

Project Administration Manual

Project Number: 46009

Loan/ Grant Number(s): {LXXXX; GXXXX}

6 March 2012

Cambodia: Flood Damage Emergency Reconstruction Project

Contents

ABBREVIATIONS	I
I. PROJECT DESCRIPTION	1
II. IMPLEMENTATION PLANS	3
A. Project Readiness Activities	3
B. Overall Project Implementation Plan	4
III. PROJECT MANAGEMENT ARRANGEMENTS	5
A. Project Implementation Organizations – Roles and Responsibilities	5
B. Key Persons Involved in Implementation	8
C. Project Organization Structure	9
D. Phasing of Subproject Implementation	9
E. Approval Process for New Subprojects	10
IV. COSTS AND FINANCING	11
A. Detailed Cost Table by Financier	12
B. Loan Withdrawal Allocation Table	13
C. Grant Withdrawal Allocation Table	14
D. S-Curve	14
E. Fund Flow Diagram	15
V. FINANCIAL MANAGEMENT	16
A. Financial Management Assessment	16
B. Disbursement	16
C. Disbursement and Liquidation Procedures for Government Funds	18
D. Accounting Systems	19
E. Auditing Requirements	20
VI. PROCUREMENT AND CONSULTING SERVICES	20
A. Advanced Actions and Retroactive Financing	20
B. Procurement of Goods, Works and Consulting Services	20
C. Procurement Plan	21
D. National Competitive Bidding	22
E. Consultant's Terms of Reference	23
VII. SAFEGUARDS	23
VIII. GENDER AND SOCIAL DIMENSIONS	24
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	26
A. Project Design and Monitoring Framework	26
B. Monitoring	26
C. Evaluation	26
D. Reporting	27
E. Stakeholder Communication Strategy and Grievance Redress	27
X. ANTICORRUPTION POLICY	28
XI. ACCOUNTABILITY MECHANISM	29
XII. RECORD OF PAM CHANGES	29

Appendixes

- Appendix 1: Subproject Selection Criteria
- Appendix 2: Indicative List of Proposed Subprojects
- Appendix 3: Project Cost Tables
- Appendix 4: Summary Note on Retroactive Financing and Advance Action
- Appendix 5: Procurement Plan
- Appendix 6: Terms of Reference
- Appendix 7: Environment Assessment and Review Framework
- Appendix 8: Resettlement Framework
- Appendix 9: Design and Monitoring Framework
- Appendix 10: Risk Assessment and Risk Mitigation Plan

Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing and implementing agencies are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiation the borrower and ADB shall agree to the PAM and ensure consistency with the Loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
APA	=	audited project accounts
AusAID	=	Australian Agency for International Development
DMF	=	design and monitoring framework
EA	=	executing agency
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
FGIA	=	first generation imprest account
GACAP	=	governance and anticorruption action plan
GDP	=	gross domestic product
ICB	=	international competitive bidding
IA	=	implementing agency
IEE	=	initial environmental examination
IPP	=	indigenous people plan
LGAP	=	labor and gender action plan
MOWRAM	=	Ministry of Water Resources and Meteorology
MPWT	=	Ministry of Public Works and Transport
MRD	=	Ministry of Rural Development
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PCMU	=	project coordination and monitoring unit
PMCC	=	project management coordination committee
PIU	=	project implementation unit
RGC	=	Royal Government of Cambodia
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SGIA	=	second generation imprest accounts
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
SSS	=	single source selection
TOR	=	terms of reference

I. PROJECT DESCRIPTION

1. **The Project:** The project will assist the Royal Government of Cambodia (RGC) to meeting urgent reconstruction priorities affected by 2011 flood focused on (i) roads (national, provincial, and rural), including bridges and culverts; (ii) irrigation facilities; and (iii) strengthen the Government's flood management capacity. The reconstruction of damaged infrastructures will concentrate in Prey Veng, Kampong Cham, Kampong Thom, Siem Reap, Banteay Meanchey, and Battambang provinces. The Ministry of Economy and Finance (MEF) will be the executing agency (EA) of the project. Ministry of Public Works and Transport (MPWT); Ministry of Rural Development (MRD); and Ministry of Water Resources and Meteorology (MOWRAM) are the implementing agencies (IAs). As a framework for structuring the Project activities, the restoration of flood damaged infrastructure has been divided into three stages as follows:

- (i) Stage 1 - Immediate repairs to reestablish use of the infrastructure on a temporary basis and restore minimum functioning levels. The most urgent work has already been implemented by the RGC using its own resources.
- (ii) Stage 2 - Fast track repairs where it is necessary to substantially repair the damage before the next wet season (by around June-July 2012) to secure the existing (undamaged) works and thus avoid more extensive damage in the coming wet season. Urgent preparation of packages under this stage has been the emphasis of the line ministries; in addition, the RGC has already allocated funding that will partially cover the work required.
- (iii) Stage 3 - Remaining flood damage restoration to complete the remaining damage repairs, preferably within the following two dry season construction periods.

