtotal (A)</b>	<b>63.8</b>	<b>62.8</b>	<b>126.6</b>
<b>B. Contingencies<sup>d</sup></b>	7.7	4.8	12.5
<b>C. Financing charges during implementation<sup>e</sup></b>	1.5	1.0	2.5
<b>Total (A+B+C)</b>	<b>73.0</b>	<b>68.6</b>	<b>141.6</b>

CMC = concession management committee.

<sup>a</sup> Includes taxes and duties of \$14.9 million.

<sup>b</sup> In early 2009 prices.

<sup>c</sup> Reclaimed rails provided by the Government of Malaysia as a grant in kind.

<sup>d</sup> Physical contingencies computed at 5% for civil works. Price contingencies computed at 2% per year on foreign exchange costs and 6% per year on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Includes interest.

Source: Asian Development Bank estimates.

## Supplementary Financing Plan

<b>Supplementary Financing Plan</b>		
<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Asian Development Bank	42.0	61.2
Government of Australia <sup>a</sup>	21.5	31.3
Government of Cambodia	5.1	7.4
<b>Total</b>	<b>68.6</b>	<b>100.0</b>

<sup>a</sup> Through the Memorandum of Understanding on Channel Financing (Technical Assistance Program) between the Government of the Commonwealth of Australia and the Asian Development Bank, and administered by ADB.

Source: Asian Development Bank estimates.

ADB will provide supplementary financing of \$42.0 million (61.2% of the total supplementary financing) from ADB's Special Funds resources. Interest charges during implementation will be capitalized. The Government of Australia will provide a grant equivalent to \$21.5 million (31.3%) on a joint cofinancing basis to be administered by ADB. In addition, the Government of Australia will provide financing for the TA. The Government of Cambodia will finance the equivalent of \$5.1 million (7.4%), comprising local taxes, the government's implementation costs, and part of resettlement and land acquisition. The ADB loan will have a 32-year maturity, including an 8-year grace period. The annual interest rate will be 1.0% during the grace period and 1.5% over the remainder of the loan.

### Revised Period of Utilization

March 2008 to September 2013

### Revised Estimated Project Completion Date

31 March 2013

### Project Benefits and Beneficiaries

The railway traffic forecast is based on projected economic growth using a scenario in which Cambodia maintains its recent pace of economic reform and modernization. The main sources of project benefits are (i) savings from the diversion of heavy freight and container traffic from road transport to more economical rail transport; and (ii) more traffic as a result of interconnecting Cambodia, Thailand, and Viet Nam. The savings will reduce the costs of imported inputs such as cement and fuel, which will promote the creation of new jobs and other income-generating opportunities in export industries in Cambodia. In the medium term, economic integration among the GMS countries will be enhanced, which will increase their competitiveness as a result of lower transport costs and better opportunities for supply chain management. The modified project's economic internal rate of return is estimated at 20.8% and the financial internal rate of return is estimated at 9.2%, higher than the 2.9% real weighted average cost of capital.

**Risks and Assumptions**

The modified project is not expected to be subject to any significant technical, environmental, or social risks. The MPWT has performed satisfactorily in implementing internationally financed projects. The modified project has been formulated to reduce potential economic, financial, and social risks. The financial and economic risks are associated with the operation of the railway, which will depend on the future level of traffic, the costs of construction, and the efficiency of future railway operations. The economic risks are minimized by the involvement of a private railway operator that will realize the modified project's benefits by providing railway services on a commercial basis. The social risks include resettlement, the possible spread of HIV infection during construction, and the retrenchment of redundant railway staff in connection with restructuring. Appropriate mitigation measures are included in the resettlement plan and the social safety protection program.



## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed supplementary loan, and (ii) administration of a grant to be provided by the Government of Australia,<sup>1</sup> both to the Kingdom of Cambodia for the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project. The report also describes proposed administration of technical assistance (TA) to be provided by the Government of Australia (footnote 1) for Outcome Monitoring and Procurement Review, and if the Board approves the proposed supplementary loan and administration of the grant, I, acting under the authority delegated to me by the Board, will approve the administration of TA.

## II. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES

### A. Performance Indicators and Analysis

2. Cambodia's transport sector comprises road, railway, and inland water transport; international sea traffic through the seaport in Sihanoukville and the river port in Phnom Penh; and domestic and international air traffic centered on Cambodia's three international airports in Phnom Penh, Siem Reap, and Sihanoukville. Much of the country's transport infrastructure was destroyed or substantially degraded during the war. Reestablishing the transport infrastructure and modernizing the provision of transport have been major goals of the government for the past 15 years. Its efforts have focused on (i) reconstructing the road network; (ii) modernizing and upgrading the international ports and airports; and (iii) privatizing and gradually modernizing the provision of transport. As a result, rehabilitation of the core road network is substantially complete, and road rehabilitation efforts are being refocused on the secondary and tertiary road networks. The international ports and airports have been rehabilitated and substantially modernized, and domestic and international inland water transport is developing. The railway is being rehabilitated and its operations privatized under a long-term concession, which means that all modes of transport services will soon be provided entirely by the private sector.<sup>2</sup> The design and monitoring framework is in Appendix 1.

3. The Asian Development Bank (ADB), the World Bank, and the governments of France and Japan have provided a major portion of the external assistance to Cambodia's transport sector. ADB's assistance began in 1993 with the Special Rehabilitation Assistance Project,<sup>3</sup> which included rehabilitation of national highways, sections of the railway network, and the port of Sihanoukville. In 2000, ADB provided a loan for the Emergency Flood Rehabilitation Project,<sup>4</sup> which rehabilitated sections of the national highway that were damaged by the flood, along with critical sections of railway track and embankments, and most recently provided assistance for periodic maintenance of the highway network. The World Bank has provided loans to rehabilitate roads and widen bridges and culverts, procure railway wagons, and maintain roads. The Government of France has provided financing for new bridges, development of the international airports, and procurement of spare parts for locomotives. The Government of Japan has provided assistance for the construction of large bridges, upgrading of the ports in Phnom Penh and Sihanoukville, and rehabilitation of highways. Other recent bilateral assistance

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<sup>1</sup> Through the Memorandum of Understanding on Channel Financing (Technical Assistance Program) between the Government of the Commonwealth of Australia and the Asian Development Bank.

<sup>2</sup> Before the concession, the railway was operated by Royal Railways of Cambodia (RRC), which is a state-owned enterprise under the Ministry of Public Works and Transport (MPWT). Manila.

<sup>3</sup> ADB. 1992. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Special Rehabilitation Assistance Project*. Manila.

<sup>4</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Emergency Flood Rehabilitation Project*. Manila.

to the transport sector has come from (i) the Government of Australia for highway bridges and periodic highway maintenance; (ii) the Government of the People's Republic of China for rehabilitation of parts of National Road 7 and preparation of a feasibility study for the proposed construction of a new railway line to Ho Chi Minh City, Viet Nam; and (iii) the governments of Thailand and Viet Nam for rehabilitation of roads. Appendix 2 lists assistance by development partners and ADB.

4. Transport is more expensive in Cambodia than in its neighboring countries because of (i) significantly higher fuel taxes, which are a major source of government revenues; (ii) transport infrastructure that has not been rehabilitated yet, especially the secondary and tertiary roads and the railway, which increases operating costs and constrains access; (iii) remaining inefficiencies in transport provision, especially in road transport, which is characterized by many small operators without the scale, management capabilities, and resources required to develop modern transport concepts such as seamless multimodal traffic and full-service door-to-door transport; and (iv) remaining barriers to the free flow of traffic across Cambodia's international borders. As a result, staple commodities that the poor rely on are more expensive in Cambodia than in neighboring countries, and the international competitiveness of Cambodia's export industries—primarily garments and tourism, which are the main generators of new jobs and foreign currency—is being eroded. These transport-related challenges are major constraints on economic growth, diminish the scope for the economy to diversify into new sectors such as agricultural processing and industrial assembly, and hinder Cambodia's effective integration into the subregional economy.

5. At subregional level, cross-border railway transport has been garnering increasing attention in the Greater Mekong Subregion (GMS) since 2006, especially in the People's Republic of China, Thailand, and Viet Nam. Several new projects have been proposed to interconnect these countries, and to connect the subregion to the rest of Southeast Asia and part of the People's Republic of China that is outside the GMS. This renewed focus on railways reflects three primary concerns of the governments of GMS countries:

- (i) Rapid export-driven economic growth has increased road traffic, outstripping the resources available for maintaining and adding capacity to the road network. This has led to congestion and rising transport costs that potentially threaten the GMS countries' international competitiveness and capacity for growth.
- (ii) Rising energy prices and growing concerns over global warming has placed greater emphasis on energy efficiency, partly to retain competitiveness and partly to forestall possible future product emission standards in consumer countries that could limit the allowable carbon footprint of imported goods.
- (iii) Escalating road casualties, resettlement, and the permanent loss of land to road infrastructure make the comparatively safer and space-frugal railways more attractive.

6. As a result of these concerns, a new strategic vision has emerged among the governments of GMS countries, focusing on multimodal transport systems with the railway as a backbone for long-distance and cross-border traffic. To act as backbone, the GMS railways would have to be efficient and interconnected across borders, have adequate capacity, and be connected to suitable intermodal terminals. Further, to be a multimodal traffic system attractive to private users, the GMS railways will need to be commercially oriented and capable of offering integrated logistics services. The sector analysis is in Appendix 3.

## B. Analysis of Key Problems and Opportunities

7. The issues and opportunities facing the railway were first analyzed in an advisory TA project,<sup>5</sup> which concluded that access to efficient railway transport would be economically beneficial for Cambodia, and (ii) the railway could become commercially viable if rehabilitated. Two small-scale TA studies were subsequently conducted—one to assess the likely future demand for railway traffic (the transport study),<sup>6</sup> and the other to examine the possibilities for establishing commercially viable railway operations (the business opportunity study).<sup>7</sup> These studies confirmed sufficient future demand to make rehabilitation of the railway economically, financially, and commercially viable for the private sector once its infrastructure had been rehabilitated. In response, the government requested a loan from ADB for the rehabilitation of the railway.<sup>8</sup> It also asked for advisory TA to restructure the railway<sup>9</sup> by assisting the government with privatizing railway operations under a long-term concession agreement, and strengthening the government's regulatory capacity to manage and monitor the rail sector and the concession in the future.

8. The Cambodian railway consists of two lines: (i) the northern line, which was built in the 1930s and connects Phnom Penh to Poipet on the border with Thailand, where it links with the railway in Thailand; and (ii) the southern line, which was built in the late 1960s and connects Phnom Penh with Cambodia's main seaport in Sihanoukville. The northern line is 386 kilometers (km) long, but the last 48 km to the border with Thailand were destroyed during the war. The southern line is about 254 km from where it branches off the northern line about 9 km from the station in Phnom Penh, making the total distance between Phnom Penh and Sihanoukville 263 km. The railway is meter gauge,<sup>10</sup> as are the railway networks in neighboring countries. The original project is restoring the railway's infrastructure by rehabilitating its existing track and reestablishing Cambodia's rail connection with Thailand.

9. The proposed supplementary financing will add components that will accelerate the takeoff of a rail-based, integrated multimodal system providing medium- to long-distance domestic and regional links between terminals that connect to road, sea, and river transport. The railway is geographically suited for this because it (i) runs parallel to the country's busiest highways (National Roads 3, 4, and 5), providing feeder access to and from railway terminals along the railway lines; (ii) interconnects with the country's two main international connection points at Sihanoukville port and the land border with Thailand at Poipet, from where it links directly to the main industrial and logistics centers around Bangkok, thus providing subregional and international connectivity; and (iii) connects to the river port in Phnom Penh and to National Road 1, which enables integration of rail transport with the developing inland water transport

<sup>5</sup> ADB. 2002. *Technical Assistance to the Kingdom of Cambodia for the Transport Sector Strategy Study*. Manila.

<sup>6</sup> ADB. 2004. *Assessment of Modal Competitiveness and Traffic Potential of a Rehabilitated Railway in Cambodia*. Manila.

<sup>7</sup> ADB. 2004. *Consulting Services for the Development of a Public-Private Partnership Plan for Royal Railways of Cambodia*. Manila.

<sup>8</sup> 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.

<sup>9</sup> ADB. 2005. *Technical Assistance to the Kingdom of Cambodia for Restructuring of the Railway in Cambodia*. Manila.

<sup>10</sup> The gauge of a railway is the distance between the inside of the rails constituting the track. Meter gauge refers to rails spaced 1.0 meter apart. Other common gauges are standard gauge (about 1.4 meters spacing), which is used in the PRC, North and South America, and most of Europe and Australia; and broad gauge (about 1.5 meters) which is used in the Russian Federation, Central Asia, South Asia and parts of Europe. Trains constructed to operate on one gauge cannot operate on another gauge without modification. Meter gauge is the common railway standard in Southeast Asia, which means that trains from various national railways can interoperate.

sector to service traffic to and from northeastern Cambodia and Viet Nam's Mekong Delta. This network will facilitate bilateral trade between Cambodia and Thailand and between Cambodia and Viet Nam, and could form the basis for establishing an attractive shortcut for the shipment of time-sensitive goods between Thailand and Viet Nam once suitable integrated transport services are developed.

10. The selected concessionaire is a large international logistics firm that operates worldwide. The concessionaire's business plan aims to develop railway traffic, as well as support the integration of the railway into a seamless subregional, multimodal transport system. The concessionaire foresees the railway providing medium- and long-distance links between terminals in Cambodia and Thailand, and possibly to destinations in southern Viet Nam in the future. This would transform the railway in Cambodia from a national railway connected to Thailand into a subregional, multimodal transport system that seamlessly integrates the countries in the southern GMS. As a result, Cambodia would be elevated from a subregionally connected local transport market to a subregional hub in the southern GMS. Achieving hub status could create significant additional long-term development prospects in Cambodia in areas such as logistic services (warehousing, packaging, and forwarding) and manufacturing (assembly and production of components). It would also generate substantial subregional benefits by enabling streamlining and rationalization of supply lines, which are essential to achieving and maintaining international competitiveness. The potential is illustrated by the impact both locally and regionally of long-established transport hubs, such as Hong Kong, China and Singapore.

11. Establishing integrated logistics services based on the railway would be an early realization of the commitment that GMS leaders made at the 2008 summit in Vientiane to expand the economic corridor network through multimodal links in the GMS. It would also enhance the objectives of the rehabilitation project by upgrading the railway from a supplier of transport services to a supplier of complete logistics solutions, which would improve transport efficiency and the integration of Cambodia into the southern GMS. In the medium term, this would strengthen trade and integration, and enhance the GMS countries' collective competitiveness and economic development potential.

### III. THE APPROVED PROJECT

12. The original project is described in the *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* (footnote 8).

#### A. Project Rationale

13. Cambodia's road transport system is inefficient because of inadequate modal and route competition. Improving the sector's efficiency requires increasing the diversity of transport options, which would give shippers and passengers alternatives to existing routes and modes of transport. Rail can be a highly competitive option, because its cost structure differs substantially from transport by road and sea. The differences in cost structure would make it difficult to establish and maintain cross-modal collusion between road and rail transport operators. Geographically, rail would also be an efficient competitor because the railway runs parallel to the country's busiest highways—National Roads 3, 4, and 5—and serves two international connection points—one at the Sihanoukville port and another at Poipet on the border with Thailand. The railway is also connected to the Mekong River via the river port in Phnom Penh. These links would enable multimodal integration that could form the basis for efficient distribution of bulk commodities to northeastern and northwestern Cambodia. The scope for

additional railway traffic is substantial. The restructuring study's traffic forecast predicts that demand for railway freight traffic on average will grow by about 7.0% per year, significantly more than the expected economic growth of 5.5% per year over the loan repayment period.

14. The railway is in poor physical condition because of war damage and decades of neglect. The last 48 km of track to the border with Thailand were destroyed during the war. Railway traffic is declining because of the poor condition of track and equipment, which renders the railway increasingly unreliable and slow. Meanwhile, the road network has been improved substantially since 1995. Railway employees are underpaid, and professional skills and staffing levels are deteriorating. As a result, the railway is operating at a deficit. Neither the railway nor the government has the resources required to turn the railway around. Without the project, the railway could cease to operate within a decade.

15. Rehabilitating the railway would substantially improve the efficiency and cost-effectiveness of Cambodia's transport system by enabling efficient and safe haulage of heavy, bulky, and hazardous cargo, such as cement, containers, and fuel. The main benefits would be (i) lower cost of transport for heavy and bulky freight; (ii) less road maintenance because of the decrease in heavy truck traffic; (iii) fewer road hazards because of the decrease in heavy traffic and the diversion of hazardous materials away from crowded roads that pass through numerous densely populated towns and villages; and (iv) efficient access to import and export markets via the Thai border in Poipet, the port in Sihanoukville, and the inland waterway system connecting Phnom Penh with Viet Nam's Ho Chi Minh City and Mekong Delta ports. Realizing these benefits requires rehabilitating the railway's infrastructure, reconstructing the destroyed track leading to Thailand, rehabilitating the line to Phnom Penh's river port, and restructuring railway operations and maintenance on a commercial basis.

16. The government gives high priority to rehabilitating and restructuring the railway as a way to improve Cambodia's international connectivity and competitiveness, and reduce public sector losses. Cambodia's railway is also a strategic element of the GMS transport sector strategy's southern corridor, which connects Cambodia, Thailand, and Viet Nam. The project would also pave the way for the proposed construction of a new railway line between Phnom Penh and Ho Chi Minh City. This new line, together with the project line, would complete the Singapore–Kunming railway link, which is a long-term development priority for the Association of Southeast Asian Nations.

## **B. Objectives and Scope**

17. The objective of the original project is supporting Cambodia's economic development and strengthening subregional integration by enabling cost-effective and efficient railway transport within Cambodia, and between Cambodia and Thailand, Malaysia, and Singapore. The original project involves rehabilitating or reconstructing the railway and reestablishing the railway connection with Thailand. A private firm will operate the rehabilitated railway under a 30-year concession.

