



Cambodia: Livable Cities Investment Project

Project Name	Livable Cities Investment Project	
Project Number	53199-001	
Country / Economy	Cambodia	
Project Status	Active	
Project Type / Modality of Assistance	Loan Technical Assistance	
Source of Funding / Amount	Loan 4143-CAM: Livable Cities Investment Project	
	Concessional ordinary capital resources lending	US\$ 180.00 million
	TA 6830-CAM: Technical Support and Capacity Development in Urban Planning	
	Japan Fund for Prosperous and Resilient Asia and the Pacific	US\$ 2.00 million
Operational Priorities	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP4: Making cities more livable OP5: Promoting rural development and food security OP6: Strengthening governance and institutional capacity OP7: Fostering regional cooperation and integration	
Sector / Subsector	Water and other urban infrastructure and services / Urban flood protection - Urban policy, institutional and capacity development - Urban sewerage - Urban solid waste management	
Gender	Effective gender mainstreaming	
Description	<p>The project will focus on enhancing urban planning, building community resilience, and providing infrastructure that will facilitate long-term sustainable and economic growth. The project is consistent with the strategic goals set in the government's RSIV and ADB Strategy 2030. It supports Strategy 2030's key operational priorities of tackling climate change, making cities more livable, strengthening governance and institutional capacity, and accelerating gender equality. It is also aligned with the draft Country Partnership Strategy 2019-2023, the GMS Urban Development Strategic Framework 2015-2022, and Cambodia's Industrial Development Policy (2015-2025), which provides the overarching vision that guides the Country Partnership Strategy.</p> <p>The attached TA is estimated to cost \$2 million, which will be financed on a grant basis by the Japan Fund for Prosperous and Resilient Asia and the Pacific and administered by ADB. The TA will complement the project by developing the capacity of the municipal administrations in urban and infrastructure planning to ensure the cities' sustainable development and resilience to climate changes. The TA will focus on two key outputs: (i) spatial and land use planning improved and (ii) institutional capacity and governance strengthened. ADB will administer the TA, which will be implemented during 2021-2024. The Ministry of Land Management Urban Planning and Construction will be the executing agency and will coordinate with the three participating cities and the other relevant line ministries for national regulatory and policy reforms.</p>	

Project Rationale and Linkage to Country/Regional Strategy

Cambodia has made significant strides in economic development. Its per capita gross domestic product increased five times from \$300 in 2000 to \$1,500 in 2018.¹ Cambodia's economic growth in 2018 remained strong, estimated at 7.3% and fueled by increased tourism and strong foreign direct investment. Cambodia has experienced steady urban growth over the last decade. Since 2008, the urban population has grown at a rate of 3.4% per annum and it currently represents approximately 23% of the total population. By 2030, the urban population is projected to represent 30% of the total population.³ Urban development will transform the current rural based economy of Cambodia by providing opportunities for the country to increase employment and rural-urban interactions, improve wages, and reduce the percentage of the population living in absolute poverty. To date, the urban population has concentrated around the capital city of Phnom Penh. However, this is slowly spreading to secondary cities such as Poipet, Bavet, Kampot, Battambang, Siem Reap, Sihanoukville, and Kep. The government has identified a need to strengthen public institutions and human and financial capacity; promote employment; reduce income inequality; and address the growing requirements for public services, including infrastructure. This is emphasized in the government's Rectangular Strategy Phase IV (RSIV), which promotes strategies to accelerate governance reform through institutional and capacity building, and promotion of integrity in public administration, work efficiency and private sector governance. The RSIV is supported by four rectangles with the urban sector fitting into the fourth rectangle of inclusive and sustainable development. 4 It identifies a priority to (i) improve management of urbanization and develop infrastructure master plans that supports the provision of critical infrastructure; (ii) minimize environmental impacts; and (iii) develop the capacity to manage climate change and adopt principles of smart cities, green growth and sustainable development. Due to rapid urbanization, communities have been established in areas that are not equipped with the basic and essential infrastructure. The government has recognized the growing trends and demands of urbanization and has identified a need to invest in long term land use and urban planning. The Law on Land Use Planning, Urbanization and Construction which sets requirements for development plans and land use plans was enacted in 1994.⁵ However, despite the frameworks and policies guiding urban and land use planning, urbanization in Cambodia remains largely uncoordinated and unregulated. The provision of sustainable urban infrastructure and services is critical to promoting economic opportunities, minimizing environmental degradation, improving livability to the residents and reducing exposure to the effects of climate change and extreme events. The state of urban infrastructure and services in the country is described below:

(i) The national access to improved water supply⁶ across the country in 2016 was 61.1%, of which 29.5% have access to piped water. For urban areas (excluding Phnom Penh), about 78.8% has access to improved water source, but only 56.8% has access to piped water

(ii) Countrywide, 72.9% have access to improved toilet facilities, where a large majority are connected to a septic system and only 13.4% have access to a wastewater network. In urban areas (excluding Phnom Penh), 87.9% have access to improved toilet facilities, but only 15.3% is serviced through a wastewater network.