2. **Impact and Outcome:** The impact of the project is economic and social recovery from the 2011 floods in project provinces. The outcome of the project is restoration of critical public and social infrastructure assets necessary to restore livelihoods and access in project provinces that will secure the assets against future flooding. The principle of "build back better" will be followed as suitable¹.

3. **Outputs:** The project will have the following outputs:

4. **Output 1: National and provincial road restoration.** The project will reconstruct flood damaged national and provincial roads in 4 provinces. In Prey Veng, 2 km of a ring road, which also serves as a flood protection dyke for Prey Veng City², will be strengthened, and 5 bridges along National Road 11 which were severely weakened by the floods will be replaced and improved. In Kampong Cham, Banteay Meanchey and Battambang provinces, 72 km of provincial roads will be repaired and upgraded, and one bridge replaced. The works will be carried out in the 3 stages. Temporary Stage 1 work has already been completed under government funding to restore minimum function of the roads. Stage 2 is urgent work that needs to be fast-tracked with substantial works done during the 2012 dry season to secure functioning of the roads during the 2012 wet season. Stage 3 works will be prepared to commence after the 2012 wet season.

¹ Meaning to rectify any deficiencies with the existing structure which had been causing it to operate below standard, and to reconstruct it to the correct standard for its intended function, including its ability to withstand floods in line with the appropriate design standards. This is adopted as much of the damaged infrastructure was known to be operating below standard, and was therefore more susceptible to flood damage.

² The dyke was in danger of collapsing during the 2011 floods. The consequences would have been extensive flooding throughout Prey Veng City with severe impacts.

5. **Output 2: Rural roads restoration.** The Project will reconstruct about 450 km of flood damaged rural roads in five provinces of Prey Veng, Kampong Cham, Kampong Thom, Siem Reap and Banteay Meanchey. As mentioned earlier, reconstruction civil works will be carried out in three stages of which Stage 1 has been already completed by the RGC. During Stage 2 project roads will be repaired to facilitate immediate access by re-shaping the road section and providing a 100 to 150 mm laterite overlay, before the rains in 2012. During Stage 3, the road sections will be further strengthened to protect against future flood damage with cross-drainage facilities and paving of laterite/double bituminous surface treatment. This output will carry out a demonstration exercise relating to labor intensive construction and maintenance of rural roads³.

6. **Output 3: Irrigation and flood control.** Under this output, about 26 flood damaged irrigation schemes covering about 25,000 ha⁴ will be repaired in at least 5 provinces: Prey Veng, Kampong Cham, Kampong Thom, Siem Reap, and Battambang. Since flood restoration work for irrigation schemes often involves relatively small works to restore full operation, it is proposed that schemes in other provinces may also be considered depending on the detailed assessments during implementation, subject to agreement of the Executing Agency (EA) and ADB. Stage 1 works involved temporary measures during 2011 mainly using sand bags and pumps to restore irrigation as far as possible. It is proposed to complete relatively small scale Stage 2 works before the 2012 wet season in 19 schemes to restore most of the irrigation operations, and to secure undamaged works for the next wet season. Stage 3 covers works that require more detailed investigations, and this work will commence after the 2012 wet season.

7. **Output 4: Project and Flood Management.** This output will support the EA to undertake overall oversight and management of the Project. It will be supported by consultants to ensure that procedures are followed and that implementation schedules are kept on track. This output will also provide bridging resources, supported by a consultant and capacity development inputs, to link the restoration outputs under the Project with support for damage/flood management activities. The activities will strengthen NCDM's capacity to harness the resources and expertise of the relevant line ministries and other organizations, and provide a cohesive and robust approach for prevention, mitigation, and preparedness to manage future floods. They will also include CBFRM activities, targeting at-risk communities at district, commune and village levels in areas covered under the Project.⁵












³ The approach to promoting labor intensity (where feasible) will follow the principles of the public works component of Cambodia's 2011 National Social Protection Strategy for the Poor and Vulnerable. The approach to improving maintenance of the rural roads will draw from the ongoing related activities of the Loan 2670-CAM: Rural Roads Improvement Project and Loan 2839-CAM: Provincial Roads Improvement Project. See the note on Labor-Based Construction and Maintenance for Flood Damage (accessible from the list of linked documents in Appendix 2).

⁴ These include 10 subprojects under the ADB funded Northwest Irrigation Sector Irrigation Project which are included in the 19 to be restored under Stage 2.