## **C. Cost Estimates and Financing Plan**

18. The original project is estimated to cost the equivalent of \$73.0 million, including taxes and duties equivalent to \$7.4 million. The cost estimate for the original project is in Table 1.

**Table 1: Original Project Investment Plan**

Item	Amount <sup>a</sup> (\$ million)
<b>A. Base Cost<sup>b</sup></b>	
1. Civil Works	52.9
2. Equipment <sup>c</sup>	2.8
3. Land Acquisition, Resettlement, and Social Mitigation	3.8
4. Restructuring Costs	0.7
5. Consulting Services	3.4
<b>Subtotal (A)</b>	<b>63.6</b>
<b>B. Contingencies<sup>d</sup></b>	<b>7.9</b>
<b>C. Financing Charges during Implementation<sup>e</sup></b>	<b>1.5</b>
<b>Total (A + B + C)</b>	<b>73.0</b>

<sup>a</sup> Includes taxes and duties of \$7.4 million.

<sup>b</sup> In mid-2006 prices.

<sup>c</sup> Rails for the destroyed link provided by the Government of Malaysia as a grant in kind.

<sup>d</sup> Physical contingencies are computed at 15% for civil works. Price contingencies are computed at 2.0% on total costs and include a provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Includes interest during construction.

Source: Asian Development Bank estimates.

19. The original project's financing plan is in Table 2. ADB has provided a loan equivalent to \$42 million (57% of the total cost) from its Special Funds resources. Interest financing charges during implementation are capitalized. The OPEC Fund for International Development (OFID) has provided a loan of \$13 million (18%) to jointly finance the civil works component with ADB. ADB administers the OFID loan. The Government of Malaysia has provided a grant in kind of reclaimed rails valued at the equivalent of \$2.8 million (4%). The Government of Cambodia is financing the equivalent of \$15.2 million (21%), comprising all costs for project administration, taxes, clearance of unexploded ordinance, compensation of railway staff in connection with restructuring, and resettlement and land acquisition. The ADB loan has a 32-year maturity, including an 8-year grace period. The annual interest rate is 1.0% during the grace period and 1.5% over the remainder of the loan. The OFID loan is repayable over 20 years, including a 5-year grace period, with a fixed interest rate of 1% per year and a 1% fixed service charge per year. The borrower for both loans is the Kingdom of Cambodia.

**Table 2: Original Project Financing Plan**

Source	Total (\$ million)	Share of Total Project Costs (%)
Asian Development Bank	42.0	57
OFID (administered by ADB)	13.0	18
Government of Malaysia (grant in kind)	2.8	4
Government of Cambodia	15.2	21
<b>Total</b>	<b>73.0</b>	<b>100</b>

ADB = Asian Development Bank, OFID = OPEC Fund for International Development.

Source: Asian Development Bank estimates.

#### **D. Status of and Progress in Project Implementation**

20. The TA attached to the original project is (i) advising the government on restructuring of the railway, specifically for developing and negotiating a long-term concession agreement to operate the railway commercially; and (ii) strengthening the capacity of the Ministry of Public Works and Transport (MPWT) to manage the concession and provide regulatory oversight for the railway subsector in future. The restructuring consultant was mobilized in January 2006, the concessionaire was selected on 30 November 2007 after international competitive bidding, and the concession agreement was signed in June 2009.

21. The original project is restoring rail traffic by supporting rehabilitation of Cambodia's rail network. ADB approved the project loan on 13 December 2006; the supervision consultant was mobilized on 14 January 2008; and the works contractor, which was awarded both rehabilitation contracts for the northern line to Thailand and southern line to Sihanoukville Port, was mobilized on 1 March 2008. The works contracts include detailed design. Because of delays in negotiating the concession agreement, works were postponed until the concessionaire was in place. The reasons for this temporary suspension of works were twofold: (i) to ensure that the concessionaire's operational requirements were adequately reflected during implementation, and (ii) to limit the government's liabilities if the concession negotiations did not succeed. As a result, implementation progress was delayed by about 12 months. With the concession agreement signed on 12 June 2009, work is now proceeding. Resettlement plans have been completed for the northern and southern lines, and are ready for implementation. MPWT, the concessionaire, and the contractor are finalizing a time-bound plan for implementation of works. Detailed design for the original project is nearing completion, supply contracts for sleepers and other materials have been signed, work teams have been mobilized, and heavy track-laying equipment has been shipped into Cambodia. Physical works are expected to start in November. All loan covenants have been met satisfactorily thus far (Supplementary Appendix A).

22. Two lessons have been drawn from implementing this public–private partnership project:

- (i) It is difficult to reconcile ADB's time-bound loan processing and implementation schedules with a parallel process of concession negotiations between a public and a private partner, which is not—and cannot realistically be—subjected to deadlines. This could conceivably be resolved if a mechanism to stop ADB's processing and implementation "clock" was introduced, enabling parallel negotiations to catch up with ADB's schedule as needed.
- (ii) ADB needs to accept that additional resources are required to extensively facilitate concession negotiations through mediation and other intervention. This has been instrumental in securing a successful outcome of this project's public–private partnership negotiations, but has required substantial staff and management resources beyond those required for processing and administering a traditional public sector project.

### **IV. THE PROPOSED SUPPLEMENTARY FINANCIAL ASSISTANCE**

#### **A. Proposed Changes**

23. The proposed supplementary financing would expand the scope of the original project to increase its regional integration and national development impacts. The expanded scope will include upgrading the railway's infrastructure to facilitate early takeoff of an integrated, railway-based, multimodal transport system in the southern GMS. The supplementary financing will provide for the following:

- (i) Transfer of freight and train maintenance operations from the confined and congested central station in Phnom Penh to a new and much larger area in Samrong, about 10 km west. This will be a major improvement because the new site (a) is at the confluence of the northern and southern railway lines, which is operationally ideal and reduces the need for heavy railway traffic through densely populated areas in central Phnom Penh; (b) has sufficient space to facilitate future development; and (c) is away from populated areas and the congested traffic in central Phnom Penh, which already constrains the usage of and access to the current station.
- (ii) Selective upgrading or strengthening of railway infrastructure to conform with the operational requirements for the proposed multimodal railway traffic and the higher axle load standards that are gradually being implemented in Thailand.
- (iii) New spur lines to the existing and proposed new terminal facilities. These are essential to effectively integrate existing and new terminals with the proposed railway-based, multimodal transport system. The concessionaire will undertake additional upgrading of the railway's infrastructure as justified by future traffic and revenues.

## **B. Impact, Outcome, and Outputs**

24. The impact of the modified project (the original project with the proposed supplementary financing) will be increased domestic and regional trade movement on the railway, thereby supporting sustainable economic growth and poverty reduction. This will be achieved by developing the railway in Cambodia into a provider of logistics services in Cambodia and neighboring GMS countries. The outcome of the modified project will be a railway that is sustainable and efficiently operated.

25. The outputs of the modified project will be (i) the existing railway line is rehabilitated and partially upgraded, enabling safe operations at an average mainline speed of at least 50 km/hour; (ii) the railway link to Thailand is reconstructed; (iii) rail links to the Sihanoukville port and the port in Phnom Penh are rehabilitated and extended; (iv) freight facilities in Samrong and Phnom Penh are constructed; (v) affected households living within the railway's right-of-way and the Samrong facility are satisfactorily compensated and assisted; and (vi) the new railway department (paras. 33–34) is staffed and operational.

26. Based on the potential economic development gains from the accelerated implementation of the business plan proposed by the concessionaire, the government has prioritized the financing of the infrastructure upgrade. This will, in turn, jump-start the development of an integrated logistics system. The concessionaire will finance additional upgrades of the railway's infrastructure as justified by future traffic and revenues.

27. The design and monitoring framework for the modified project builds on the design and monitoring framework of the original project, and reflects the additional project benefits and outcomes of the modified project. For the supplementary financing, the framework identifies the outcomes related to the effective operation and maintenance of the railway under a 30-year concession, and the institutional support needed to monitor the concession and to develop a future regulatory framework. In addition, the design and monitoring framework highlights the importance of social impacts by focusing on outcomes related to the effective implementation and monitoring of resettlement and compensation plans, including issues related to gender and vulnerable groups. To effectively monitor project outcomes, a monitoring and evaluation framework and project baselines must be established; indicators refined, including gender

disaggregation; and an efficient process for monitoring identified. The Government of Australia will finance TA for this purpose, and to help ensure that project outcome monitoring becomes integrated into the Railway Department's systems (para. 50).

### **C. Rationale**

28. Reflecting the increasing role of rail in regional transport integration, the proposed supplementary financing will (i) accelerate the development of the railway in Cambodia into an integrated, regional logistics services provider, effectively interconnecting Cambodia, Thailand, and Viet Nam; and (ii) transform Cambodia into a subregional transport hub. This will provide for early realization of the commitment that GMS leaders made at the 2008 summit in Vientiane to expand the corridor network through multimodal links in the GMS. It will also be an example of implementing ADB's Strategy 2020,<sup>11</sup> which commits ADB to pursuing inclusive growth, environmentally sustainable growth, and regional integration by leveraging three of the strategy's five drivers for change: (i) private sector development and private sector operations, (ii) good governance and capacity development, and (iii) partnerships with the private sector. The proposed supplementary financing will generate significant subregional development benefits in the southern GMS, and will create new economic development opportunities in Cambodia.

29. The activities to be financed by the proposed supplementary financing are technically feasible, institutionally sound, economically viable with an economic internal rate of return of 20.7%, and financially sustainable with a financial internal rate of return of about 9.2%. The requirements for supplementary financing of incremental activities have been met: (i) the proposed incremental activities are consistent with the current country partnership strategy and the development objectives of the original project, and increase its impact, outcomes, and development effectiveness; and (ii) the original project has made satisfactory implementation progress, including full compliance with all loan covenants due thus far (para. 21), and is likely to attain its development objectives.

### **D. Safeguards**

30. The supplementary financing follows the principles outlined in the summary poverty reduction and social strategy for the original rehabilitation project, including resettlement activities, HIV prevention, and project-related gender issues. The modified project will result in additional resettlement impacts at Samrong because of the construction of a new freight and maintenance facility. An additional 232 affected households<sup>12</sup> have been identified at this site, bringing the total number to about 1,700. This impact is addressed in a supplementary resettlement plan for Samrong (Appendix 4) prepared in compliance with the agreed resettlement plan for the original project.

31. Gender issues are integrated into the project primarily through the resettlement and HIV programs. Specific strategies for integrating gender equality include representation by women and men from affected households in resettlement working groups and special measures in relation to vulnerable groups. Gender sensitization training will also be undertaken, particularly in the context of resettlement, for pertinent MPWT staff and district resettlement committees, district officials, and commune leaders. For HIV prevention activities, the civil works contracts contain provisions that the contractor must comply with. These apply to the contractor's

<sup>11</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

<sup>12</sup> This number covers 231 households and one company.

workforce and to the communities with which they interact. Specifically, the contractor is required to put in place an HIV awareness program through an approved service provider to reduce the risk of HIV and sexually transmitted diseases, promote early diagnosis, and provide assistance to affected households. Under the proposed outcome monitoring TA (para. 50), gender-disaggregated monitoring indicators will be developed to monitor social benefits, HIV, economic opportunities, livelihoods, and resettlement outcomes. An updated summary poverty reduction and social strategy reflecting the supplementary activities is in Appendix 5. The updated summary poverty reduction and social strategy is in compliance with the ADB's *Safeguard Policy Statement*.<sup>13</sup>

32. The railway alignment is outside environmentally sensitive areas, such as national parks and other protected areas and their buffer zones. The original project falls into environmental category B, which remains valid for the modified project. MPWT has prepared a supplementary initial environmental examination (IEE) identifying environmental impacts, mitigation measures, and monitoring activities for components that will receive supplementary financing. The IEE covers affected areas in Samrong and sites where an additional spur line will be established. No significant environmental impacts are anticipated to arise from project implementation as appropriate engineering and environmental management measures will be employed. MPWT, with support from the construction supervision consultant, will ensure proper implementation of such measures. The summary IEE for the supplementary activities is in Supplementary Appendix B.

#### **E. Institutional Support and Capacity Building**

33. The success of the project will depend on the success of both its parts: (i) the physical rehabilitation of the railway's infrastructure, and (ii) the effective implementation of the concession through which the railway will be managed and operated for the next 30 years. TA provided to MPWT (footnote 9) and its concession management committee (CMC) has supported implementation of the concession. This support will continue until mid-2010. However, the CMC will continue to require expert assistance in developing sustainable institutional capacity to manage the concession through the life of the contract, and also to eventually become the railway sector regulator. The CMC will need additional advisory and capacity development support for at least 2–3 more years, until a substantial portion of the railway has been rehabilitated and railway operations have settled into their long-term pattern. The government has started this process by issuing a sub-decree that will (i) dissolve the Royal Railways of Cambodia, (ii) transfer the Royal Railways staff to MPWT, and (iii) establish the new railway department within MPWT. The sub-decree became effective on 15 November 2009.

34. The scope of this additional support, outlined in Appendix 6, will include assisting MPWT with (i) transforming the CMC from an ad hoc committee into a permanent railway department within MPWT; (ii) defining the management and staffing structure for the new department; (iii) monitoring the concession; (iv) preparing training programs and manuals for the railway department's operations, including safety monitoring, financial management, international relations (for the rail links with Thailand and, in the longer term, Viet Nam), non-concession asset management, and infrastructure and rolling stock inspection.

#### **F. Revised Cost Estimates**

35. The supplementary financing investment cost is estimated at the equivalent of \$68.6 million, including taxes and duties of about \$7.5 million. This will push the total cost for the

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<sup>13</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

modified project to the equivalent of about \$141.6 million, including taxes and duties of about \$14.9 million (Table 3). Details of the revised cost estimates are in Appendix 7; a detailed list of work items to be implemented under supplementary financing is in Appendix 9, Table A9.5.

**Table 3: Revised Project Investment Plan**  
(\$ million)

Item	Original Project	Additional Components under Supplementary Financing	Modified Project <sup>a</sup>
<b>A. Base cost<sup>b</sup></b>			
1. Civil works	52.9	50.0	102.9
2. Equipment <sup>c</sup>	2.8	3.2	6.0
3. Land acquisition, resettlement, and social mitigation	3.8	3.8	7.6
4. Restructuring costs	0.7	0.1	0.8
5. Consulting services	3.4	2.5	5.9
6. Institutional support and capacity building	0.0	3.0	3.0
7. Project administration	0.2	0.2	0.4
<b>Subtotal (A)</b>	<b>63.8</b>	<b>62.8</b>	<b>126.6</b>
<b>B. Contingencies<sup>d</sup></b>	<b>7.7</b>	<b>4.8</b>	<b>12.5</b>
<b>C. Financing charges during implementation<sup>e</sup></b>	<b>1.5</b>	<b>1.0</b>	<b>2.5</b>
<b>Total (A+B+C)</b>	<b>73.0</b>	<b>68.6</b>	<b>141.6</b>

<sup>a</sup> Includes taxes and duties of \$14.9 million.

<sup>b</sup> In early-2009 prices.

<sup>c</sup> Procurement of rail and sleepers through supplementary financing. Materials for the original project (reclaimed rail) have been provided by the Government of Malaysia as a grant in kind.

<sup>d</sup> Physical contingencies computed at 5% for civil works. Price contingencies computed at 2% per year on foreign exchange costs and 6% per year on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Includes interest.

Source: Asian Development Bank estimates.

## G. Revised Financing Plan

36. The revised financing plan is shown in Table 4. ADB will provide a loan of \$42 million (61.2% of the total supplementary financing) from ADB's Special Funds resources. Financing charges during implementation will be capitalized. The Government of Australia will provide a grant equivalent to \$21.5 million (31.3%) on a joint cofinancing basis to be administered by ADB. In addition, the Government of Australia will provide financing for the TA. The Government of Cambodia will finance the equivalent of \$5.1 million (7.4%), comprising part of the civil works costs and resettlement and land acquisition. The ADB loan will have a 32-year maturity, including an 8-year grace period. The annual interest rate will be 1.0% during the grace period and 1.5% over the remainder of the loan. The borrower will be the Kingdom of Cambodia.

**Table 4: Revised Financing Plan**

<b>Source</b>	<b>Original Project</b>		<b>Supplementary Financing</b>		<b>Modified Project</b>	
	<b>Amount</b> (\$ million)	<b>Share of Total (%)</b>	<b>Amount</b> (\$ million)	<b>Share of Total (%)</b>	<b>Amount</b> (\$ million)	<b>Share of Total (%)</b>
Asian Development Bank	42.0	57.6	42.0	61.2	84.0	59.3
Government of Australia <sup>a</sup>	0.0	0.0	21.5	31.3	21.5	15.2
OFID	13.0	17.8	0.0	0.0	13.0	9.2
Government of Malaysia (grant in kind)	2.8	3.8	0.0	0.0	2.8	2.0
Government of Cambodia	15.2	20.8	5.1	7.4	20.3	14.3
<b>Total</b>	<b>73.0</b>	<b>100.0</b>	<b>68.6</b>	<b>100.0</b>	<b>141.6</b>	<b>100.0</b>

OFID = OPEC Fund for International Development.

<sup>a</sup> Through the Memorandum of Understanding on Channel Financing (Technical Assistance Program) between the Government of the Commonwealth of Australia and the Asian Development Bank, and administered by ADB.

Source: Asian Development Bank estimates.

## **H. Implementation Arrangements**

### **1. Project Management**

37. The implementation arrangements set out in the original project's report and recommendation of the President will largely apply to the modified project. The MPWT will remain the executing agency for the project. The only change is that the government has invited the concessionaire to join the project implementation team to ensure that works are prioritized and implemented in a way that maximizes the future usability of the railway infrastructure for the concessionaire and minimizes adverse impact on rail operations during construction. This involvement includes participation in all construction and project planning meetings, and access to the implementing agency's project data and reports.