(iii) Drainage network and solid waste management (SWM) remain underdeveloped. There are no sanitary landfills and solid waste collection services (generally outsourced to private contractors) are also limited. Uncollected wastes are either burnt or dumped in open areas and waterways, and the lack of a functioning drainage network and SWM exacerbates the impacts of flooding in many cities and towns. Responsibility for the water supply and sanitation sector is fragmented, requiring cooperation among ministries and overcoming structural and organizational weaknesses:

(i) The Ministry of Industry and Handicraft is responsible for urban water supply and service delivery is entrusted to the provincial waterworks (PWs) under provincial administration.

(ii) The Ministry of Public Works and Transport (MPWT) is responsible for urban sanitation, while the provincial wastewater units (PWUs) under provincial administration oversee operation and maintenance.

(iii) However, the PWs and PWUs have limited autonomy and provincial waterworks operate using their revenues from water tariffs while PWUs operate with limited revenues as the recovery of sanitation tariffs is mixed with the provincial revenues. The secondary cities of Poipet, Bavet, Kampot, and Battambang were selected due to its economic potential and location at key trade and tourism zones and critical for regional cooperation and integration. Permanent and transient population in these cities have increased recently and the capacity of existing basic urban infrastructure is affecting its ability to meet its potential as key economic and tourism centers. Poipet and Bavet were identified as economic hotspots for further development in the Greater Mekong Subregion and all four cities build on previous ADB investments, which allows for continuity of work and further expansion of key urban infrastructure. The government has adopted national targets for water supply and sanitation which is to achieve 100% service coverage for both water supply and sanitation by 2025. However, access to urban infrastructure and services in these cities is limited, and due to poor service access, it affects their ability to function as economic centers. Obtaining full cost recovery on the assets, which includes water supply, sanitation, drainage, and solid waste, has been limited due largely to weak tariff structures. Battambang, Kampot, and Bavet are reliant on central government transfers for more than 90% of their fiscal needs, as local revenue, comprising local taxes and tariffs is only able to cover on average about 2.8% to 6.8% of the recurrent costs. Poipet, on the other hand, is financially independent and not reliant on any subsidy and transfers from the government.

Impact	Livability of secondary cities improved
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Project Outcome

Description of Outcome	Access to urban infrastructure and services in participating cities improved.
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Progress Toward Outcome	The design and construction supervision consultant (DCS) contract was awarded in December 2022, the team mobilized on 6 February 2023 and an Inception Mission was held on 3-9 March 2023. A virtual review mission is being held from 23-26 Oct 2023. Detailed engineering designs (DED) for the wastewater treatment plant, storm water drainage, and solid waste management system in Bavet have commenced and expected to be completed by end-2023. No physical works have commenced to date.
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Implementation Progress

Description of Project Outputs	Policy and regulatory environment improved. Urban infrastructure improved. Institutional effectiveness and governance improved.
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Status of Implementation Progress (Outputs, Activities, and Issues)	Consultants for the piggy-backed TA has been mobilized and has commenced work in July 2022. Targets on track to be achieved as planned. The DCS consultant has started the sector regulatory review preliminary institutional and capacity assessment tools have been developed incorporating some GEISAP considerations and inputs. Detailed engineering designs (DED) for the wastewater treatment plant, storm water drainage, and solid waste management system in Bavet have commenced and expected to be completed by end-2023. No physical works have commenced to date. A virtual review mission is being held from 23-26 Oct 2023 to discuss implementation progress
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Geographical Location	Bavet, Kampot, Poipet
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Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects Environment (category B). Three initial environmental examinations (IEEs) and corresponding environmental management plans (EMPs) have been prepared for the project in accordance with ADB's Safeguard Policy Statement (2009) and government laws and regulations. The IEEs were prepared based on meaningful consultations during the project preparation. It is expected that the project sites will experience short-term, localized impacts during construction. These impacts will be site specific and reversible and can be avoided, minimized, or mitigated to an acceptable level with good construction practices and mitigation measures as defined in the EMPs and the corresponding site-specific construction EMPs to be prepared and implemented by the contractors. Further consultations will be carried out during the implementation stage, and the IEEs and corresponding EMPs will be updated based on detailed engineering designs approved by the government, cleared by ADB, and disclosed before contract award. Updated EMPs will be included in the bidding documents. Civil works will commence only after domestic national environmental clearances have been secured and the relevant construction EMP has been approved by the project management unit.