⁵ Piloted under ADB. 2005. Technical Assistance to the Kingdom of Cambodia for Community Self-Reliance and Flood Risk Reduction. Manila (TA 4574-CAM)

II. IMPLEMENTATION PLANS

A. Project Readiness Activities⁶

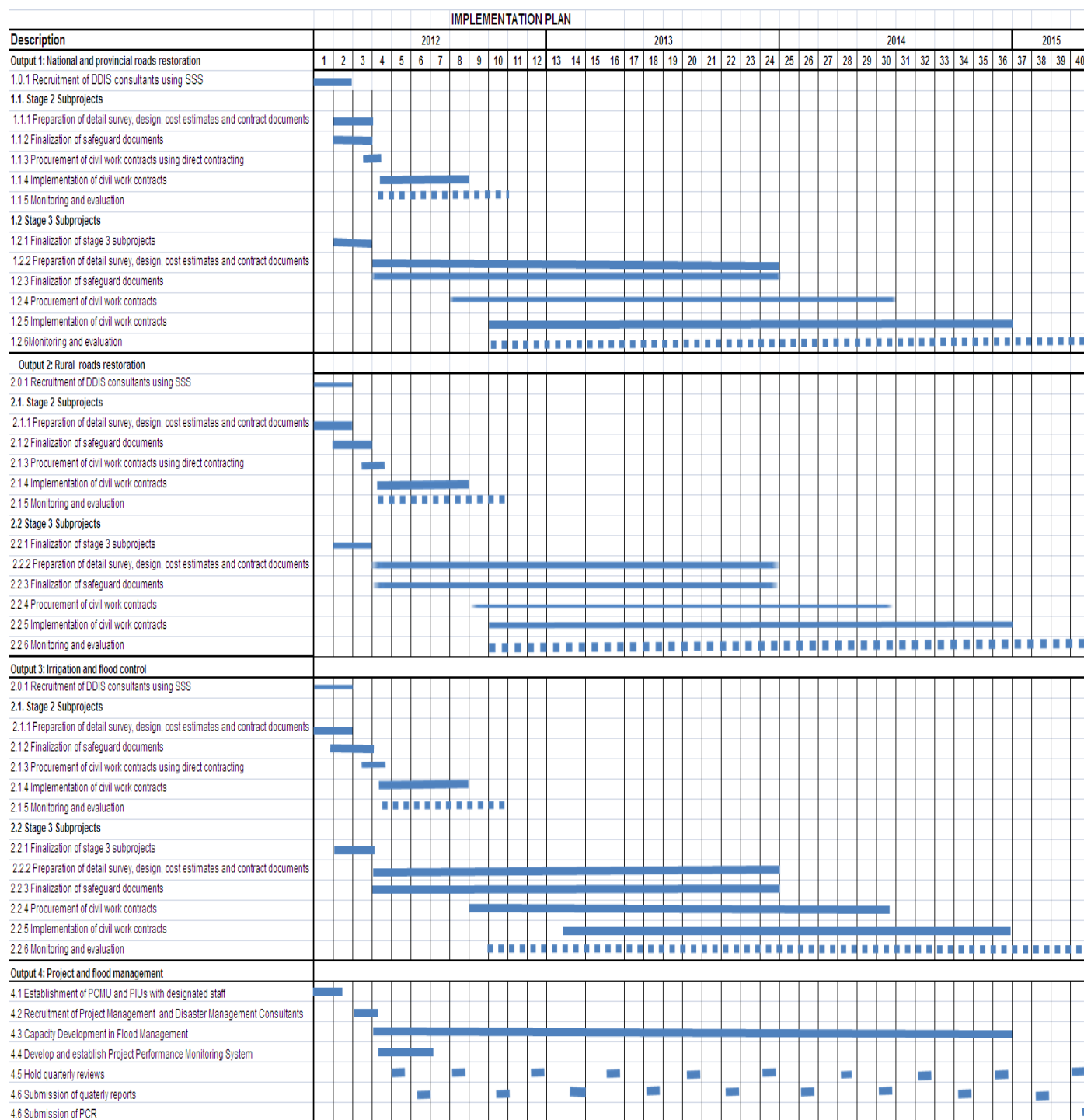
Activities	2012				Responsible Party
	Jan	Feb	Mar	Apr	
Establish PCMU					MEF
Establish PIUs					MOWRAM, MPWT, and MRD
Establish PMCC					MEF, MOWRAM, MPWT, and MRD
Advance contracting for recruitment of design and supervision consultants and award of contracts					MOWRAM, MPWT, and MRD
Advance contracting for recruitment of consultants for PCMU at MEF					ADB and MEF
Allocation of Government funds under retroactive financing for design and supervision consultants and civil work contracts for stage 2 subprojects					MEF
Advance contracting including award of civil work contracts for stage 2 subprojects					MEF, MOWRAM, MPWT, and MRD
ADB Board approval					ADB
Loan signing					MEF
Government legal opinion provided					MEF
Loan effectiveness					ADB
PCMU Consultants mobilized					PCMU