### **2. Implementation Period**

38. The original project was scheduled to be implemented over 3 years, with completion in December 2009. However, because negotiation of the concession agreement took longer than expected, the implementation schedule will be extended by 3.5 years with completion in March 2013. The extension takes into account the impact of the 1-year delay in negotiating the concession agreement and allows sufficient time for implementing the additional works under the proposed supplementary financing. The revised implementation schedule is in Appendix 8.

### **3. Procurement**

39. Works similar to those included in the scope of the original contracts, such as structures, track strengthening, and additional sidings, which typically are within areas covered by the original contracts, will be implemented through variations to those contracts. These works are estimated to cost about \$30 million. The variations will be prepared and formalized in accordance with the provisions of the civil works conditions of contract. MPWT, assisted by the existing project consultant, will manage the process, which will be reviewed before finalization by a procurement specialist provided through TA (para. 52). ADB's approval of the contract variations, based on the procurement specialist's review, will be required before their finalization.

40. Works of a different type to those included in the original contracts—principally development of the Samrong facility—will be implemented through two new contracts. These works include the earthworks platform, buildings, facilities and equipment, road works, and track work within the Samrong site. The estimated cost is about \$20 million. The contracts will be separate from, but interfaced with, the existing contracts managed by MPWT and supervised by the project consultant. There will also be a supply contract for the provision of rail and sleepers for the Samrong facility, and for replacement of sections on the northern line where detailed site inspections have found the original rail to be unusable. All new contracts will be procured using international competitive bidding.

41. All new procurement will be carried out in accordance with ADB's Procurement Guidelines (2007, as amended from time to time). Details of the new contracts are in Appendix 9.

#### **4. Consulting Services**

42. The works under the proposed supplementary financing will require an additional 105 person-months of international consulting inputs and an additional 210 person-months of national consultant inputs from the supervision consultant. These inputs will be provided through a variation to the existing project consultant's contract. The terms of reference for the project consultant will be amended to include design, procurement, and supervision of the Samrong facility works.

43. Consulting services will also be required for the institutional support and capacity building of MPWT (para. 33). These services will extend over 3 years and require about 60 person-months of international consultants and 20 person-months of national consultants. These consultants will have expertise in restructuring government railway enterprises, human resource development, railway operations and safety, and private sector concession monitoring. An outline of the scope of the services is in Appendix 10. The government will select the consultants in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time), using the quality- and cost-based selection procedure with a quality-cost ratio of 80:20 and full technical proposals.

#### **5. Anticorruption Policy**

44. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MPWT. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the loan regulations and the bidding documents for the project. In particular, all contracts financed by ADB or the Government of Australia in connection with the project shall include provisions specifying the right of ADB to audit and examine the records and accounts of MPWT and all contractors, suppliers, consultants, and other service providers as they relate to the project. In addition, to promote transparency and good governance, the government has agreed to establish a website for procurement under the project. Access to this website will be made available to the public. MPWT will publicly disclose on the website information on how proceeds from the ADB loan and the grant of the Government of Australia (administered by ADB) are being used by presenting detailed information on the procurement process, including the list of participating bidders, the name of the winning bidder, basic details of the bidding procedures adopted, the amount of the contract awarded, the list of the goods and services procured, and intended and actual utilization of ADB loan and Government of Australia grant proceeds under

each contract in English and Khmer. This information will also be published on public notice boards at commune centers and other public buildings in the project area. A good governance framework for the project (Appendix 11) will be included in the project administration memorandum to be signed by the government.

## **6. Disbursement Arrangements**

45. All disbursements under the ADB loan and the grant from the Government of Australia, if approved, will be carried out in accordance with ADB's Loan Disbursement Handbook (2007, as amended from time to time). The Australian contribution would be disbursed from budgetary allocations in Australian financial years 2009 to 2012,<sup>14</sup> with the bulk of the funding likely being available in the last 2 years of this period. Reflecting this, ADB's project documentation, including the loan agreement, has been structured to accommodate variable year-by-year financing shares for the Government of Australia and ADB. The financing shares will be adjusted once a year, on 1 July, and be valid for all withdrawals for the following 12 months. The estimated annual disbursement percentages are in Appendix 7, Table A7.3. The Ministry of Economy and Finance (MEF) will establish an imprest account at the National Bank of Cambodia for disbursement of ADB's share of resettlement costs. MEF will delegate administration of the account to MPWT by means of arrangements satisfactory to ADB. Deposits to the imprest account will be based on estimated expenditures to be paid from the imprest account for the next 6 months of project implementation or 10% of the loan amount, whichever is less. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the borrower and ADB. A statement of expenditure will be used to reimburse eligible expenditures and liquidate advances to the imprest account to ensure speedy project implementation. The ceiling for statements of expenditure will be \$100,000 per invoice.

## **7. Accounting, Auditing, and Reporting**

46. The MPWT will maintain separate accounts for the project, including assets, and will have such accounts and related financial statements audited annually by an external auditor acceptable to ADB in accordance with auditing standards acceptable to ADB. Within 6 months of the end of each fiscal year, MPWT will submit certified copies of audited project accounts and financial statements and the auditor's reports, in English, to ADB. The audit of the financial statements will include (i) an assessment of the adequacy of accounting and internal control systems with respect to project expenditures and other financial transactions, and (ii) an assessment of compliance with loan covenants and ADB's project management requirements.

47. MPWT will make satisfactory arrangements for reporting the progress of project implementation by submitting quarterly progress reports, the form and content of which will be agreed with ADB. MPWT will monitor project implementation in accordance with the implementation schedule and will keep ADB informed of any significant deviations from the schedule. The quarterly report will include basic data on utilization of funds, achievement of immediate development objectives, compliance with covenants, implementation progress, land acquisition, resettlement progress, and major issues and problems. Within 3 months of physical completion, MPWT will submit a project completion report to ADB that will provide a detailed evaluation of the project design, costs, performance by contractors and consultants, social and economic impact, economic rate of return, and other details that ADB may request.

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<sup>14</sup> The financial year of the Government of Australia ends on 30 June, e.g., financial year 2009 ends on 30 June 2010.

## 8. Project Review

48. ADB staff, with the participation of representatives from the governments of Cambodia and Australia, will undertake a semiannual review of the project to assess (i) the status of implementation, (ii) the performance of the government and the concessionaire, (iii) the performance of consultants and contractors, (iii) the status of compliance with the covenants stipulated in the loan agreement, and (iv) the need for any changes in the project scope or schedule to achieve the project's impact and objectives. These reviews will be supported by consultants with appropriate expertise, in particular for the project's critical and sensitive involuntary resettlement activity. A midterm review will be undertaken in 2011. In addition to the issues covered during regular project reviews, the midterm review will assess the impacts of the project, and the progress in developing the new railway department's capacity to manage the concession and regulate the railway sector.

## V. TECHNICAL ASSISTANCE

49. TA for Outcome Monitoring and Procurement Review (Appendix 10) will be provided to MPWT for (i) outcome monitoring; and (ii) procurement review for the works to be added to the project scope through variations to the existing contracts. This will be done through a single TA project with two parts corresponding to these tasks. The estimated cost of the TA is \$0.45 million. The Government of Australia will finance the TA from its proposed grant for the project. ADB will administer the TA. Disbursement under the TA will be in accordance with ADB's *Technical Assistance Disbursement Handbook*.<sup>15</sup>

### A. Outcome Monitoring

50. TA for outcome monitoring will be provided through MPWT's CMC (or subsequent railway department), which will also undertake long-term output monitoring as required by ADB and the governments of Australia and Cambodia. These services will extend over 2 years, after which outcome monitoring will be integrated into MPWT's systems. Outcome monitoring will cover (i) an overview of economic and transport benefits monitoring as outlined in the design and monitoring framework; (ii) social benefits by focusing on outcomes related to the effective implementation and monitoring of resettlement and compensation plans, including issues related to gender and vulnerable groups; and (iii) institutional benefits focusing on improved railway organizational systems. Outcome monitoring will take an integrated approach and build on the project-level monitoring taking place through work of MPWT, the contractor, and the project consultant.

51. This part of the TA will require about 8 person-months of international consultants and 16 person-months of national consultants. These consultants will have expertise in developing monitoring and evaluation frameworks; managing monitoring and evaluation systems, including gender disaggregation, data collection, analysis and reporting on activities, and outcomes and impacts; and experience in training national staff in the management of monitoring and evaluation systems. A consulting firm will be selected and engaged in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time) using the quality- and cost-based selection procedure with a quality–cost ratio of 80:20 and simplified technical proposals.

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<sup>15</sup> ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

## **B. Procurement Review**

52. This part of the TA will assist MPWT and ADB with ensuring that the process of developing, negotiating, and agreeing on contract variations is carried out appropriately and produces a reasonable result. A substantial portion of the additional works to be introduced will be carried out under these variations to the existing contracts. The task will require about 1 month of consulting services, provided by an individual international procurement specialist.

## **VI. PROJECT BENEFITS, IMPACTS, ASSUMPTIONS, AND RISKS**

53. The benefits and impacts of the modified project were assessed along with potential risks associated with the assumptions made in the project design. The combined benefits and impacts are expected to outweigh the costs, given the likelihood of the risks occurring.

### **A. Social**

54. The principles for addressing social and gender issues set out in the original project were developed as part of an overall integrated approach for addressing resettlement activities, HIV awareness and prevention and gender equality issues. The original socioeconomic survey indicated that the project is not expected to affect ethnic minority groups any differently than the majority Khmers. Thus, ADB's Policy on Indigenous Peoples (1998) is not triggered. Gender equity issues are integrated across the project through resettlement, HIV activities, and project monitoring. The modified project includes the following actions to address gender issues in resettlement: (i) a male representative and a female representative of the affected households in a commune will sit in the resettlement working group; and (ii) sensitization training on gender and on the project resettlement policy will be provided to MPWT personnel and the working group through the project consultant's resettlement specialist. With regard to HIV, the civil works contractors are required to develop and implement an awareness and prevention campaign during the construction period for both workers and communities. In terms of project monitoring, monitoring indicators disaggregated by gender will be developed for monitoring social benefits, HIV, economic opportunities, livelihoods, and resettlement outcomes.

### **B. Resettlement**

55. The original project was formulated to minimize potential risks related to involuntary resettlement. The agreed upon resettlement plan is being updated following the completion of detailed design. The modified project will result in additional resettlement impacts at Samrong because of the construction of a new freight facility. The total land area is 98.6 hectares. An additional 232 affected households have been identified. The draft resettlement plan has been finalized. The government has held public consultation meetings; distributed public information booklets in the Khmer language to all affected households; and placed copies of the resettlement plan, translated into Khmer language, in the affected commune offices.

### **C. Connection with Thailand**

56. The prime ministers of Cambodia and Thailand agreed in 2007 to reestablish the cross-border railway connection, and the two railways undertook technical discussions on implementation arrangements. The talks were halted while the Cambodian concession agreement was being negotiated in 2008 to enable proper involvement of the new railway operator. Following the signing of the concession agreement on 12 June 2009, the Cambodian minister of public works and transport intends to reopen this process. ADB is providing support

for these discussions through the ongoing TA project for restructuring of the railway, and through its resident missions in Cambodia and Thailand.

#### **D. Financial**

57. The financial analysis of the modified project indicates that it will have a financial internal rate of return of about 9.2%, well above the real weighted average cost of capital for the modified project of about 2.9%. The revised financial analysis is in Supplementary Appendix C.

58. The financial management capacity of the executing agency was assessed during preparation of the original loan and remains valid. MPWT has a long-standing record of satisfactorily implementing ADB projects. The financial management capacity of the private concessionaire was assessed during bidding for the concession agreement, where it was one of the prequalification criteria, and showed the operator had more than adequate financial capacity to undertake the concession. This assessment also remains valid.

#### **E. Economic**

59. The main benefits in the original project are associated with savings from the diversion of heavy freight and container traffic from road transport to more economical rail transport. The main benefit from the supplementary financing is from subregional traffic using the railway's cheaper and faster subregional links. The traffic forecast in the original project is based on projected future economic growth in Cambodia. It assumes that the railway will capture a significant share of the traffic generated by three new cement plants that are being planned and constructed, as well as future container traffic on the southern line to and from Sihanoukville. The economic analysis of the modified project considers projected railway traffic in Cambodia and the additional transit traffic as a result of the concessionaire's business plan, as well as the impact of additional railway infrastructure investments. The economic analysis of the modified project shows that the economic internal rate of return will be about 20.8%. The revised economic analysis is in Supplementary Appendix D.

#### **F. Environmental**

60. The railway alignment is outside environmentally sensitive areas, such as national parks and other protected areas and their buffer zones. The project falls into environmental category B. The additional works to be implemented under the modified project do not introduce new or significantly different environmental impacts, since they are largely contained within or close to the areas already assessed under the original project's IEE. The site for the new Samrong facility consists of paddy fields and grassland with sparsely populated areas nearby. Other components involve the rehabilitation of existing sidings and construction of short new sidings (500–800 meters) about 50 meters from the existing main line. MPWT has performed further environmental examination of the additional works and submitted the draft IEE report to ADB. ADB has submitted comments on the draft IEE.

### **VII. ASSURANCES AND CONDITIONS**

#### **A. Specific Assurances**

61. In addition to the standard assurances, the government and the MPWT have given the following specific assurances, which are incorporated in the legal documents:

## **1. Environment and Social**

- (i) The government will ensure that all civil works contracts under the project incorporate provisions to ensure that contractors (a) comply with the government's environmental regulations, ADB's Environment Policy (2002), the environmental management plan for the project, and the IEE; (b) comply with all applicable laws and regulations of Cambodia, including ratified international treaty obligations; (c) do not employ child labor and provide safe working conditions for male and female workers; (d) do not provide male and female workers with different wages or benefits for work of equal value to the extent that it is applicable to contractors; and (e) carry out training programs and awareness campaigns on HIV at campsites and in communities along the railway lines. The MPWT will monitor compliance through the project consultant.

## **2. Resettlement**

- (i) The government will ensure that Interministerial Resettlement Committee (IRC) updates the resettlement plan after detailed project design based on a detailed measurement survey of losses. The assignments of the independent monitoring agency and the project consultant's resettlement specialists already engaged for the original project will be expanded to also include monitoring and supervision at Samrong. The update will be prepared in full consultation with affected households and will be disclosed to them through relevant commune offices. The updated resettlement plan for any section of the railway will be submitted to ADB for review and approval before commencement of any land acquisition and relocation activities for that section. IRC will implement the approved, updated resettlement plans in accordance with the government's laws, regulations, and procedures and ADB's Involuntary Resettlement Policy (1995). In the case of discrepancies between the government's laws, regulations, and procedures and ADB's policy, ADB's policy will prevail.
- (ii) Civil works contractors will not be issued a notice of possession of the pertinent section of railway until (a) the satisfactory completion of compensation payments and relocation to new sites for that particular section, (b) the agreed rehabilitation assistance is in place, and (c) the particular section is free from all encumbrances.
- (iii) The government will ensure that if people in the remaining right-of-way beyond the corridor of impact are resettled in the future, the resettlement will be carried out in accordance with the standards established for this project.
- (iv) The government will ensure the timely provision of counterpart funds for resettlement to meet any unforeseen obligations in excess of the resettlement budget estimates to satisfy resettlement requirements and objectives.

## **3. Anticorruption Policy and Good Governance**

- (i) The government will comply with, and will cause MPWT to comply with, ADB's Anticorruption Policy (1998, as amended to date). The government (a) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project; and (b) agrees to cooperate fully with, and to cause the MPWT to cooperate fully with, any such investigation and to extend all necessary assistance, including providing access to all relevant accounts and records, as may be necessary for the satisfactory completion of any such investigation.
- (ii) Without limiting the generality of the preceding paragraph, the government will (a) ensure that the MPWT conducts periodic inspections of contractors' activities

related to fund withdrawals and settlements; and (b) ensure and cause the MPWT to ensure that all contracts financed by ADB or financed by the Government of Australia and administered by ADB in connection with the project include provisions specifying ADB's right to audit and examine the records and accounts of all contractors, suppliers, consultants, and other service providers as they relate to the project.

- (iii) In addition to these requirements, to deter corruption and increase transparency, the government will set up a website to disclose information about procurements related to the project. For each contract, the website will include a list of participating bidders, the name of the winning bidder, the basic details of the bidding procedures adopted, the amount of the contract awarded, the list of goods, works or services procured, and intended and actual utilization of ADB loan and Government of Australia grant proceeds. In addition to the web-based disclosure, the public shall be provided with detailed information about procurement on public notice boards (for example, at commune council facilities) in the area where works are carried out for the project.

#### **4. Gender**

- (i) The government will ensure that women, in particular, those who belong to households headed by women and ethnic minority groups, participate to an extent satisfactory to ADB in (a) public consultation meetings on resettlement planning; (b) detailed measurement survey; (c) capacity development programs relating to resettlement; and (d) relocation, compensation, and livelihood improvement activities to be undertaken under the project.
- (ii) The government will ensure that (a) any land rights granted to affected people will be issued in the names of both husband and wife; (b) women railway staff affected by restructuring are included in counseling and retraining programs for securing employment opportunities; and (c) gender sensitization training is undertaken as part of supervision consulting services, particularly in the context of resettlement, for pertinent MPWT staff and district resettlement committees, district officials, and commune leaders.

#### **5. Project Monitoring**

- (i) At the beginning of project implementation, the MPWT will establish baseline and target values for the indicators before the start of works. The indicators shall include, at a minimum, information on railway passenger and freight traffic; effective average train speed; container traffic; traffic accidents; railway, road, and sea transport costs; heavy traffic on the railway versus roads; and producer prices as a share of the value of exports. The indicators shall be measured at project inception, project completion, and 3 years after project completion and compared with baseline values. Support to help establish the monitoring and evaluation system will be provided as part of supervision consulting services, and through technical assistance. The main sources of data shall include (a) secondary data from the borrower's sources, (b) traffic counts, (c) railway statistics, (d) shipper and passenger surveys, (e) traffic accident database, (f) producer and price surveys, and (g) trade and customs statistics. The MPWT shall submit a report to ADB summarizing the key findings of monitoring at inception, project completion, and 3 years after project completion.

