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# Cambodia: Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project

## Project Name

Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project

## Project Number

37269-023

## Country / Economy

- Cambodia

## Project Status

Closed

## Project Type / Modality of Assistance

- Grant
- Loan

## Source of Funding / Amount

Grant 0187-CAM: Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project

| <b>Source</b>           | <b>Amount</b>      |
|-------------------------|--------------------|
| Government of Australia | US\$ 21.50 million |

Loan 2602-CAM: Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project

| <b>Source</b>          | <b>Amount</b>      |
|------------------------|--------------------|
| Asian Development Fund | US\$ 42.00 million |

Grant 0187-CAM: Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia Project - Support for Expanded Income Restoration Program

| <b>Source</b>           | <b>Amount</b>   |
|-------------------------|-----------------|
| Government of Australia | US\$ 960,000.00 |

## Strategic Agendas

- Inclusive economic growth
- Regional integration

## Drivers of Change

- Gender Equity and Mainstreaming
- Partnerships

## Sector / Subsector

- **Transport** / Rail transport (non-urban)

## Gender

## Some gender elements

### 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.

### Project Rationale and Linkage to Country/Regional Strategy

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

Increase in domestic and regional trade movement on the railway

## **Project Outcome**

### Description of Outcome

The railway is sustainable and efficiently operated.

### Progress Toward Outcome

The Southern line from Phnom Penh to Sihanoukville is completed. The section between Phnom Penh and Touk Meas was re-opened in October 2010, and the section between Touk Meas and Sihanoukville was re-opened in December 2012. About 30 trains circulate each week on the line, carrying fuel, cement and bagged rice in containers. All these will increase as the rail business is expanding. In the first full year of operation in 2013, the railway carried 393,000 tons of freight on the Southern Line, three times higher than the average level before the project. The Port Authority of Sihanoukville recorded an 85% increase in rice exports in 2013, much of it traveling to the port via the newly revived Southern Line. In addition, sending goods by rail has removed almost 700 trucks journeys round trip every week from the National Highways. In 2014, the operation of the Southern Line generated rail freight volume amounting to nearly 500,000 tons, giving it an overall rail freight market share of 11%. The major traffic contributors for the railway are bulk fuel, rice, and coal which collectively accounted for more than 70% of the total freight volume in 2014. The total volume of containerized rice exports in 2014 was reported by the Cambodian Rice Exporters' Association as 387,061 tons and the railway concessionaire has secured almost one quarter of this market. Northern line - of the 48 km of missing link between Sisophon to Poipet (Thai border), about 42 km is completed; and 23 km from Phnom Penh bifurcation to Bat Deong is completed. The contractor stopped the work in June 2012 and negotiations to resume the works failed. The Government has prepared Plan B to complete priority works with the available funds on the Southern Line, which is now complete. Northern line - of the 48 km of missing link between Sisophon to Poipet (Thai border), about 42 km is completed; and 23 km from Phnom Penh bifurcation to Bat Deong is completed. The contractor stopped the work in June 2012 and negotiations to resume the works failed. The Government has prepared Plan B to complete priority works with the available funds on the Southern Line, which is now complete.

## **Implementation Progress**

### Description of Project Outputs

Railway link to Thailand reconstructed

Rail links to Sihanoukville port and the port in Phnom Penh rehabilitated and extended

Freight facilities in Samrong and Phnom Penh constructed

Railway department staffed and operational

Affected households living within the railway ROW and stations satisfactorily compensated and assisted

### Status of Implementation Progress (Outputs, Activities, and Issues)

About 42 km completed.

The Sihanoukville container terminal and the railway track at the Sihanoukville port are complete.

The Government requested removal of the Samrong Intermodal Terminal. An amendment to the project scope has been approved by the ADB Board on 3 October 2014. As a short-term alternative to the intermodal terminal planned for Samrong, the Concessionaire has constructed a hard stand facility at the CWT Dry Port in Phnom Penh, which is now being used for loading and unloading of train cargo.

Railway Department's capacity building programs to be able to manage concession is completed.

This is now taken out of the Project scope, upon request of the Government.

#### Geographical Location

Mittakpheap District, Ou Chrov District, Paoy Pet, Prampi Makara, Serei Saophoan, Sihanoukville, Sisophon

### **Safeguard Categories**

Environment

B

Involuntary Resettlement

A

Indigenous Peoples

C

### **Summary of Environmental and Social Aspects**

#### Environmental Aspects

The railway alignment is outside environmentally sensitive areas such as national parks and other protected areas and their buffer zones and the proposed 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 implementation of the Project is not expected to cause significant environmental impacts. Other components will consist of rehabilitation of existing siding and construction of relatively short spans of siding/spur lines from the existing main line. Appropriate mitigation measures during pre-construction, construction, and operation phases have been identified, implementation of which will minimize the negative impacts of the Project to acceptable levels.

#### Involuntary Resettlement

The original project was formulated to minimize potential risks related to involuntary resettlement. The scope of the modified project, which included the construction of a new freight facility at Samrong, has been amended to remove the Samrong freight

facilities, and instead include priority works for the Southern Line to improve operating speed and safety. These works are not expected to have resettlement impacts.

