

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The Provincial Roads Improvement Project (the current project) is to rehabilitate the pavement of about 157 kilometers (km) of roads in Kampong Chhnang, Kampong Speu, Prey Vane, and Svay Rieng provinces. The rehabilitation program is to provide a safer, climate-resilient, and cost-effective provincial road network with all-year access to markets and other social services for provincial centers of southeastern and midwestern Cambodia. A new cross-border facility (CBF) is to be constructed at Prey Var, Svay Rieng to facilitate efficient cross-border transport and trade between Cambodia and Viet Nam. The project is to support a sustainable road maintenance regime, community-based road safety measures, and an HIV/AIDS and human trafficking prevention program (HHTPP), climate-resilient measures, and efficient project management in the Ministry of Public Works and Transport (MPWT), the executing agency.

2. The original financing plan of the current project comprised a loan in various currencies equivalent to \$52.0 million from the Asian Development Bank (ADB) Special Funds resources, cofinancing from the Strategic Climate Fund—a \$10.0 million loan and a \$7.0 million grant under the Pilot Program for Climate Resilience—and government financing of \$9.8 million.

3. The current project was approved on 16 December 2011. The loan and grant agreements were signed on 21 February 2012. The loans and grant became effective on 2 August 2012. The closing date of the loans and grant is 30 September 2017.

4. During the midterm review of the project in April 2015, it was found that the amount of the ADB loan, denominated in special drawing rights (SDR), had been reduced by about \$5.5 million equivalent, from \$52.0 million equivalent to \$46.5 million equivalent, because the SDR had depreciated since late 2014.¹ This meant that the civil works contract for CBF rehabilitation could not be awarded in the second quarter of 2015, as there was not enough uncommitted ADB loan amount left to finance this contract, estimated at about \$5.3 million. The government requested additional financing of \$6.0 million to cover the financing shortfall and achieve the original project outputs, outcomes, and impacts.

B. Performance of the Project

5. The ongoing project is assessed to be performing well based on the following results:

- (i) **Delivery of expected outputs.** A loan review mission in January 2016 assessed that the project was progressing satisfactorily. As of May 2016, the progress rate stood at 45%. It is expected that the civil works activities will be expedited during the current 2016 dry season to complete all ongoing civil works before the loan closing date of September 2017.
- (ii) **Satisfactory implementation progress.** The scope of the current project includes civil works, consulting services, and land acquisition and resettlement. The current project performance rating is on track in the eOps system. The project has awarded almost all major civil works contracts, and works are being implemented without much delay. The only major civil works contract yet to be

¹ During the loan review mission in January 2016, it was confirmed that the latest SDR depreciation amounted to \$5.7 million. Therefore, additional financing was set to \$6.0 million, allowing for further possible depreciation.

awarded is that for the CBF rehabilitation, which could not be awarded after the SDR depreciation. Once the proposed additional financing is approved in SDR and the contract for CBF rehabilitation is awarded by the third quarter of 2016, the project will be able to complete all contract awards.

- (iii) **Satisfactory compliance with safeguard policy requirements.** No major issues arose with respect to the implementation of the resettlement plans, land acquisition, and environmental management plan (EMP). The government was tracking grievances, and no unresolved grievances exist. Monitoring of EMP implementation is conducted regularly by the detailed design and implementation supervision (DDIS) consultants. Although delayed, compensation to affected persons was completed in March 2016. The process of implementing the updated resettlement plans is regularly monitored by the external monitor.
- (iv) **HIV and human trafficking prevention, and gender action.** The HHTPP began about a month in advance of the civil works. While the education program for beneficiary communities was completed, it is periodically ongoing for construction workers. Meanwhile, the implementation of the gender action plan (GAP) was progressing satisfactorily. DDIS consultants provided the beneficiary women with labor-based appropriate technical skills training. The gender target of 25% of participants in unskilled labor being women was generally achieved, although women are reluctant to work in road construction because booming garment factories offer higher wages and overtime pay.
- (v) **Successful management of risks.** Risks identified during the project design were managed satisfactorily. Agreed mitigation measures were implemented, including establishing a grievance redress mechanism, hiring an independent external monitor for resettlement monitoring, and creating a project website. MPWT's project website was easily accessible and provided information on the progress of the current project and the procurement of works, and helped promote anticorruption efforts. The Project Management Unit 3 of MPWT, as the implementing agency, maintained strict technical standards in civil works. The project's good-governance framework, updated twice a year, kept track of potential risks but did not identify any.
- (vi) **On-track rating.** The project is rated on track in the project performance rating.

C. Cost Overruns and Financing Gaps

6. It is unlikely that the project may face cost overruns and/or financing gaps in the future because the proposed amount of \$6 million in additional financing was decided after careful consideration of the loan review mission's past experience in such events. Price escalations foreseen till the end of the project were incorporated in the contingencies. MPWT's Project Management Unit 3 carries out twice-yearly analyses of project costs up to completion to cater for such eventualities, as it has done for other completed projects.

D. Conclusion

7. The additional financing meet's ADB's eligibility criteria for such transactions,² since the overall project is (i) technically feasible, economically viable, and financially sound based on the due diligence assessments; (ii) accorded high priority by the government; (iii) consistent with the development objectives of the current project; and (iv) consistent with the government priorities

² ADB. 2011. Additional Financing. *Operations Manual*. OM Section H5/BP.

and ADB's current country operations business plan for Cambodia.³ The additional financing will cover the funding shortfall of the current project to achieve the original project outputs, outcomes, and impacts.

³ ADB. 2015. *Country Operations Business Plan: Cambodia, 2016–2018*. Manila.