**B. Conditions for Effectiveness**

62. Approval of the grant from the Government of Australia is a condition for effectiveness of the proposed ADB supplementary loan.

**VIII. RECOMMENDATION**

63. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provisions of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve

- (i) the supplementary loan in various currencies equivalent to Special Drawing Rights 26,408,000 to the Kingdom of Cambodia for the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) in the event that the Government of Australia approves grant financing not exceeding the equivalent of \$21,500,000 to the Kingdom of Cambodia for the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project, the administration by ADB of such grant.

C. Lawrence Greenwood, Jr.  
Vice President (Operations 2)

24 November 2009

## DESIGN AND MONITORING FRAMEWORK

<b>Design Summary</b>	<b>Performance Targets/Indicators by 2015</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Impact</b></p> <p>Increase in domestic and regional trade movement on the railway</p>	<p>The railway captures 15% of container and 5% of dry bulk traffic between Thailand and Viet Nam</p> <p>The railway captures 80% of the freight market for bulk products between the capital and Sihanoukville and Thailand</p> <p>90% of dangerous cargo (fuel, liquefied petroleum gas, chemicals) and at least half of all bulk cargo transports on National Roads 3, 4, and 5 are diverted to rail</p>	<p>Customs and railway records Railway operator's physical and financial performance results</p> <p>Road traffic surveys</p> <p>Railway traffic statistics</p> <p>Railway department accounts, records, training manuals</p> <p>Railway department monitoring data on environmental issues, grievances, commercial disputes and safety</p> <p>Railway department regulations</p> <p>Reports from the TA for outcome monitoring and procurement review</p>	<p><b>Assumptions</b></p> <p>The railway is efficiently operated and competitive.</p> <p><b>Risks</b></p> <p>Economic growth and socioeconomic development are constrained by external factors.</p> <p>Effective cross-border interconnection with Thailand does not materialize.</p> <p>Resettlement is not completed in accordance with the project's resettlement plan. The project loan agreement contains the provision that no construction work is to begin on any section of the project resettlement has been completed in that section.</p>
<p><b>Outcome</b></p> <p>The railway is sustainable and efficiently operated</p>	<p>Rail transport is 20% cheaper than road transport</p> <p>98% of all railway containers are delivered to destination on time</p> <p>Government's deficit coverage for the railway is eliminated</p>	<p>Executing agency progress reports</p> <p>Reports from project supervision and reports from the project component for strengthening the new railway department</p> <p>Disbursement records</p> <p>Project reviews</p> <p>TA for outcome monitoring and procurement review reports</p> <p>Government accounts</p>	<p><b>Assumptions</b></p> <p>Satisfactory restructuring of the railway subsector is completed.</p> <p>The railway department is established and operating.</p>

<b>Design Summary</b>	<b>Performance Targets/Indicators by 2015</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. Existing railway line rehabilitated and partially upgraded, enabling safe operations at a mainline speed of at least 50 km/hour</li> <li>2. Railway link to Thailand reconstructed</li> <li>3. Rail links to Sihanoukville port and the port in Phnom Penh rehabilitated and extended</li> <li>4. Freight facilities in Samrong and Phnom Penh constructed</li> <li>5. Affected households living within the railway ROW and stations satisfactorily compensated and assisted</li> <li>6. Railway department staffed and operational</li> </ol>	<p>About 600 km of existing railway line rehabilitated and partially upgraded</p> <p>About 48 km of railway line from Sisophon to the Thai border reconstructed</p> <p>About 15 km of rail links to Sihanoukville container port and the port in Phnom Penh rehabilitated</p> <p>Access to 2 dry ports and 98-hectare freight and maintenance depot constructed</p> <p>232 affected households in Samrong satisfactorily compensated and assisted</p> <p>25 staff transferred to the railway department and adequately trained</p>	<p>Project reports, railway accounts, and user surveys</p> <p>Reports by the restructuring TA consultants</p> <p>Reports of project supervision consultants</p> <p>Project completion report</p> <p>Updated resettlement plans</p> <p>Independent resettlement monitor reports disaggregated by gender</p>	<p><b>Assumptions</b></p> <p>The railway department is established by the end of 2009.</p> <p>Sufficient staff appointed or transferred to the railway department to make it operational.</p> <p><b>Risks</b></p> <p>The Government of Thailand does not reestablish the rail connection on time.</p> <p>Price increase or cost overrun leads to a reduction of project scope.</p> <p>Implementation is delayed.</p>

<b>Activities with Milestones</b>	<b>Inputs (\$ million)</b>
1.1 Transaction preparation, public bidding, selection, and signing of concession agreement for the railway operator (signed in June 2009)	
1.2 Selection of consultants for design and supervision (completed in 2007)	
1.3 Prequalification and award of civil works contracts (completed in 2007)	
1.4 Acquisition of land and resettlement of affected households for the original project (to be completed by end of 2010)	
2.1 Reconstruction of the link to the border with Thailand, including earthworks, ballasting, track laying, stations, and repairs to bridges and culverts (to be completed by end of 2012)	
2.2 Rehabilitation and partial upgrade of the northern line, including embankment repairs, ballasting, provision of missing fittings, and replacement of track to improve the riding quality for a minimum operational speed of 50 km/hour (to be completed by end of 2012)	
3.1 Rehabilitation of the southern line, including repairs to embankments, renewal of track with concrete sleepers, and rehabilitation of bridges and culverts, (to be completed by end of 2012)	
3.2 Rehabilitation of existing siding tracks and provision of additional tracks for efficient loading and unloading of containers in the Sihanoukville container port (to be completed in March 2013)	
4.1 Updating and implementation of the resettlement plan for Samrong (to be completed by mid-2010)	
4.2 Design and construction of the new freight facility in Samrong (to be completed in March 2013)	
4.3 Design and construction of the new spur lines to freight terminals in Phnom Penh (to be completed in March 2013)	
5.1 A monitoring and evaluation framework is established and regular monitoring is ongoing (December 2015)	
6.1 The railway department is established, staffed, trained, and operational (to be completed in December 2012)	
	<b>Loan and Grant</b>
	ADB
	OFID 84.0
	Government of Malaysia 13.0
	Government of Australia 2.8
	Government of Cambodia 21.5
	<b>Total 20.3</b>
	<b>141.6</b>
	<b>TA</b>
	Government of Australia 0.40
	Government of Cambodia 0.05
	<b>Total 0.45</b>

ADB = Asian Development Bank, OFID = OPEC Fund for International Development, ROW = right-of-way, TA = technical assistance.

Source: Asian Development Bank.

## DEVELOPMENT COORDINATION

### A. Strategic Foci and Key Activities

1. The Government of Cambodia's strategy for the railway subsector is defined according to three stages. The first stage encompasses restructuring and rehabilitation of the railway with support from ADB and other development partners. The second, medium-term stage is extending the railway to the border with Viet Nam to complete the Singapore Kunming Railway Link, which currently is in the feasibility study stage with support from the People's Republic of China (PRC). The third, long term, stage is developing the railway network with new lines, possibly to Siem Reap, northeastern Cambodia and ultimately Laos.

### B. Major Development Partners

2. The main development partners in the railway subsector are ADB and Australia. The government of Australia is cofinancing the supplementary financing for rehabilitation of the railway and is supporting its organizational restructuring. PRC is financing a feasibility study for the proposed new line to Loch Ninh on the border with Viet Nam. Other development partners in the railway subsector are OPEC Fund for International Development and Malaysia, which are cofinancing the original project for rehabilitation of the railway. France is cofinancing ADB's TA for restructuring of the railway. Other development partners include Japan, Thailand, Viet Nam, PRC and the World Bank which currently are financing various investments and technical assistance in the transport sector (Table A2.1).

**Table A2.1: Major Development Partners**

Sectors and Themes	Development Partner	Project	Duration	Amount (\$ million)
Transport, and information and communication technology; regional cooperation and integration	Thailand	Road Rehabilitation	1992–1993	6.4
	ADB, OFID	Road Rehabilitation <sup>a</sup>	1993–1993	67.7
	Thailand	Road Reconstruction	2006–2008	...
	ADB, OFID	Road Rehabilitation	2006–2009	60.0
	Japan	Bridge Construction	2007–2009	...
	ADB, OFID, Malaysia	Railway Rehabilitation	2008–2013	73.0
Transport, and information and communication technology; economic growth	UNDP	Emergency Repair	1992–1993	0.4
	Australia	Bridge Reconstruction	1992–1993	9.0
	Sweden	Road Rehabilitation	1993–1997	5.0
	US	Road Reconstruction	1994–1996	30.6
	Japan	Road Reconstruction	1994–1999	109.0
	Denmark	Ferry Rehabilitation	1995–1999	2.5
	ADB, Japan	Airport Improvement	1997–2003	15.0
	Japan	Bridge Construction	1998–2001	53.2
	ADB	Road Improvement	1999–2003	50.5
	ADB	Emergency Flood Repair <sup>a</sup>	2000–2002	65.0
	ADB	Road Rehabilitation	2000–2003	74.8
	Japan	Read Improvement	2001–2002	10.4
	Japan	Bridge Reconstruction	2001–2002	11.3
	Japan	Road Improvement	2001–2003	15.4
	Japan	Port Modernization	2001–2007	...
ADB, World Bank	Emergency Flood Repair <sup>a</sup>	2002–2003	14.0	
Japan	Road Rehabilitation	2002–2003	5.0	
Japan	Road Rehabilitation	2002–2003	10.0	

<b>Sectors and Themes</b>	<b>Development Partner</b>	<b>Project</b>	<b>Duration</b>	<b>Amount (\$ million)</b>
	Thailand	Road Reconstruction	2002–2004	7.6
	World Bank	Road Rehabilitation	2002–2004	45.0
	World Bank	Road Rehabilitation	2002–2004	5.0
	Japan	Road Improvement	2003–2005	31.2
	ADB, Australia, OFID, World Bank	Road Maintenance	2009–2013	57.0
	ADB, OFID, Korea	Road Rehabilitation	2010–2013	7.0

... = not available, ADB = Asian Development Bank, OFID = OPEC Fund for International Development, UNDP = United Nations Development Programme, US = United States.

<sup>a</sup> These projects included small railway components. The combined assistance is estimated at about \$6 million.

Source: Asian Development Bank.

**Table A2.2: Asian Development Bank Technical Assistance for the Transport Sector in Cambodia**

<b>TA No.</b>	<b>Title</b>	<b>Year Approved</b>	<b>Amount (\$)</b>
1866/1996	Transport Rehabilitation Study (Financed by the United Nations Development Programme and the Swedish International Development Cooperation Agency)	1993	1,319,400
2059	Rural Infrastructure Improvement	1994	98,000
2197	Airports Improvement Project	1994	500,000
2406	Strengthening of the Ministry of Rural Development	1995	1,500,000
2416	Developing a Planning Capability in the Ministry of Public Works and Transport	1995	800,000
2722	Transport Network Improvement	1996	600,000
2706	Siem Reap Airport Project	1996	15,000,000
3164	Project Preparation and Implementation Assistance to the Ministry of Public Works and Transport	1999	150,000
3257	Strengthening the Maintenance Planning and Management Capabilities at the Ministry of Public Works and Transport	1999	375,000
3398	Primary Roads Restoration Project (Financed by the Government of Australia)	1999	...
3414	Capacity Development for Public–Private Partnerships in Transport	2000	150,000
3651	Transport Sector Strategy	2001	850,000
3852	Economic Analysis of the Cambodia Road Improvement Project	2002	150,000
3854	Environmental Assessment for the Cambodia Road Improvement Project	2002	60,000
3855	Resettlement Study and Social Impact Assessment for the Cambodia Road Improvement Project	2002	150,000
3868	Engineering Design Update for the Greater Mekong Subregion: Cambodia Road Improvement Project	2002	400,000
9048	Mainstreaming Labor-Based Maintenance in the National Road Network (Financed by Japan Fund for Poverty Reduction)	2004	2,000,000
4645	Restructuring of the Railway in Cambodia (Financed by the Government of France)	2005	1,500,000
6251	Rehabilitation of the Railway in Cambodia (Financed by the Japan Special Fund)	2005	650,000
4691	Preparing the Transport Infrastructure Development and Maintenance Project (Financed by the Japan Special Fund)	2005	1,000,000
7199	Preparing the Road Asset Management Project	2008	500,000

... = not available, TA = technical assistance.

Source: Asian Development Bank.

## SECTOR ANALYSIS

### A. Background and Issues

3. For more than a decade, the Government of Cambodia has emphasized rehabilitating its core transport infrastructure to restore national cohesion and create the foundation for economic growth. The three international airports (Phnom Penh, Siem Reap, and Sihanoukville), the two main ports (Phnom Penh and Sihanoukville), and the primary highway network will soon be fully rehabilitated and have adequate capacity. However, the railway is run-down and needs to be rehabilitated and restructured to become an efficient alternative. Restructuring is under way and rehabilitation is expected to start in 2009.

4. Nevertheless, much remains to be done in the transport sector to support continued economic and social development:

- (i) Most provincial and rural roads are seasonally impassable to motorized traffic and await rehabilitation.
- (ii) Inland water transport has progressed slowly, driven by the private sector, but infrastructure such as river ports needs to be upgraded and modernized to effectively support multimodal transport.
- (iii) Domestic airports require repair and an assured financial basis to provide safe operations.
- (iv) Traffic regulation and enforcement is weak or nonexistent, and lack a sound legal basis, although a draft road law has been prepared with support from the World Bank.
- (v) Infrastructure development is mostly development partner financed, but shortages of funds and a lack of efficient and transparent mechanisms for maintenance planning, disbursement, and execution hinder its operation and maintenance.
- (vi) Transport services are inefficient, partly because of poor infrastructure and partly because of market failure and rent-seeking.

5. The constraints to infrastructure development are (i) a shortage of qualified and experienced professional staff that is only slowly abating, and (ii) growing but still inadequate government funding for infrastructure operation and maintenance. The private sector can become a larger source of financing and management capacity in certain infrastructure areas, notably the railway, the sea and river ports, and new terminal facilities such as container depots. In other areas, such as road infrastructure, private sector involvement is currently feasible only on a few roads because traffic levels elsewhere are too low to support toll-financed investment and maintenance.<sup>1</sup>

6. The execution of safeguard policies, especially resettlement, compensation, and rehabilitation of those adversely impacted, has improved significantly in recent years. However, there is still room for further improvement, especially through the establishment of a firm legal basis for resettlement, compensation, and rehabilitation, and of consistent implementation. The Asian Development Bank (ADB) has been providing technical assistance in this regard.<sup>2</sup>

<sup>1</sup> The complex and interlinked issues of road maintenance funding, planning, disbursement, and execution are discussed extensively in ADB. 2002. *Strengthening the Maintenance Capacity Planning and Maintenance Management Capabilities at the Ministry of Public Works and Transport in Cambodia*. Manila. (TA 3257-CAM).

<sup>2</sup> ADB. 2004. *Technical Assistance to the Kingdom of Cambodia for Enhancing the Resettlement Legal Framework and Institutional Capacity*. Manila.

7. Past infrastructure projects employed international contractors and consultants, and had little development impact in terms of spurring the emergence of national contractors, consulting engineers, and other service providers. This is expected to change soon after the Ministry of Public Works and Transport (MPWT) decided to introduce private road contractors for road maintenance rather than relying exclusively on force account for nationally funded projects. The Road Asset Management Project,<sup>3</sup> which is jointly funded by ADB, the Government of Australia, International Development Agency, and OPEC Fund for International Development (OFID), is the test for this.

## B. Government Strategy

8. Since 1994, the primary tools of the government's strategy have been to (i) focus road investments on rehabilitating national highways and selected provincial, rural, and urban roads; (ii) undertake comprehensive privatization of transport provision; (iii) relax restrictive regulations, such as most of those on importing motor vehicles and all of those on access by foreign airlines; and (iv) franchise the operation, maintenance, and development of National Road 4, the three international airports (Phnom Penh, Siem Reap, and Sihanoukville), and air traffic control to the private sector. The government's strategy has been successful in restoring a core transport system that connects the country's main centers, and has significantly contributed to integrating the national economy with the regional and global economies.

9. The government has initiated a process of decentralization and reforms. For example, the delivery of transport infrastructure services, which had been centrally managed by the MPWT, is now delegated to the provinces. The MPWT is shifting its focus away from direct management of transport infrastructure toward planning and oversight of the sector. The process is moving forward with significant support from ADB, the World Bank, and the Japan International Cooperation Agency. However, it is encumbered by shortages of the skills and resources required to undertake these new roles both in the provinces and centrally. For example, disbursements for road maintenance are now made directly to the provinces, which lack the ability to produce credible road maintenance plans and adequately justified budgets. As a result, road maintenance is generally poor, even though uncommitted funds are available. With MPWT's commitment to introducing private contractors, road maintenance management is again becoming the responsibility of the ministry.

10. The MPWT is preparing a revised strategy for future development of the transport sector based on the *Cambodia Transport Sector Strategy Study*, financed by ADB.<sup>4</sup> In terms of transport sector development and operation, the draft strategy is likely to emphasize the following objectives and goals:

- (i) **Support sustained economic growth, and promote external trade and foreign direct investment.** Transport is an integral part of the production of nearly all goods and services. Good transport infrastructure and cost-effective transport is a precondition for Cambodia's export drive and for successful development of its tourism potential. It is also a major factor in containing the cost of living and improving rural livelihoods. A more diverse supply of transport services and better transport logistics using multimodal transport chains are needed to improve Cambodia's international competitiveness and its attractiveness to foreign investors.

<sup>3</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Road Asset Management Project*. Manila.