The draft resettlement plan is updated, agreed, and implemented prior to civil works. An expanded income restoration program is being implemented which provides credit for business expansion through a community development fund and gives grants for emergencies through a social safety nets fund. The funds are provided to self-help groups in relocation sites.

The resettlement implementation has been subject to the two accountability mechanism processes. The Office of the Special Project Facilitator has addressed the issues of complainants and the case was close in 2014. As a result of the findings of the Compliance Review Panel, the Board made recommendations in January 2014. On the basis of these recommendations, remedial actions have been agreed by Government and are currently being implemented.

#### Indigenous Peoples

The socioeconomic survey indicated that the original project is not expected to affect ethnic minority groups any differently than the majority Khmers. ADB's Policy on Indigenous Peoples (1998) is not triggered.

### **Stakeholder Communication, Participation, and Consultation**

#### During Project Design

With respect to involuntary resettlement, 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.

#### During Project Implementation

During the updating and implementation of the resettlement plan, consultations and information dissemination continued with affected persons consistent with the projects participatory approach. The affected households were made fully aware of their rights through verbal and written means during resettlement planning, updating, and implementation. In addition, the HIV/AIDS prevention program includes community participation during design and implementation.

Consultations are also being undertaken by the Government since 2014 as part of remedial actions from Board Recommendations based on the findings of the Compliance Review Panel (CRP).

The CRP annual monitoring report published in April 2015 concludes partial compliance of recommendations 1, 2, 3, 4 and 6 and not in compliance, as yet, on recommendation 5 (debt workout). ADB is working closely with the Government on compliance aspects according to the agreed timeframe.

The second annual monitoring mission by CRP was undertaken in April 2016.

## Business Opportunities

### Consulting Services

The consultants are selected by the Government in accordance with ADB's Guidelines on the Use of Consulting Services, using the quality and cost based selection procedure.

### Procurement

The works are procured under the international competitive bidding procedures of ADB's Guidelines on Procurement.

## Contact

### Responsible ADB Officer

Sakai, Tsuneyuki

### Responsible ADB Department

Southeast Asia Department

### Responsible ADB Division

Transport and Communications Division, SERD

### Executing Agencies

*Ministry of Public Works and Transport*

## Timetable

### Concept Clearance

13 May 2009

### Fact Finding

29 Jul 2009 to 07 Aug 2009

### MRM

10 Sep 2009

### Approval

15 Dec 2009

### Last Review Mission

-

### PDS Creation Date

03 Jul 2010

### Last PDS Update

30 Sep 2016

## Funding

### Grant 0187-CAM

#### Milestones

| Approval    | Signing Date | Effectivity Date | Closing     |             |             |
|-------------|--------------|------------------|-------------|-------------|-------------|
|             |              |                  | Original    | Revised     | Actual      |
| 15 Dec 2009 | 05 Oct 2010  | 05 Jan 2011      | 30 Sep 2013 | 31 Mar 2015 | 20 Apr 2016 |

#### Financing Plan

**Total (Amount in US\$ million)**

Project Cost 22.46  
 ADB 0.00  
 Counterpart 0.00  
 Cofinancing 22.46

Grant Utilization

|                            | Date        | ADB  | Others | Net Percentage |
|----------------------------|-------------|------|--------|----------------|
| Cumulative Contract Awards | 17 Jun 2022 | 0.00 | 21.20  | 94%            |
| Cumulative Disbursements   | 17 Jun 2022 | 0.00 | 21.20  | 94%            |

Status of Covenants

| Category      | Sector       | Safeguards     | Social       | Financial           | Economic | Others       |
|---------------|--------------|----------------|--------------|---------------------|----------|--------------|
| <b>Rating</b> | Satisfactory | Unsatisfactory | Satisfactory | Partly satisfactory | -        | Satisfactory |

**Loan 2602-CAM**

Milestones

| Approval    | Signing Date | Effectivity Date | Closing     |             |             |
|-------------|--------------|------------------|-------------|-------------|-------------|
|             |              |                  | Original    | Revised     | Actual      |
| 15 Dec 2009 | 02 Mar 2010  | 21 Apr 2010      | 30 Sep 2013 | 30 Jun 2016 | 01 Nov 2016 |

Financing Plan

**Total (Amount in US\$ million)**

Project Cost 47.10  
 ADB 42.00  
 Counterpart 5.10  
 Cofinancing 0.00

Loan Utilization

|                            | Date        | ADB   | Others | Net Percentage |
|----------------------------|-------------|-------|--------|----------------|
| Cumulative Contract Awards | 17 Jun 2022 | 35.57 | 0.00   | 100%           |
| Cumulative Disbursements   | 17 Jun 2022 | 35.57 | 0.00   | 100%           |

Status of Covenants

| Category      | Sector       | Safeguards     | Social       | Financial    | Economic | Others       |
|---------------|--------------|----------------|--------------|--------------|----------|--------------|
| <b>Rating</b> | Satisfactory | Unsatisfactory | Satisfactory | Satisfactory | -        | Satisfactory |

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