Involuntary Resettlement Draft resettlement plans were prepared for the three participating cities in accordance with ADB's Safeguard Policy Statement (2009) and government laws and regulations. Based on the feasibility study, the project may require a total area of 518,924.40 square meters (m²) to be acquired, with 200 households (685 people) affected, of which (i) 19 households (81 people) may experience major impacts with loss of more than 10% of their productive land, and (ii) 17 households (60 people) are potentially vulnerable (The total area to be acquired and the number of affected households will be confirmed at the time of detailed engineering design measurement survey, and will be documented in the updated resettlement plans). No relocation will be required, and all other impacts are minor such as on secondary structures and trees. The draft resettlement plans will be updated based on the detailed engineering designs, approved by the government, cleared by ADB, and disclosed prior to contract award. Compensation and allowances are to be provided prior to commencement of works. The General Department for Resettlement will oversee finalization, implementation, monitoring, and reporting of the resettlement plans during the project implementation stage.

Indigenous Peoples An indigenous peoples due diligence report has been prepared in accordance with ADB's Safeguard Policy Statement (2009) and government laws and regulations. Meaningful consultations were carried out with 83 representatives from ethnic minorities, including 47 women, as part of the feasibility study, and the social impact assessments found that (i) there are no indigenous peoples communities that will be positively or negatively affected within the project impact area; (ii) there is a small number of ethnic Vietnamese people in Bavet; (iii) the Cham minorities in Poipet and Kampot are well-integrated into Cambodian society in terms of citizenship, language, education, and political representation, and enjoy equal rights and opportunities as Cambodian citizens; and (iv) the project will not have differential impacts on ethnic minorities, and any potential minor involuntary resettlement impacts are adequately addressed in the resettlement planning documents. During project implementation, the MPWT will ensure regular consultations with the ethnic minorities as well as the Khmer population.

Stakeholder Communication, Participation, and Consultation

During Project Design The IEEs and draft resettlements plans were prepared based on meaningful consultations during the project preparation. Meaningful consultations were also carried out with 83 representatives from ethnic minorities, including 47 women, as part of the feasibility study.

During Project Implementation Further consultations will be carried out during the implementation stage, and the IEEs and corresponding EMPs will be updated based on detailed engineering designs approved by the government, cleared by ADB, and disclosed before contract award. Regular consultations with the ethnic minorities as well as the Khmer population will be conducted during implementation.

Business Opportunities

Consulting Services Consulting services for the loan will be engaged through quality and cost-based selection (QCBS) method with a standard quality-cost ratio of 80:20 for high value packages such as the design and construction supervision consultants. The contract for the design and construction supervision consultants has been awarded and the consultants mobilized on 6 February 2023. Three individual consultants to support financial management, procurement and engineering have been engaged. For the attached Technical Assistance, ADB will engage consultants through quality-based selection following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions. The consulting firm who will support TA implementation has been mobilized.

Procurement All procurement of goods, works and consulting and non-consulting services will be undertaken in accordance with ADB's Procurement Policy (2017, as amended from time to time), the Procurement Regulations for ADB Borrowers (2017, as amended from time to time) and the Standard Operating Procedures for All Externally Financed Projects/Programs in Cambodia (2019, as amended from time to time). Open competitive bidding (OCB) procedures will be used for the procurement of the civil works and goods contracts; and request for quotations (RFQ) will be used to procure readily available goods, such as office equipment and furniture. G-01 Pick-up vehicles has been awarded in April 2023.

Responsible ADB Officer	Swain, Wei Kim
Responsible ADB Department	Sectors Group
Responsible ADB Division	Water and Urban Development Sector Office (SG-WUD)
Executing Agencies	Min. of Land Mgt., Urban Planning & Construction Ministry of Public Works and Transport

Timetable

Concept Clearance	16 Oct 2019
Fact Finding	02 Jul 2021 to 09 Jul 2021
MRM	09 Sep 2021
Approval	18 Nov 2021
Last Review Mission	-
Last PDS Update	24 Oct 2023

Loan 4143-CAM

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
18 Nov 2021	08 Dec 2021	24 Feb 2022	31 May 2028	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	194.10	Cumulative Contract Awards			
ADB	180.00	28 Nov 2023	10.04	0.00	6%
Counterpart	14.10	Cumulative Disbursements			
Cofinancing	0.00	28 Nov 2023	1.61	0.00	1%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

TAÂ 6830-CAM

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
18 Nov 2021	22 Dec 2021	22 Dec 2021	30 Nov 2024	-	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00	28 Nov 2023	588,283.91

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

Project Page	https://www.adb.org/projects/53199-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=53199-001
Date Generated	03 December 2023

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