<sup>4</sup> ADB. 2002. *Cambodia Transport Sector Strategy Study*. Manila

- (ii) **Support poverty reduction and integration of the country.** By enabling new productive activities in areas not previously open to economic exchange, transport creates the foundation for more inclusive and pro-poor economic growth. Transport achieves this by providing cost-effective and reliable access to economic opportunities and social services, thereby enabling the poor to participate more fully in society. Accessible and dependable transport networks, especially provincial roads, are needed to link the provinces and to integrate rural areas into the mainstream economy.
- (iii) **Streamline and focus sector institutions, and expand private involvement in infrastructure provision.** The government emphasizes strengthening sector institutions, especially the creation of clear mandates for their activities, as the basis for institutional reform and strengthening. Given the human resources constraints, the government recognizes that reform requires flexibility in implementation with the focus on efficiency, transparency, and—whenever efficient—reliance on the private sector. In the past, the government has shown a readiness to involve foreign and domestic investors in financing, developing, and managing transport infrastructure. The government intends to pursue this avenue further, and also strongly supports the development of national contractors to undertake infrastructure construction and maintenance services.
- (iv) **Secure the sustainability of transport.** Fuel taxation is a major source of revenue for the government, and charging for the use of infrastructure has been introduced in most subsectors. However, with a few exceptions, low traffic loads limit the scope for charging full user costs. As the scope for direct government funding is equally limited, meeting the funding requirements for infrastructure development and maintenance in the short- to medium-term will require supplementary funding from the private sector and development partners.
- (v) **Improve safety and enforcement.** The government is aware of the rapidly growing social and economic costs of poor traffic safety and recognizes that inefficient enforcement—because of a weak legal foundation, inadequate resources, and corrupt practices—is a root cause of the problem.

## SUMMARY RESETTLEMENT PLAN FOR SAMRONG

### A. Scope of Land Acquisition and Resettlement Impacts

1. The Ministry of Public Works and Transport (MPWT), the executing agency for the Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project, plans to develop a property of the Royal Railway of Cambodia that straddles the communes of Kakab and Samrong, Dankao District, into a railway freight and cargo railway facility. The Government of Cambodia acquired this property in the 1950s for the use of the Royal Railway of Cambodia. The V-shaped estate is bounded on the south by the tracks of the southern railway line, on the north by the tracks of the northern railway line, and on the west by Street 120-K (traversing Samrong commune). MPWT is repossessing the land sandwiched between the northern line and southern line railway tracks plus an easement corridor of 10 meters (m) around the centerline of the northern and southern tracks. The aggregate land area to be repossessed is 103.6 hectares (ha), a little more than the 98.6 ha that the government has committed to the railway concessionaire for the cargo and freight railway facility. In this appendix, the estate is referred to as Samrong because the Samrong railway station is at the northern tip of the property. The Samrong railway estate will be leveled and developed with the needed infrastructure and facilities as freight and rolling stock maintenance facility.

2. Resettlement plan surveys found that 231 households, totaling about 1,270 persons and one private company will be affected by the development of the facility.<sup>1</sup> The inventory of losses and the socioeconomic survey of affected households done in May 2009 estimated that of a total land area of about 103.6 ha, about 86.94 ha of the Samrong estate is occupied or in the possession of the 231 households and 1 company. About 79% (68.42 ha) of this land is used for farming, particularly for growing rice and watermelon, while 19% (16.32 ha) is used for residences. The remaining 2% (2.20 ha) is used for commerce. In addition, 62 main structures (56 houses and 6 shops) in the estate will be condemned.

### B. Project Resettlement Policy and Entitlements

3. The resettlement plan for the Samrong facility was prepared in accordance with the agreed October 2006 resettlement plan for the original project. The affected households will be compensated and assisted depending on the type and severity of their losses, and their ability to rehabilitate themselves, taking into account the vulnerability of the affected households.

**Table A4.1: Entitlement Matrix**

Type of Impacts	No. of Entitled Households	Entitlements	Implementation Issues
Loss of agricultural land use within the railway corridor of influence <sup>a</sup>	To be determined	Cash assistance of \$0.50/m <sup>2</sup> for loss of land use for agricultural land in the corridor of influence.	Outside Samrong estate, affected households will be allowed to continue to cultivate in the residual right of way for agricultural purposes only.
Permanent loss of agricultural and commercial land	175 <sup>b</sup> households	Cash compensation at \$2.75 per m <sup>2</sup> . Start of civil works will be coordinated with the affected households to allow them time to harvest their crops.	This rate was the prevailing market rate of land at the Samrong estate before the February 2005 ban.

<sup>1</sup> Based on an average household size of 5.5 people.

Type of Impacts	No. of Entitled Households	Entitlements	Implementation Issues
Affected land with standing dwelling units that are condemned and must be relocated	56 households	<p>Two options offered:</p> <ul style="list-style-type: none"> <li>(i) self-relocate and receive a cash assistance of \$10,000, or</li> <li>(ii) receive a 300 m<sup>2</sup> plot each in a relocation site to be developed by the government in Dankao district, free of charge and with basic amenities, such as latrine for each plot, road and drainage network, electricity, and communal water wells.</li> </ul> <p>Affected households may not sell or use as collateral the plots in the relocation site for 5 consecutive years and that land title for these plots will be given to the affected households after 5 years of occupation or residency.</p>	This entitlement is also provided to landless affected households who have established residence in the Samrong railway station.
Partially condemned main houses and shops, and secondary structures (fence, walls)		If partially affected, compensation at replacement cost based on current market prices of affected materials plus provision of current labor cost for repair.	The viability (stability and proportion) of remaining unaffected structures will be determined by affected households and local officials at the time of detailed measurement survey. The whole structure will be compensated if found not to be viable for continued use.
Condemned buildings: main houses and shops, and secondary structures (fence, walls)	56 households	If condemned, compensation at replacement cost based on current market prices of materials and labor without depreciation or deductions for salvageable materials.	
Crops and trees		<p>Crops will be compensated at replacement cost based at current market prices in the area (based on average market value of crops for the previous 3 years)</p> <p>Compensation for trees are calculated as follows: yield x number of harvesting x current market price x number of years to mature. During resettlement plan implementation, compensation for trees will be adjusted based on their age:</p> <ul style="list-style-type: none"> <li>(i) From 1–3 years old: one-third of its full price (as it can be replanted)</li> <li>(ii) From 3–5 years old: two-thirds of its full price</li> <li>(iii) More than 5 years old: full compensation.</li> </ul>	All fruit trees in this study are in full yield giving age, i.e. 5–15 years old.
Affected households (farmers) living in the project site and who still till and derive the land for their livelihood	5 households	Cash assistance of \$9.75 per m <sup>2</sup> to allow these affected households to find a replacement for their farmland at current prices within the project area	Five farmers will be severely affected by loss of their productive land.

Type of Impacts	No. of Entitled Households	Entitlements	Implementation Issues
		This assistance is necessary since the compensation the affected households will receive for productive land (i.e., \$2.75/m <sup>2</sup> ) is not sufficient for them to find a replacement land at current market prices for the land which they still derive their livelihood.	Affected households who have acquired the land they occupy after the February 2005 ban will only receive a cash compensation of \$2.75 per m <sup>2</sup> . This rate was the prevailing market rate of land at the Samrong estate before the February 2005 ban.
Other farm land	8 sharecroppers and/or tenants	Cash assistance for loss of land use and loss of income equivalent to the area lost multiplied by \$0.60 (based on the following assumptions: average yield of 0.3kg/m <sup>2</sup> of unmilled rice x \$.20/kg of unmilled rice x 10 years <sup>c</sup> or from 1999)	The owners are absentee landowners.
Condemnation of main house	56 households	(i) Transportation allowance: cash payment of \$20 per shop, \$60 for houses relocated to another plot in same village, and, \$70 for houses relocated to another village or commune.  AND (ii) Living allowance: for household moving to another location (off-site): (a) 20 kg of rice/person/month for 3 months for house with light material and wooden houses (types 1A to 2D) under 5 x 12 m (b) 20 kg of rice/person/month for 6 months for house with concrete and brick and for large wooden house (types 2E to 4B) or bigger than 5m x 12 m	Owners of affected secondary structures only (no main house and/or shops) affected will not be entitled to any allowances.  All owners of houses and house cum shops are entitled to only one-time transportation allowance.
Relocating businesses losing income during transition period until business is reestablished	Six shop owners	Unregistered business (i) cash compensation for actual amount of income if it can be confirmed, or equivalent to a living allowance of 20 kg of rice per 5 persons for 1–2 months (\$25–\$50) (ii) transportation allowance as indicated above	Businesses owners who cannot show any tax receipt and cannot otherwise confirm income amount will be provided one-time cash assistance of \$25–\$50.  The company that occupies a 2 ha leased land inside the estate is not covered in the entitlement because its lease agreement with the government had expired before the 8 May, 2009 cut-off date for eligibility and that the expiration of its lease agreement has nothing to do with the project.
Impacts on vulnerable households	51 households	In addition to the above compensation and living allowance to be provided, vulnerable affected households will receive special assistance allowance equivalent to 20 kg of rice per family member per month for 6 months.	Vulnerable affected households (households headed by women, the elderly, the disabled, and households with an income of less than \$50 a month).

Type of Impacts	No. of Entitled Households	Entitlements	Implementation Issues
Private land (for resettlement site development)	For affected households choosing replacement land compensation	Legal owner or owners with acceptable (recognized) proof of ownership will be entitled to (i) compensation for land at replacement cost, i.e., current market value based on recent land sales, productive value, transaction costs, and similar location attributes, and (ii) compensation for non-land assets on land as indicated above.	As much as possible, vacant public or private land will be chosen.  The site will be determined during resettlement plan updating.

kg = kilogram; m = meter; m<sup>2</sup> = square meter.

<sup>a</sup> The corridor of influence to be applied will be 5 m from the center line. The loss of land use outside the Samrong estate will be covered in the resettlement plan for the Phnom Penh Station.

<sup>b</sup> Excluding one company under lease agreement with the Royal Railway of Cambodia.

<sup>c</sup> It is assumed that moneyed persons living in nearby locations, such as the city, bought out owner-cultivators of farms plots inside the estate starting in the late 1990s. This led to the introduction of sharecroppers to tend to otherwise idle plots since most, if not all, of the outsiders who bought land in the estate were not farmers and did not establish residence in the estate.

Source: Ministry of Finance's Interministerial Resettlement Committee (IRC).

### C. Vulnerability and Gender Issues

4. Since some of the people who claim possession of plots of land in the estate do not reside in the project site, the survey was able to interview only 169 heads of affected households, of which 120 were men and 49 were women. Of the 120 affected households headed by males, 68 live in the project site and 52 reside elsewhere. Similarly, of the 49 affected households headed by women, 32 live in the project site and 17 reside elsewhere. During the inventory of losses survey, 51 affected households were identified as vulnerable. Of these, 49 affected households are headed by women (including 2 of the sharecroppers and a farming resident); 5 affected households are headed by a physically disabled person; 2 affected households have a monthly income below the poverty line; and 32 affected households are headed by the elderly. Additional measures are incorporated in the resettlement plan to help ensure that these affected households, which are considered particularly vulnerable, are not further disadvantaged and benefit equally from the project. Monitoring indicators for this purpose have been incorporated in the resettlement plan.

### D. Participation and Grievance Redress

5. The participation of the public, especially the affected households, and consultations on the project and resettlement will be pursued as enunciated in the 2006 approved resettlement plan. The survey team before and after the inventory of losses survey met with local residents and affected households to discuss (i) initially the proposed project, schedule, and objectives and nature of the survey team's activities; and (ii) in general terms project impacts and entitlements following the completion of the inventory of losses. These activities will continue during the updating and implementation of the resettlement plan, consistent with the project's participatory approach. The project's grievance mechanism has been designed to ensure that the concerns and complaints of the affected households are readily addressed in the villages in a timely and satisfactory manner. The affected households will be made fully aware of their rights through verbal and written means during resettlement planning, updating, and implementation.

## E. Relocation and Rehabilitation Strategy

6. Affected households losing dwelling units, including those that have established residence in the Samrong railway station, will not be compensated for the land on which their houses are built. However, they will have the option to (i) self-relocate and receive cash assistance of \$10,000 each; or (ii) receive a 300 m<sup>2</sup> plot each in a relocation site that will be developed by the government in Dankao district, free of charge and with basic amenities, such as a latrine for each plot, road and drainage networks, electricity, and communal water wells. The affected households may not sell or use as collateral the plots in the relocation site for 5 consecutive years, and land title for these plots will be given to the affected households after 5 years of occupation. The schedule of delivery of entitlements and relocation, and the start of civil works, will also be discussed and agreed upon with the affected households during the disclosure meeting consultations. The affected households must be given sufficient lead time to find a place to relocate and rebuild their homes and shops, including finding a replacement for their lost productive assets, before displacement.

7. All severely affected households will take part in the needs assessment that will be conducted by project authorities during the preparation of the income-restoration program. The budget for the income-restoration program for the affected households in Samrong will come from the budget of the resettlement plan for the original rehabilitation project.

## F. Monitoring, Resettlement Plan Budget, and Implementation Schedule

8. The Ministry of Finance's Interministerial Resettlement Committee (IRC), in close collaboration with MPWT, will continue to serve as the project's internal resettlement implementing and monitoring agency. The IRC is responsible for submitting to MPWT and ADB project progress reports that include updates on the progress of resettlement. The external monitoring agency engaged by the IRC under the original project will include the Samrong facility in its scope of work. The total cost of resettlement for Samrong is estimated at \$4.1 million, which includes compensation and other entitlements to be provided to eligible affected households, operational and administrative expenses, and contingencies. MPWT and IRC will ensure the timely availability of funds for resettlement, including unforeseen costs exceeding resettlement budget estimates to satisfy the project's resettlement objectives.

9. The IRC will update the resettlement plan following completion of the detailed measurement survey. The updated resettlement plan will be submitted to ADB for review and approval before it is implemented. MPWT will not allow construction activities in the Samrong estate to start until the affected households have been relocated in accordance with the resettlement plan.

**Table A4.2: Resettlement Schedule**

<b>Activities</b>	<b>Schedule</b>
Resettlement plan preparation	May–June 2009
ADB approval of draft resettlement plan	July 2009
Resettlement plan updating	August 2009
Submission and ADB approval of updated resettlement plan	September 2009
Implementation of the approved updated resettlement plan	October 2009–March 2010
Internal monitoring (submission of quarterly progress reports)	August 2009–March 2010
External monitoring (intermittent)	September 2009–March 2010
Post-resettlement evaluation	December 2010

**G. Disclosure of Resettlement Plan and Monitoring Documents**

10. The draft resettlement plan was disclosed before appraisal to the affected households with the distribution of project information leaflets written in Khmer. A summary version of the resettlement plan in Khmer was placed in municipal, district, and commune offices, as well as other relevant offices. The draft and approved resettlement plan is also on the ADB website. During implementation, the updated resettlement plan will be disclosed to the affected households and on the ADB website.

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title: Cambodia: Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project

Lending/Financing  
Modality:

Project Loan (Supplementary)

Department/  
Division:

Southeast Asia Department  
Transport and Urban Development Division

### I. POVERTY ANALYSIS AND STRATEGY

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The government gives high priority to rehabilitating and restructuring the railway as a way to (i) improve Cambodia's international connectivity and competitiveness, and (ii) reduce losses in the public sector. Cambodia's railway is also a strategic element of the Greater Mekong Subregion (GMS) transport sector strategy's southern corridor, which connects Cambodia, Thailand, and Viet Nam. The project would also pave the way for the proposed construction of a new railway line between Phnom Penh and Ho Chi Minh City in Viet Nam. This new line, together with the project line, would complete the Singapore–Kunming railway link, which is a long-term development priority for the Association of Southeast Asian Nations.

#### B. Poverty Analysis Targeting Classification: General Intervention

##### 1. Key Issues

About one-third of Cambodia's population of about 13 million lives in poverty. Much of the country's infrastructure was destroyed during decades of civil war and conflict, and its socioeconomic indicators are low. Poverty is overwhelmingly rural: 40%–45% of people in rural areas are poor, compared with 10%–15% in Phnom Penh. The incidence of poverty has declined only modestly in recent years for a number of reasons, including a shortage of sources of growth and exclusion of the poor from the mainstream economy.

Improving Cambodia's basic infrastructure is critical for the country's economic development, and Cambodia has started rehabilitating infrastructure with support from its development partners. The government-owned railway is in poor physical condition because of war damage and decades of insufficient maintenance and investment. Rail traffic is declining because of the poor condition of the tracks. As a result, the railway is generating operational deficits. The purpose of the project is to restore efficient rail traffic by rehabilitating the existing railway line, reestablishing Cambodia's rail connection with Thailand by replacing a section to the border that was destroyed, and restructuring the railway subsector. Rehabilitation of the railway will foster efficient rail freight service. It is expected that the proposed project will facilitate economic growth by providing a cost-effective and efficient means of transporting goods, as an efficient transport system would increase trade and jobs. The project will also facilitate subregional trade and economic growth in Cambodia and Thailand.

##### 2. Design Features

The proposed supplementary financing would expand the scope of the original project to include an upgrading of the railway's infrastructure to facilitate the early takeoff of an integrated, railway-based, multimodal transport system on a subregional scale in the southern GMS. The immediate works required are (i) the transfer of freight and train maintenance operations from the confined and congested central station in Phnom Penh to a new and much larger area in Samrong, about 10 kilometers west, which is operationally ideal because it is at the confluence of the northern and southern railway lines; (ii) selective upgrading or strengthening of existing railway infrastructure to conform with the operational requirements for the proposed multimodal railway traffic, as well as the higher axle load standards that are gradually being implemented in Thailand; and (iii) establishing spur lines to existing and proposed new terminal facilities, which are essential to integrate existing and new terminals effectively with the proposed railway-based, multimodal system. The concessionaire will undertake further upgrading of the railway's infrastructure as justified based on future traffic and revenues.

#### C. Poverty Impact Analysis for Policy-Based Lending

Not applicable.

### II. SOCIAL ANALYSIS AND STRATEGY

#### A. Findings of Social Analysis

The resettlement plan includes compensation, resettlement, and livelihood restoration for households affected by land acquisition and displacement to restore, if not improve, their incomes and living standards. Poverty throughout the modified project area may give rise to human trafficking. An established network for human trafficking is known to exist in Poipet and on the Thai side of the border. Migrants into Poipet come primarily from Battambang, Banteay, Kampong Tom, Kandal, Meanchey, Prey Veng, and Siem Reap. Those who cannot find jobs become easy prey for the human traffickers. The social

assessment indicates that the community in the Poipet area has identified drug use as a problem. Thus, the project will include an awareness program on human trafficking and HIV/AIDS across the project.

## B. Consultation and Participation

1. Provide a summary of the consultation and participation process during the project preparation.

Before the start of the inventory of affected assets and the socioeconomic survey in each of the four villages under whose political jurisdiction a portion of the Samrong railway facility falls, meetings were held with commune and village officials, and residents on and around the estate. These meetings were used to explain the need for the government to reacquire the Samrong railway estate and the project resettlement policy, and to listen to the stakeholders' concerns. In addition, the HIV/AIDS prevention program includes community participation during design and implementation.

2. What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?

Information sharing  Consultation  Collaborative decision making  Empowerment

3. Was a C&P plan prepared?  Yes  No

It is included in the resettlement plan prepared for Samrong.

## C. Gender and Development

### 1. Key Issues.

Gender equity issues are integrated into the overall project through resettlement, HIV/AIDS activities, and project monitoring.

2. **Key Actions.** Measures included in the design to promote gender equality and women's empowerment—access to and use of relevant services, resources, assets, or opportunities and participation in decision-making process:

Gender plan  Other actions/measures  No action/measure

The project includes the following specific actions to address gender issues in resettlement: (i) a male representative and a female representative of the affected households in a commune will sit in the local government resettlement working group and (ii) sensitization training on gender and on the project resettlement policy will be provided to Ministry of Public Works and Transport personnel and the working group. The government will ensure that (i) any land rights granted to affected households will be issued in the names of both husband and wife, and (ii) women railway staff affected by restructuring are included in counseling and retraining programs for securing new jobs. With regard to HIV/AIDS, the contractor, through an approved service provider, will carry out an awareness and prevention campaign during construction for both workers and communities. In terms of project monitoring, disaggregated monitoring indicators by gender will be developed for monitoring social benefits, HIV/AIDS, economic opportunities, livelihood, and resettlement activities.

### III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
<b>Involuntary Resettlement</b>	Impacts on land and non-land assets within the 98.6 hectares Samrong estate	A resettlement plan has been prepared.	<input checked="" type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action
<b>Indigenous Peoples</b>	As all roads to be maintained or improved under the project already exist, no negative impact is expected on indigenous peoples.	None	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action
<b>Labor</b> <input checked="" type="checkbox"/> Employment opportunities <input type="checkbox"/> Labor retrenchment <input checked="" type="checkbox"/> Core labor standards	Project-related employment during construction and maintenance	In the construction campsites, labor standards will be maintained and basic facilities provided for the workers. Priority will be given to members of the affected households, especially the poor, in project employment. No trafficked or child labor will	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> No Action

Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
		be used for construction and maintenance. Women and men will be paid the same wages for the same work.	
<b>Affordability</b>	No impact		<input type="checkbox"/> Action <input type="checkbox"/> No Action
<b>Other Risks and/or Vulnerabilities</b> <input checked="" type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (conflict, political instability, etc), please specify	<p>There is potential risk of HIV/AIDS transmission during construction activities.</p> <p>Influential persons claiming plots of land in the Samrong railway estate could affect expeditious and effective implementation of the resettlement plan.</p>	<p>The contractor, through an approved service provider, will carry out an HIV/AIDS awareness and prevention campaign during construction for both workers and communities.</p> <p>Executing and implementing agencies must ensure that the resettlement policy is carried out in a fair and judicious manner.</p>	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> No Action
<b>IV. MONITORING AND EVALUATION</b>			
<p>Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Disaggregated monitoring indicators by gender will be developed for monitoring social benefits, HIV/AIDS, economic opportunities, livelihood, and resettlement activities.</p>			

Source: Asian Development Bank.

## SCOPE OF WORK FOR CAPACITY DEVELOPMENT ASSISTANCE TO THE MINISTRY OF PUBLIC WORKS AND TRANSPORT

### A. Background

1. On 12 June 2009, the Government of Cambodia and Toll Holdings (Cambodia) signed a 32-year railway concession agreement. Under the agreement, Toll Holdings will assume responsibility for operation, maintenance, and development of the existing rail network, most of the permanent and moveable assets, and 670 staff members of the Royal Railways of Cambodia (RRC). The concession process is in a transitional period with closing expected to be completed in the first quarter of 2010.

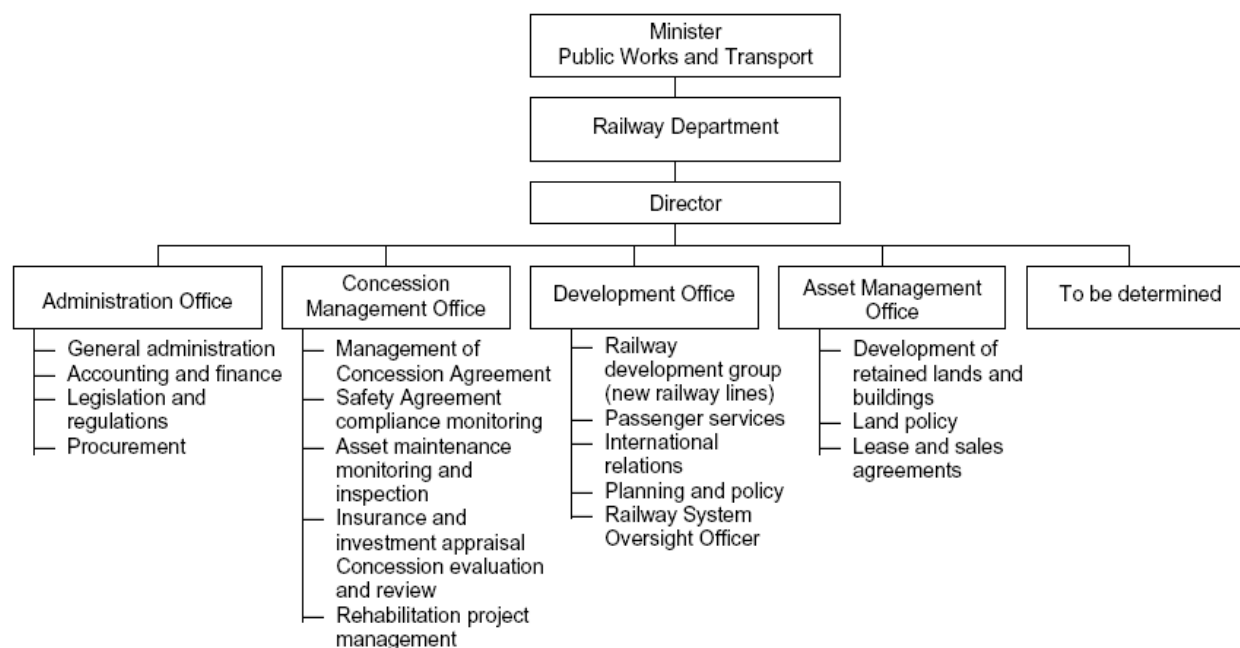
2. A contractor is rehabilitating railway infrastructure concurrently with the transfer of responsibilities to Toll Holdings. The Asian Development Bank (ADB), the government, and bilateral development agencies are funding the rehabilitation works. A consultant is advising the government on the contractor's works. Under the concession agreement, Toll Holdings became a "co-client" of the government.

3. The concession management committee (CMC) is the government's entity responsible for managing the concession agreement. The CMC is an ad hoc committee, and is not institutionally an appropriate entity to manage the concession agreement over the long term. The government has advised that it is planning to form a railway department within the Ministry of Public Works and Transport (MPWT). Among other responsibilities, this department will take over the functions of the CMC. The key functions of this organization will be to

- (i) perform the functions and responsibilities of the CMC as set out in the concession agreement;
- (ii) transfer former RRC staff to Toll Holdings and manage the residual staff of 430 persons—about 1,100 RRC staff are to be transferred to the railway department, and 670 of these will be hired by Toll Holdings;
- (iii) manage and develop railway land and fixed infrastructure not required by Toll Holdings, and retained by the government;
- (iv) manage the infrastructure rehabilitation works project;
- (v) manage the development of new railway lines and services, including passenger services, in Cambodia;
- (vi) set standards for rail infrastructure, rail operations, and rail safety; and
- (vii) eventually become the railway sector regulator.

4. Figure A6 shows the preliminary structure of the proposed railway department.

**Figure A6: Indicative Organizational Structure for the Proposed Railway Department in the Ministry of Public Works and Transport**



Source: Ministry of Public Works and Transport.

## B. Objectives of the Capacity Development Program

5. The government received technical assistance (TA) from the Asian Development Bank during the concessioning process, and this TA will continue through the transitional period. The TA is assisting MPWT and the CMC in the formation of the initial organizational structure of the railway department, but it will end after the first quarter of 2010. The railway department will continue to require expert assistance with developing the capacity to manage the concession through its life, and also to eventually become the railway sector regulator. The need for support will continue for at least an additional 2–3 years, until a substantial portion of the railway has been rehabilitated and Toll Holdings' operations have settled into their long-term pattern.

6. Broadly, the objectives of the consulting services are to
- (i) assist in transforming the CMC from an ad hoc committee into a railway department within MPWT;
  - (ii) assist in developing the capacity within the railway department to carry out its functions, in particular developing the department's capacity to carry out the monitoring functions defined in the concession agreement;
  - (iii) develop the scope and content of required training programs, and assist in the placement of railway department staff at institutions and entities and in the evaluation of the effectiveness of training;
  - (iv) prepare manuals for the department's operations, including safety monitoring, international relations (for the rail links with Thailand and, in the longer term, Viet Nam), non-concession asset management, and infrastructure and rolling stock inspection;

- (v) assist in developing the framework for the development and regulation of the rail network in Cambodia and in developing relationships with other countries in the GMS related to the rail sector; and
- (vi) undertake long-term benefit monitoring, in collaboration with the benefits and outcome monitoring consultant.

### C. Detailed Scope of Services (indicative tasks)

7. Consulting services will be required for about 3 years, comprising about 60 person-months of international consultants and 20 person-months of national consultants. These consultants will have expertise in restructuring government railway enterprises and in monitoring private sector concessions, human resource development, railway operations and safety, technical aspects of rail operations—in particular track and rolling stock, financial management and accounting, and real estate planning and management.

8. The following is a summary of the scope of work for the consultants.

#### 1. Project Coordinator and Rail Regulation Specialist (indicative 30 person-months)

9. The expert will:

- (i) Act as key point of contact with the railway department and the funding entities.
- (ii) Oversee project management, coordination, planning, and supervision of the program team.
- (iii) Develop the conceptual framework and guidelines for evaluating and reviewing the performance of the concession agreement.
- (iv) Assist in developing appropriate mechanisms and protocols to address potential concession agreement issues.
- (v) Assist the railway department in completing the agreements with Thailand to facilitate cross-border rail transport.
- (vi) Assist the railway department in assessing the scope for new rail lines and services and establishing infrastructure and operating standards.
- (vii) Develop the framework for economic regulation of rail transport in Cambodia as may be required to address the interplay of Toll Holdings' operations and operations on new rail lines.
- (viii) Assist the human resource specialist in implementing and arranging training.
- (ix) Undertake project evaluation, long-term benefit monitoring, and reporting, in collaboration with the benefits and outcome monitoring consultant provided through a technical assistance project.

#### 2. Human Resource Specialist (indicative 12 person-months)

10. The expert will:

- (i) Develop a staffing plan for the railway department.
- (ii) Develop job descriptions for positions in each component of the organization.
- (iii) Evaluate the skills of available staff and assist the railway department in selection of appropriate staff from the former RRC and where necessary through external recruitment.

- (iv) Conduct a training needs assessment and develop a training plan for the upgrading of skills where deficiencies are identified.
- (v) Assist in the implementation and arrangements for staff training, including working with other specialists of the team in the implementation of technical training.
- (vi) Assist the railway department in the placement of surplus staff with other government entities, or through voluntary retirement or termination of employment (i.e., for former RRC staff not selected for employment by Toll Holdings or placement in the railway department).

**3. Rail Safety and Operations Specialist** (indicative 12 person-months)

11. The expert will:

- (i) Develop the terms of reference for specialized training on rail safety and operations, particularly on training related to safety inspection.
- (ii) Identify possible sources and locations for training in consultation with the human resource specialist.
- (iii) Develop a set of rail safety and operating standards, reflecting best international practice.
- (iv) Working with the staff responsible, coordinate and oversee the development of rail safety inspection and monitoring procedures and manuals in compliance with the safety agreement, which when completed will be part of the concession agreement.
- (v) Assist staff in evaluating the first update of Toll Holdings' safety management plan.
- (vi) Evaluate the effectiveness of training and identify additional reinforcement training where necessary.

**4. Rolling Stock Specialist (Mechanical Engineer)** (indicative 6 person-months)

12. The expert will:

- (i) Assist the rail safety and operations specialist in the development of the terms of reference for specialized training on rail safety and operations, particularly training on rolling stock inspection and technology.
- (ii) Identify possible sources and locations for training and, in consultation with the human resource specialist, assist in the placement of individuals at training institutions or entities.
- (iii) Develop a set of rolling stock standards, reflecting best international practice.
- (iv) Working with the staff responsible, coordinate and oversee the development of the rolling stock component of rail safety inspection and monitoring procedures and manuals.
- (v) Assist staff in evaluating the first update of the Toll Holdings' safety management plan.
- (vi) Assist the safety and operations specialist in evaluating the effectiveness of training and identifying additional reinforcement training where necessary.
- (vii) Develop procedures for review of investments in rolling stock proposed by Toll Holdings.

**5. Railway Track and Infrastructure Engineer** (indicative 6 person-months)

13. The expert will:

- (i) Develop the terms of reference for specialized training on rail infrastructure maintenance and related technology, particularly training on inspection of infrastructure.
- (ii) Identify possible sources and locations for training and, in consultation with the human resource specialist, assist in the placement of individuals at training institutions or entities.
- (iii) Develop a set of rail infrastructure standards, reflecting best international practice.
- (iv) Working with the staff responsible, coordinate and oversee the development of procedures and manuals for the inspection of infrastructure to ensure compliance with standards set out in the concession agreement.
- (v) Develop procedures for reviewing and assessing investments in infrastructure proposed by Toll Holdings.

**6. Land Management and Real Estate Specialist** (indicative 10 person-months)

14. The expert will:

- (i) Evaluate the status of land and other fixed assets not conceded to Toll Holdings (i.e., retained assets).
- (ii) Assess the market to determine the value of retained assets.
- (iii) Prepare a strategy for the development or sale of retained assets for consideration by the railway department.
- (iv) Assist railway department staff in the implementation of the approved strategy.

**7. Financial and Accounting Specialist** (indicative 4 person-months)

15. The expert will:

- (i) Assist in developing procedures for the development of the railway department's annual budget.
- (ii) Develop systems for recording concession fee payments and for verification of fee calculations.
- (iii) Develop a system for recording additions and retirements of conceded assets.
- (iv) Provide training to the railway department staff on
  - (a) financial evaluation of projects, and
  - (b) evaluation of financial components of Toll Holdings' annual reports.

**8. Rail Passenger Services Specialist** (indicative 2 person-months)

16. The expert will:

- (i) Assist the railway department in assessing the nature and scope of rail passenger services.
- (ii) Assist the railway department in identifying rail passenger service investment requirements.

- (iii) Assist the railway department in developing an agreement with Toll Holdings for the operation of passenger services.

#### **D. Selection of Consultants**

17. The government will select the consultants in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time), using the quality- and cost-based selection procedure and full technical proposals.

#### **E. Time Schedule and Qualifications**

18. The capacity development consultant will be an international firm with experience in railway capacity development, preferably in the GMS, and capable of mobilizing individual consultants that are capable of undertaking the full scope of services required. The component will be implemented over 3 years starting in May 2010. Railway department staff are expected to be offered international training, either formal or on-the-job training with railway regulators in the region, as part of the capacity development activities.

#### **F. Reporting**

13. The capacity development consultant will work closely with MPWT in developing the capacity development program. The consultant will submit the following reports:

- (i) An inception report 2 months after inception. It will outline the consultant's evaluation of training requirements and proposed time-bound program for implementing the component specifying expected outcomes. Nine copies of the inception report will be submitted to ADB, the Government of Australia, and MPWT (three copies each).
- (ii) The first annual report 1 year after inception. It will summarize the year's activities and outcomes, and outline any recommendations for adjustment of the program. Nine copies of the first annual report will be submitted to ADB, the Government of Australia, and MPWT (three copies each).
- (iii) The second annual report 2 years after inception. It will summarize the year's activities and outcomes, and outline any recommendations for adjustment of the program. Nine copies of the second yearly report will be submitted to ADB, the Government of Australia, and MPWT (three copies each).
- (iv) The final annual report 3 years after inception. It will summarize the project component's activities and outcomes over 3 years, evaluate outcomes of the each activity in terms of skills developed, and recommend future maintenance and upgrade of the railway department's skill levels. Nine copies of the final yearly report will be submitted to ADB, the Government of Australia, and MPWT (three copies each).
- (v) Quarterly progress reports (except for quarters where an annual report is submitted) outlining the activities, disbursements, and outcomes of the past quarter's activities, and the planned activities for the following quarter with indication of the expected outcome of each activity. The report would highlight any problems that have been experienced in the past quarter or are foreseen to arise during the following quarter. Nine copies of the quarterly progress reports will be submitted to ADB, the Government of Australia, and MPWT (3 copies each).

## DETAILED COST ESTIMATES

**Table A7.1: Project Investment Plan**  
(\$ million)

Item	Original Project	Additional Components under Supplementary Financing	Modified Project <sup>a</sup>
<b>A. Base cost<sup>b</sup></b>			
1. Civil works	52.9	50.0	102.9
2. Equipment <sup>c</sup>	2.8	3.2	6.0
3. Land acquisition, resettlement, and social mitigation	3.8	3.8	7.6
4. Restructuring costs	0.7	0.1	0.8
5. Consulting services	3.4	2.5	5.9
6. Institutional support and capacity building	0.0	3.0	3.0
7. Project administration	0.2	0.2	0.4
<b>Subtotal (A)</b>	<b>63.8</b>	<b>62.8</b>	<b>126.6</b>
<b>B. Contingencies<sup>d</sup></b>	<b>7.7</b>	<b>4.8</b>	<b>12.5</b>
<b>C. Financing charges during implementation<sup>e</sup></b>	<b>1.5</b>	<b>1.0</b>	<b>2.5</b>
<b>Total (A+B+C)</b>	<b>73.0</b>	<b>68.6</b>	<b>141.6</b>

<sup>a</sup> Includes taxes and duties of \$14.9 million.

<sup>b</sup> In early 2009 prices.

<sup>c</sup> Includes reclaimed rails provided by the Government of Malaysia as a grant in kind for the original project.

<sup>d</sup> Physical contingencies computed at 10% for civil works. Price contingencies computed at 6% on foreign exchange costs and 6% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Includes interest.

Source: Asian Development Bank estimates.

**Table A7.2: Detailed Cost Estimate by Financier**  
(\$ million)

Item	Cost	ADB		OFID <sup>b</sup>		Government of Malaysia		Government of Australia <sup>c</sup>		Government of Cambodia	
		Amount <sup>a</sup>	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Investment costs</b>											
Civil works	88.0	56.5	64.2	13.0	14.8	0.0	0.0	18.5	21.0	0.0	0.0
Equipment	6.0	3.2	53.3	0.0	0.0	2.8	46.7	0.0	0.0	0.0	0.0
Land acquisition, resettlement, and social mitigation	7.6	3.4	45.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2	55.0
Restructuring costs	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	100.0
Consulting services	5.9	5.9	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutional support and capacity building	3.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	100.0	0.0	0.0
Project administration	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	100.0
Taxes and duties	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.9	100.0
<b>Subtotal (A)</b>	<b>126.6</b>	<b>69.0</b>	<b>54.5</b>	<b>13.0</b>	<b>10.3</b>	<b>2.8</b>	<b>2.2</b>	<b>21.5</b>	<b>17.0</b>	<b>20.3</b>	<b>16.0</b>
<b>C. Contingencies</b>	<b>12.5</b>	<b>12.5</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>D. Financing charges during implementation</b>	<b>2.5</b>	<b>2.5</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total project cost</b>	<b>141.6</b>	<b>84.0</b>		<b>13.0</b>		<b>2.8</b>		<b>21.5</b>		<b>20.3</b>	
<b>Share of total project cost (%)</b>	<b>100.0</b>		<b>59.3</b>		<b>9.2</b>		<b>2.0</b>		<b>15.2</b>		<b>14.3</b>

ADB = Asian Development Bank, OFID = OPEC Fund for International Development.

<sup>a</sup> Amount of ADB loan proceeds allocated to the cost category.

<sup>b</sup> Administered by ADB.

<sup>c</sup> Through the Memorandum of Understanding on Channel Financing (Technical Assistance Program) between the Government of the Commonwealth of Australia and the Asian Development Bank, and administered by ADB.

Source: Asian Development Bank estimates.

**Table A7.3: Annual Works Funding Schedule Including Contingencies but Excluding Taxes and Duties**  
(\$ million)

Year	ADB			OFID <sup>b</sup>		Government of Australia <sup>c</sup>	
	Cost	Amount <sup>a</sup>	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
Year 1 (2009/10)	7.5	6.4	85.2	1.1	14.8	0.0	0.0
Year 2 (2010/11)	32.2	25.1	77.9	4.8	14.8	2.4	7.3
Year 3 (2011/12)	32.2	19.4	60.2	4.8	14.8	8.1	25.0
Year 4 (2012/13)	16.1	5.7	35.2	2.4	14.8	8.1	50.0
<b>Total works cost</b>	<b>88.0</b>	<b>56.5</b>		<b>13.0</b>		<b>18.5</b>	

ADB = Asian Development Bank, OFID = OPEC Fund for International Development.

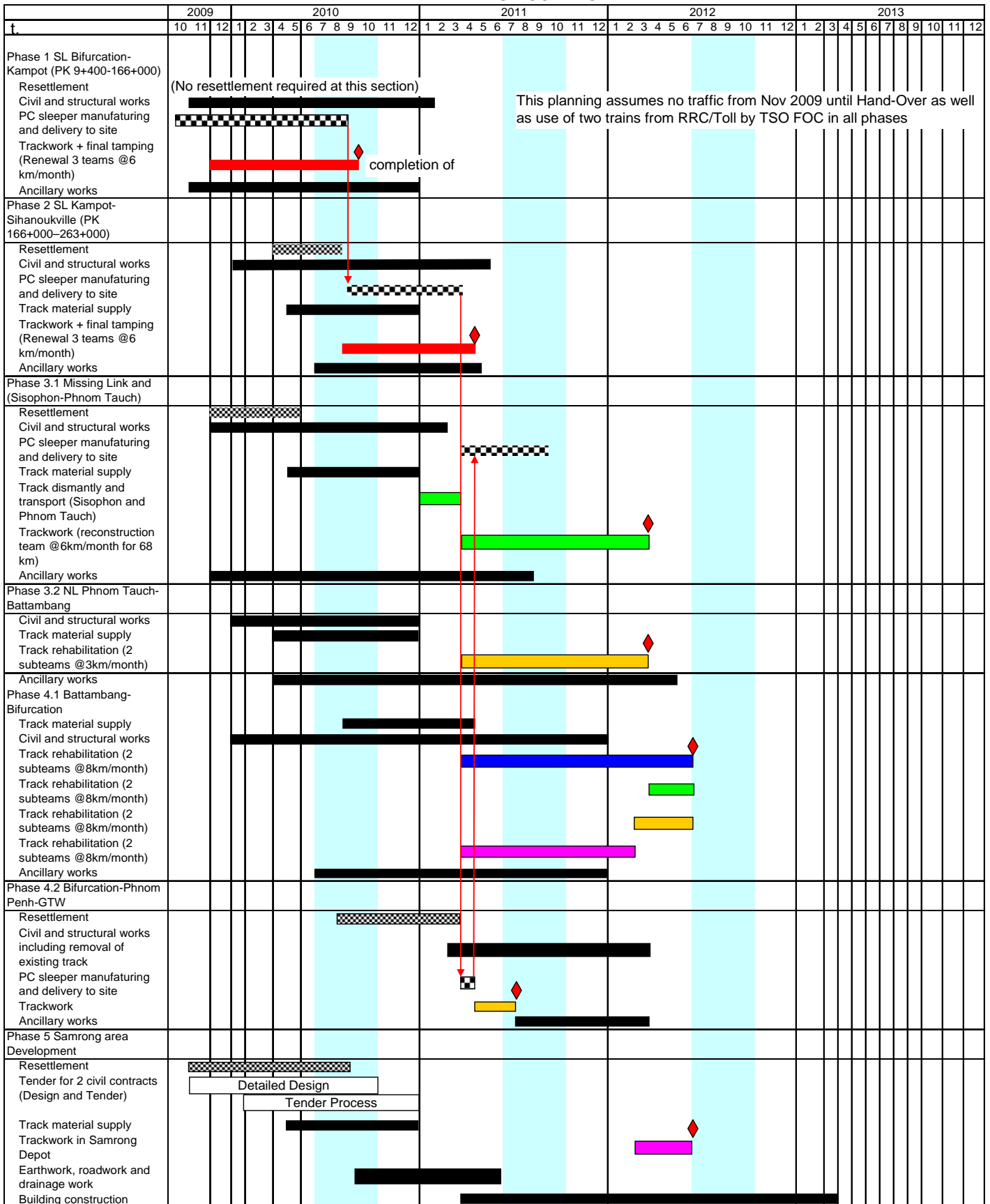
<sup>a</sup> Amount of ADB loan proceeds allocated to the cost category each year.

<sup>b</sup> Administered by ADB.

<sup>c</sup> Through the Memorandum of Understanding on Channel Financing (Technical Assistance Program) between the Government of the Commonwealth of Australia and the Asian Development Bank, and administered by ADB.

Source: Asian Development Bank estimates.

**IMPLEMENTATION SCHEDULE**



GTW = Green Trade Warehouse (Phnom Penh Port), km = kilometer, NL = Northern Line, PC = prestressed concrete, PK = Phnom Penh kilometers (distance from Phnom Penh), SL = Southern Line.

Source: Ministry of Public Works and Transport.

## PROCUREMENT PLAN

**Table A9.1: Procurement Plan and Contract Packages**

Project Information	
Country	Cambodia
Name of borrower	Kingdom of Cambodia
Project name	Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project (Supplementary)
Loan or technical assistance reference	Project Number: 37269-02
Date of effectiveness	Target: March 2010
Amount	\$68.6 million
Of which committed	
Executing agency	Ministry of Public Works and Transport
Approval date of original procurement plan	
Approval of most recent procurement plan	
Publication for local advertisements	
Period covered by this plan	

Source: Asian Development Bank.

**Table A9.2: Procurement Thresholds for Goods and Related Services, Works, and Supply and Install**

Procurement Method <sup>a</sup>	Use
International competitive bidding—works	More than \$1 million
International competitive bidding—goods	More than \$1 million
Shopping	Less than \$100,000

<sup>a</sup> For international competitive bidding, the Asian Development Bank (ADB) will conduct prior review of all procurement documents, bid evaluation reports, and contract awards. For national competitive bidding, the first draft English language version of the procurement documents should be submitted for ADB review and approval regardless of the estimated contract amount.

Source: Asian Development Bank.

**Table A9.3: Procurement Thresholds for Consulting Services**

Procurement Method	Use
Quality- and cost-based selection	More than \$200,000
Consultants' qualifications selection	Less than \$200,000
Least-cost selection	Less than \$100,000

Source: Asian Development Bank.

**Table A9.4: List of Contract Packages Exceeding \$100,000  
for Goods, Works, and Consulting Services**

Reference	Contract Description	Estimated Cost (\$ million)	Procurement Method	Expected Date of Advertisements	Prior Review	Comments
Lot 1 <sup>a</sup>	Civil works, southern line	15.40	ICB with post qualification		Yes	Financed by ADB, OFID, and the governments of Australia and Cambodia
Lot 2 <sup>a</sup>	Civil works, northern line <sup>a</sup>	9.40	ICB with post qualification		Yes	Financed by ADB, OFID, and the governments of Australia and Cambodia
Lot 3	Civil works: landfill Samrong freight maintenance yard	5.00	New ICB civil works contract	March 2010	Yes	Financed by ADB, OFID, and the governments of Australia and Cambodia
Lot 4	Civil works: Buildings, track work and site improvements Samrong freight maintenance yard	20.20	New ICB civil works contract	September 2010	Yes	Financed by ADB, OFID, and the governments of Australia and Cambodia
Lot 5	Materials: Supply and deliver wooden sleepers and rail	3.20	New ICB goods contract	March 2010	Yes	Financed by ADB, OFID, and the governments of Australia and Cambodia
CS 1 <sup>a</sup>	Consulting services	2.65	Quality- and cost-based selection with simplified technical proposal		Yes	Financed by ADB
CS 2	Consulting services for capacity building services to MPWT	3.00	Quality- and cost-based selection with full technical proposal		Yes	Financed by the Government of Australia

ADB = Asian Development Bank, ICB = international competitive bidding, OFID = OPEC Fund for International Development.

<sup>a</sup> Procurement for the original project has been completed but certain additional works and services under supplementary financing will be procured through variation of these existing contracts.

Source: Asian Development Bank.

**Table A9.5: Detailed Breakdown of Additional Works Financed under Supplementary Financing**

Item	Amount (\$ million)
<b>A Southern line additional works</b>	
Post detailed engineering, increased rehabilitation quantities	1.0
Additional restoration of bridges and culverts	1.2
Additional works on level crossings	0.3
Additional track material (ballast)	1.0
Additional bridge foundations	1.0
Additional repair of turnouts	0.3
Additional drainage and slope protection	1.2
Rail welding	4.9
Spur track into Sihanoukville Port	2.0
Spur track into Phnom Penh Dry Port	1.0
Restoration of additional sidings	0.2
Installation of barriers and highway warning signs	0.2
New container sidings at Sihanoukville	1.1
<b>Subtotal</b>	<b>15.4</b>
<b>B Northern Line Additional Works</b>	
Post detailed engineering, increased rehabilitation quantities	1.0
Additional track materials (prestressed concrete sleepers and fasteners)	2.2
Upgrading to 20-ton, bifurcation to Phnom Penh Port	2.2
Additional repair of turnouts	0.5
Earthwork for Poipet freight station	0.5
Additional track work in Poipet	0.5
Additional restoration of bridges and culverts	1.0
Additional works on level crossings	0.2
Rail welding	0.4
Extension of sidings in Phnom Penh Port	0.5
Additional repair of turnouts	0.3
Installation of barriers and highway warning signs	0.1
<b>Subtotal</b>	<b>9.4</b>
<b>C Samrong New Civil Works – Lot 3</b>	
Landfill (450,000 cubic meters)	5.0
<b>D Samrong New Civil Works – Lot 4</b>	
Civil works (roads, drainage, water, electrical)	1.7
Track works (ballast, sleepers)	3.4
Workshop buildings	4.5
Workshop facilities and equipment	10.6
<b>Subtotal</b>	<b>20.2</b>
<b>E Procurement – Lot 5</b>	
Samrong Freight Maintenance Yard (rail, 10,000m at 40 kg/m)	0.3
Northern line damaged sleeper section (rail, 40,000m at 40 kg/m)	1.0
Wooden sleepers, turnouts, and additional rail in Phnom Penh	1.9
<b>Subtotal</b>	<b>3.2</b>
<b>M Total Supplementary Financing (A+B+C+D+E)</b>	<b>53.2</b>

Source: Asian Development Bank.

## TECHNICAL ASSISTANCE FOR OUTCOME MONITORING AND PROCUREMENT REVIEW

### A. Introduction

1. Consulting services are required to provide outcome monitoring and procurement review for the project. The purpose of the outcome monitoring is to assist the railway department of the Ministry of Public Works and Transport (MPWT) implementing long-term output monitoring as required by the Asian Development Bank (ADB) and the governments of Australia and Cambodia. The activity will take an integrated approach and build on the project-level monitoring taking place through work of MPWT, the contractor, and the supervision consultant. The outcome monitoring will include an overview of (i) economic and transport benefits monitoring as outlined in the design and monitoring framework; (ii) social benefits by focusing on outcomes related to the effective implementation and monitoring of resettlement and compensation plans, HIV/AIDS, and issues related to gender and vulnerable groups; and (iii) institutional benefits focusing on better railway organizational systems. The purpose of the procurement review is to provide independent review and advice on the procurement process for works financed under the supplementary financing, especially procurement using negotiated variation orders to two existing civil works contracts. An independent procurement specialist will be engaged for this. The employer for all civil works contracts is MPWT. The existing project supervision consultant<sup>1</sup> is appointed by the government to act as the engineer on the existing civil works contracts. The engineer will be responsible for the preparation of the variation orders, negotiations with the civil works contractor, and preparation of a contract variation report for each contract for submission to ADB for its review and approval. The design and monitoring framework for the technical assistance (TA) is in Table A10.2.

### B. Terms of Reference for Outcome Monitoring

#### 1. Purpose

2. The outcome monitoring services will require 8 person-months of international consultants and 16 person-months of national consultants over 2 years. After that, outcome monitoring will become integrated into government systems. Two international consultants and a national consultant will provide the consulting services. The consultants will be engaged in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time), using the quality- and cost-based selection procedure and simplified technical proposals.

#### 2. Scope of Work

3. The tasks to be undertaken by the outcome monitoring consultants would include the following:

- (i) review project-level monitoring already under way, including (a) project performance monitoring and evaluation baselines for economic and transport indicators developed by the supervision consultant, (b) monitoring systems and activities undertaken as part of resettlement activities, and (c) the design and monitoring framework;
- (ii) consult with ADB, the Government of Australia, and MPWT about the development of a long-term overarching outcome monitoring, key indicators, priorities, and expected outputs;
- (iii) prepare an overall integrated monitoring and evaluation framework, to include key indicators, baselines, methodology, data collection, strategies for integrating

<sup>1</sup> Nippon Koei in association with JARTS (Japan), contract signed 11 January 2008.

- gender-disaggregated data where appropriate, as well as key tasks, responsibilities, and time frames;
- (iv) work collaboratively and coordinate with stakeholders in undertaking outcome monitoring, including integration with project monitoring, to ensure integration with outcome monitoring;
  - (v) work collaboratively to ensure, where possible, that the information is sourced from government systems and ongoing project activities to avoid establishing duplicate systems or collection processes;
  - (vi) provide training and support to the railway department and MPWT on establishing and operating a monitoring and evaluation system, and develop a plan for transition to outcome monitoring in the railway department within 2 years; and
  - (vii) prepare an annual outcome monitoring report that reviews progress towards project benefits (intended and unintended) and outcomes, and submit to ADB, the Government of Australia, and MPWT, and provide monitoring and evaluation support to semiannual supervision missions.
4. The international consultant will have primary responsibility for developing, establishing, and managing monitoring and evaluation systems, and training and reporting. The consultant will
- (i) have professional experience in developing and managing outcome monitoring and evaluation systems;
  - (ii) be professionally qualified and have a strong background in monitoring and evaluation systems that are gender-sensitive, information technology and data collection methods, as well as an understanding of the levels and types of data required;
  - (iii) have experience in training and communicating clearly with partners;
  - (iv) preferably have experience in working in the Greater Mekong Subregion; and
  - (v) preferably have experience working on monitoring and evaluation for infrastructure projects.
5. The national consultants should have the following core competencies:
- (i) developing monitoring and evaluation frameworks;
  - (ii) establishing and managing monitoring and evaluation systems including gender disaggregation, data collection, analysis and reporting on activities, outcomes and impacts;
  - (iii) training staff in the management of monitoring and evaluation systems; and
  - (iv) reporting and communicating monitoring and evaluation outcomes to stakeholders clearly.
6. TA services will extend over 2 years. After that, outcome monitoring will be integrated into government systems.
- 3. Reporting**
7. The consultants will prepare the following reports and submit them to ADB, the Government of Australia, and MPWT:
- (i) Inception review report of project-level monitoring already under way.
  - (ii) Integrated monitoring and evaluation framework, to include key indicators, baselines, methodology, data collection, strategies for integrating gender-

disaggregated data where appropriate, as well as key tasks, responsibilities, and time frames.

- (iii) Indicative work plan for the 2-year period, updated every 6 months.
- (iv) Relevant monitoring and evaluation training materials for the railway department and MPWT on establishing and operating a monitoring and evaluation system.
- (v) Transition plan for outcome monitoring to the railway department within 2 years.
- (vi) Progress reports at the end of each visit, and a final report at the completion of consultancy services.
- (vii) Annual outcome monitoring report, which reviews progress toward project benefits (intended and unintended) and outcomes.

#### **4. Implementation Arrangements**

8. MPWT will be the executing agency for the TA. The services will be implemented over 2 years, starting in February 2010 and ending in December 2012. The consultants will be responsible for developing, establishing, and managing the monitoring and evaluation framework, training, and reporting. ADB will engage the consultants in accordance with ADB's Guidelines on the Use of Consultants, using its quality- and cost-based recruitment procedures.

9. The consultants will submit an inception report within 1 month of starting the services, brief progress reports at the end of each visit, and a final report at the completion of the services.

### **C. Terms of Reference for Procurement Review**

#### **1. Purpose**

10. The procurement review services (1 person-month of international consultants) is expected to start in the second quarter of 2010 when the contract variation reports have been prepared and submitted to ADB. The consulting services will be provided by an individual international consultant engaged in accordance with ADB's Guidelines on the Use of Consultants. The procurement review consultant will have expertise in

- (i) ADB's procurement rules and guidelines;
- (ii) review of procurement processes and bid evaluations; and
- (iii) familiarity with working in the Greater Mekong Subregion.

#### **2. Scope of Work**

11. The tasks to be undertaken by the procurement review consultant will include the following:

- (i) Act as the procurement advisor and reviewer for project-related procurement issues before ADB's approval.
- (ii) Meet with officials of MPWT and with staff of the engineer, as well as with the ADB project officer and ADB procurement staff.
- (iii) Review the two existing civil works contracts, including all existing contract variations.
- (iv) Review all previously submitted construction contractor payment invoices on both contracts, and the documents provided by the engineer on the review of each invoice.
- (v) Review all related documents, correspondence, notes on meetings, contractor and engineer negotiation notes and documents, monthly reports, back-to-office reports, memorandums of understanding, etc., on both contracts.

- (vi) Review the contract variation reports and all related documents, minutes of contract variation negotiations, implementation schedules (including proposed contract time extensions and including justifications thereof), cost estimates (including cost backup data, price quotes, and other cost-related documentation).
- (vii) Based on these meetings and reviews, prepare a detailed confidential contract variation review report for each contract variation report. Each contract variation review report shall analyze the basis and justification for each element of the contract variation report including any recommended revisions of the bill of quantities, unit prices, contract time, and any other recommended contract variation.

### **3. Reporting**

12. The consultants will prepare the following reports:

- (i) A detailed confidential contract variation review report for each contract variation report. Each contract variation review report shall analyze the basis and justification for each element of the contract variation report including any recommended revisions of the bill of quantities, unit prices, contract time, and any other recommended contract variation.
- (ii) Present his reports and findings orally as required.

### **4. Implementation Arrangements**

13. MPWT will be the executing agency for the TA. The services will be implemented over 4 weeks, beginning in April 2010 and ending in May 2010. ADB will engage the consultant in accordance with ADB's Guidelines on the Use of Consultants.

### **D. Budget**

14. The TA is estimated to cost the equivalent of \$450,000, of which \$400,000 will be financed on a grant basis by the Government of Australia. MPWT will finance \$50,000 for office accommodation and local communications. Detailed cost estimates are in Table A10.1.

**Table A10.1: Technical Assistance Budget for  
Outcome Monitoring and Procurement Review**  
(\$)

Item	No.	Unit	Rate	Amount
<b>A. Government of Australia<sup>a</sup></b>				
1. Consultants				
a. Remuneration and per diem				
i. International consultants	9	person-months	25,000	225,000
ii. National consultants	16	person-months	3,000	48,000
b. International and local travel	7	trips	5,000	35,000
c. Reports and communications	1	lumpsum	10,000	10,000
2. Equipment <sup>b</sup>	1	lumpsum	10,000	10,000
3. Training, seminars, and conferences	1	lumpsum	20,000	20,000
3. Miscellaneous administration and support	1	lumpsum	10,000	10,000
4. Contingencies				42,000
				<b>Subtotal (A)</b>
				<b>400,000</b>
<b>B. Government of Cambodia<sup>c</sup></b>				
1. Office accommodation	1	lumpsum	50,000	50,000
				<b>Subtotal (B)</b>
				<b>50,000</b>
				<b>Total</b>
				<b>450,000</b>

<sup>a</sup> Through the Memorandum of Understanding on Channel Financing (Technical Assistance Program) between the Government of the Commonwealth of Australia and the Asian Development Bank, and administered by ADB.

<sup>b</sup> The purchased equipment will be turned over to MPWT at the conclusion of the technical assistance project.

<sup>c</sup> Ministry of Public Works and Transport.

Source: Asian Development Bank.

**Table A10.2: Design and Monitoring Framework**

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Impact</b></p> <p>Management of MPWT's assets, projects, and activities is based on data and other inputs obtained through regular and consistent monitoring.</p>	<p>Outcome monitoring is fully integrated in MPWT's railway department and ready to be deployed outside the railway department by the end of 2012.</p>	<p>Review of monitoring data availability and consistency</p> <p>Monitoring reports from MPWT</p> <p>Reports from the TA for outcome monitoring</p>	<p><b>Assumptions</b></p>
<p><b>Outcome</b></p> <p>Regular and effective monitoring of the railway project and railway operations, extensible in future to cover all MPWT projects and activities.</p> <p>The procurement through negotiated variation is carried out appropriately and effectively.</p>	<p>Outcome monitoring installed and fully operating in MPWT's new railway department by March 2011.</p> <p>All procurement under contract variation reviewed, the procurement process judged sound, and the results of procurement assessed as reasonable.</p>	<p>Executing agency progress reports</p> <p>Reports from the project component for strengthening the new railway department</p> <p>Project reviews</p> <p>Reports from the TA for outcome monitoring</p> <p>Procurement review reports</p>	<p><b>Assumptions</b></p> <p>Satisfactory restructuring of the railway subsector is completed.</p> <p>An effective railway department is established and operating.</p>
<p><b>Outputs</b></p> <p>A system for regular benefits and outcome monitoring is established and operating in MPWT. The system will initially be implemented in the railway department but will be extensible to cover all aspects of MPWT's activities.</p> <p>Documentation that the process of developing, negotiating, and agreeing on the variations to the existing contracts has been carried out appropriately and has produced a reasonable result.</p>	<p>All railway department staff adequately trained by March 2011.</p> <p>All procurement reviews completed before ADB approves supplementary financed procurement through variation of existing works contracts.</p>	<p>Project reports, MPWT accounts</p> <p>Reports by the restructuring TA consultants</p> <p>Project completion report</p>	<p><b>Assumption</b></p> <p>The railway department is established by the end of 2009.</p> <p><b>Risk</b></p> <p>Sufficient staff appointed or transferred to the railway department to make it operational.</p>

<b>Activities</b>	<b>Inputs</b>
1.1 Prepare an integrated monitoring and evaluation framework, defining key indicators, baselines, methodology, data collection, strategies for integrating gender-disaggregated data where appropriate, key tasks, responsibilities, and time frames.	Government of Australia: \$400,000
1.2 Undertake outcome monitoring, integrating existing MPWT and project monitoring to avoid establishing duplicate systems and collection processes.	Government of Cambodia: \$50,000
1.3 Provide training and support to the railway department and MPWT on establishing and operating a monitoring and evaluation system, and assist the railway department implementing outcome monitoring within 2 years.	Total: \$450,000
2.1 Review the two existing civil works contracts including all existing contract variations, contract payments, and all other documents.	
2.2 Review the contract variation reports and all related documents, cost estimates, price quotes, and other cost-related documentation.	
2.3 Prepare a detailed confidential contract variation review report for each contract variation report. Each contract variation review report shall analyze the basis and justification for each element of the contract variation report including any recommended revisions of the bill of quantities, unit prices, contract time, and any other recommended contract variation.	

MPWT = Ministry of Public Works and Transport; TA = technical assistance.  
Source: Asian Development Bank.

## GOVERNANCE FRAMEWORK

In all instances, the loan agreement will be the overriding legal document. ADB's *Procurement Guidelines* (2007, as amended from time to time) and ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time) will be applied pursuant to the loan agreement as they may be modified by that loan agreement. The government's policies and procedures will be applicable to the extent there is no discrepancy with the loan agreement or ADB's *Procurement Guidelines* and *Guidelines on the Use of Consultants*. In the event there is a discrepancy, then the loan agreement, the *Procurement Guidelines*, and the *Guidelines on the Use of Consultants* will apply.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
<b>Element 1: Procurement</b>				
1.a	Risks of corruption and fraud	<p>The executing agency to establish procurement committee under the project, in accordance with the government's standard operating procedure (SOP) and Procurement Manual, mandated on 26 February 2007.</p> <p>For project-wide procurement, the evaluation committee shall consist of representatives from all relevant line ministries.</p>	<p>Executing agency: Ministry of Public Works and Transport (MPWT)</p> <p>Ministry of Economy and Finance (MEF) to monitor for compliance with the loan agreement, Asian Development Bank (ADB) Procurement Guidelines (2007, as amended from time to time), and the procurement manual</p>	<p>At loan effectiveness</p> <p>Throughout the project</p>
1.b	Insufficient procedures	The executing agency is to adhere strictly to the procedures and guidelines set forth in the loan agreement, ADB's Procurement Guidelines, and SOP and the Procurement Manual, which also cover international competitive bidding, national competitive bidding, and shopping.	<p>MPWT</p> <p>MEF to monitor for compliance with the loan agreement, ADB's Procurement Guidelines, and the SOP and the Procurement Manual</p>	Throughout the project
1.c	Procurement plans	Preparation of realistic annual procurement plan as guided by the Procurement Guidelines, tied to annual work plan and budget.	MPWT and MEF	First year plan completed by appraisal and attached to minutes of loan agreement negotiations. Annually thereafter in July.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
1.d	Informal payments by contractors, suppliers, and consultants	All contractors, suppliers, and consultants—firms or individuals, national and international—bidding for contracts under the project shall sign the Declaration on Ethical Conduct and Fraud and Corruption in the SOP and Procurement Manual. The project will include the declaration in all bidding documents, request for proposals, and contracts.	MPWT and MEF	Throughout the project
<b>Element 2: Financial Management</b>				
2.a	Weak internal controls	Strengthen internal controls by ensuring that the project uses SOP including procedures in the Financial Management Manual (FMM), which cover (i) financial policies and standards; (ii) elements of internal control; (iii) financial accounting system, ledgers, journals; (iv) bank accounts, and credit and/or grant withdrawals; (v) project expenditure, payroll, petty cash, advances; and (vi) financial management reports, audit, and counterpart funds withdrawals.	MPWT  MEF to monitor for compliance with SOP and FMM, as well as the loan agreement and ADB's Anticorruption Policy (1998, as amended to date)	Throughout the project
2.b	Weak financial management capacity	The government's FMM and SOP will be used under the project as well as relevant provisions of the loan agreement and ADB's Procurement Guidelines and Guidelines on the Use of Consultants (2007, as amended from time to time).  Project to closely monitor and review financial management conduct and make necessary improvements as required.	MPWT  MPWT, MEF, and ADB	Throughout the project  Throughout the project
2.c	Minimize cash transactions	Project to make all progress payments to contractors, suppliers, and consultants—firms, individuals, national and international—by check or transfer to bank accounts, and retain evidence for audit and development partner supervision missions.	MPWT	Throughout the project
2.d	Inconsistency in allowances paid to government staff attending training, workshops, and study tours	Project to follow MEF's Instruction Letter No. 2000, dated 23 April 2007, on standard daily subsistence allowances.  Project to establish annual training and workshop plan with estimated budget.  Each training or workshop to have a detailed budget and expenses approved by the project director.  Project to set eligibility rules for attending training, workshops, and study tours. Attendees must be (i) engaged in work relevant to the training, and (ii) competent in the language used.	MPWT to incorporate into annual training and workshop plan  Approved by project director with no objection from ADB  MPWT  MPWT in consultation with ADB	Throughout the project  4th quarter annually  Throughout the project  At time of annual work plan preparation, and again before each training, workshop or

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
		<p>Project to ensure that training, workshops, study tours, and other similar activities</p> <ul style="list-style-type: none"> <li>(i) are in line with project aims and objectives,</li> <li>(ii) meet identified needs within the subproject plans, and</li> <li>(iii) have budget in line with planned expenditure approved by the executing agency.</li> </ul> <p>Project to seek prior approval from the executing agency for any significant plan changes or departures.</p> <p>Project to set cost guidelines for selected training and workshop activities, including</p> <ul style="list-style-type: none"> <li>(i) venue rental with refreshments/meals;</li> <li>(ii) sound and projection equipment hire;</li> <li>(iii) stationery/handouts;</li> <li>(iv) project-specific training and workshop materials;</li> <li>(v) simultaneous translators; and</li> <li>(vi) Reproduction and translation.</li> </ul> <p>Project to define evidence to be submitted by attendees for reimbursement of expenses, which may include</p> <ul style="list-style-type: none"> <li>(i) proof of attendance for period claimed with signed statement by the workshop, training, or study tour organizer or host;</li> <li>(ii) proof of travel by airline ticket stubs, travel agent's receipt, and airline boarding passes;</li> <li>(iii) receipts for hotel bills (proof of stay);</li> <li>(iv) receipts for incidental traveling expenses;</li> <li>(v) invoices for venue rental, food and beverage, sound/projection equipment, hiring of simultaneous translator, stationery and handouts, and use of photocopying facilities.</li> </ul> <p>Project to reimburse against receipts except where covered by fixed allowances in MEF's Letter No. 2000.</p> <p>Project to retain evidence of attendance and payment of attendees' per diem and allowances.</p>		<p>study tour</p> <p>Before first training, workshop or study tour</p> <p>Each occasion</p> <p>Each occasion</p> <p>Each occasion</p> <p>Throughout the project</p>
2.e	Delayed or nonexistent reconciliation of advances for operating costs and expenses	<p>Project to reconcile operating expenses to staff within 1 week of the end of each month.</p> <p>No further advances to be paid until previous advance is reconciled and cleared against documentary evidence.</p>	<p>MPWT</p> <p>MPWT</p>	<p>Each month</p> <p>Throughout the project</p>

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<b>Element 3: Disclosure</b>				
3.a	Conflict of interest among project staff	Project staff to disclose private and public affiliations or personal interest before becoming involved in any project-related transaction, such as contract awards. The executing agency to prepare a declaration statement for staff's signature.	Project director to ensure all project staff sign the disclosures	Throughout the project
3.b	Inadequate transparency and disclosure	Project to agree on information to be disclosed on MPWT websites biannually, with hard copies available for public inspection on request. At a minimum, the project will disclose the information required by the loan agreement.	MPWT and ADB to agree on final list  Project director to arrange disclosure	Agreed by effectiveness  Biannually
<b>Element 4: Complaints and Remedies Mechanism</b>				
4.a	Inadequate complaints and remedies mechanisms	Project to build well-defined mechanism into project documents.  Complaints procedures regarding procurement to follow process set out in loan agreement and SOP and Procurement Manual.	MPWT in consultation with ADB  MPWT and MEF	Effectiveness  Throughout the project
<b>Element 6: Code of Ethical Conduct</b>				
5.a	No overall code of conduct for civil servants	Project to design ethical code, acceptable to ADB, for all project staff, including contracted staff, to sign individually.	MPWT	Effectiveness
<b>Element 7: Sanctions</b>				
6.a	Inadequate sanctions for fraudulent and corrupt activity by project staff, contractors, suppliers, and consultants	The project to identify and apply sanctions available under current laws and regulations of Cambodia, ADB's loan regulations, the loan agreement, and ADB's Procurement Guidelines and Guidelines on the Use of Consultants. Sanctions for individuals may include transfer of duties, retraining, suspension, dismissal, re-grading, and prosecution under Cambodian law. Sanctions for firms may include termination of contract, debarment, or blacklisting under ADB's Procurement Guidelines and Guidelines on the Use of Consultants or prosecution under Cambodian law.	MPWT	Effectiveness

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
<b>Element 8: Project-Specific Elements</b>				
7.a	Poor enforcement of contract terms and needing to conduct contractors performance evaluation	The executing agency to conduct performance evaluation of all contractors providing all types of services under the project.	MPWT MEF to monitor	Throughout the project
7.b	Poor quality of design and works construction	The executing agency to ensure that approved infrastructure's design standards and specification developed by the respective agencies are utilized for the design of structures under the project.	MPWT	Throughout the project

Source: Asian Development Bank.