ADB = Asian Development Bank, MEF = Ministry of Economy and Finance, MOWRAM = Ministry of Water Resources and Meteorology, MPWT = Ministry of Public Works and Transport, MRD = Ministry of Rural Development, PCMU = Project Coordination and Monitoring Unit, PIU = Project Implementation Unit, PMCC = Project Management Coordination Committee

⁶ ADB has approved the small scale technical assistance (SSTA) of \$225,000, which is being administered by ADB to support the Government in undertaking advance actions relating to project management, financial management, procurement, and safeguards. The SSTA 8051 has a provision of 4.5 person months of international individual consultants and 20 person months of national individual consultants.

B. Overall Project Implementation Plan

8. The project will be implemented over a three year period. The overall project implementation schedule is provided below.



DDIS= Detailed Design and Implementation Support, PCMU= Project Coordination and Monitoring Unit, PIU= Project Implementation Unit, PCR= Project Completion Report
Source: ADB Estimates

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> Project Management Coordination Committee (PMCC) 	<ul style="list-style-type: none"> ➤ Provide necessary assistance and guidance to ensure that the Project is implemented efficiently within the overall policies and guidelines of the Government and the ADB ➤ Monitor the overall project implementation ➤ Ensure close coordination between all Project activities and activities sponsored by other DPs ➤ Ensure that ADB is informed in a timely manner of project progress and any issues arising ➤ Hold meeting two times as per year as required, likely following the review missions.
<p>Executing Agency:</p> <ul style="list-style-type: none"> MEF – Project Coordination and Monitoring Unit (PCMU) 	<ul style="list-style-type: none"> ➤ Coordinate with ADB and other line agencies for smooth project implementation ➤ Monitor and ensure the compliance of covenants, particularly submission of audited project accounts. ➤ Negotiate and sign contract of project management support consultant ➤ Monitor and supervise the project management support consultant ➤ Negotiate and sign the contract of disaster management consultant ➤ Monitor and supervise the disaster management institutional specialist ➤ Update procurement plan and monitor the procurement process prepared by PIUs. ➤ Examine the subprojects relating to costs and safeguard requirements ➤ Coordinate environment and social safeguards planning and implementation ➤ Examine preparing bidding documents, request for proposal, and bid evaluation reports ➤ Consolidate accounts and submit withdrawal applications to ADB for direct payments and reimbursement. ➤ Open and manage imprest account for ADB loan ➤ Ensure IAs to open second generation imprest account. ➤ Submit all audited project accounts and financial statements pertaining to the project within 9 months of the end of the fiscal year. ➤ Coordinate project review missions ➤ Process and submit to ADB any request, when required, for reallocation of loan proceeds ➤ Prepare consolidated quarterly progress reports for timely submission to ADB ➤ Prepare project completion report and timely submit to ADB

Implementing Agencies (IAs):

- **For Output 1: MPWT**
 - Establish Project Implementation Unit
 - Assume the following roles and responsibilities to ensure the successful implementation of Output 1:
 - Establish second generation imprest account, maintains account and submit expenditures to the PCMU for consolidation.
 - Select subprojects for stage 2 and stage 3 and seek endorsement from PCMU.
 - Establish procurement review committee to oversee recruitment of consultants and procurement of goods and works.
 - Select and procure detailed design, supervision and implementation consultant
 - Procure contractors and suppliers.
 - Monitor performance of suppliers, consultants, and contractors.
 - Make payments for activities performed under the scope of the Project.
 - Screen and classify subprojects in accordance with ADB's Safeguard Policy Statements (SPS) 2009
 - Prepare, implement and monitor safeguards in accordance SPS 2009, and Loan agreement
 - Implement resettlement and environment monitoring plans.
 - Prepare, implement and monitoring of gender action plan.
 - Establish focal persons to handle safeguards requirements
 - Establish a grievance redress mechanism to address all subproject-related grievances
 - Disseminate and disclose safeguards, audited project accounts, procurement and contracts related information
 - Prepare monthly and quarterly progress reports for timely submission to EA
 - Undertake regular monitoring of subprojects.
- **For Output 2: MRD**
 - As the above roles and responsibilities of MPWT, but for the delivering of Output 2
- **For Output 3 Ministry of Water Resources and Meteorology (MOWRAM)**
 - As the above roles and responsibilities of MPWT and MRD, but for the delivering of Output 3;
- **Detailed Design, Implementation and Supervision Consultants(DDIS) for all three outputs**
 - Responsible for field surveys, engineering studies, designs, supervisions, safeguards preparation and implementation.
 - Assist relevant IAs in preparing bid documents including design, review of designs/specifications and BOQs
 - Assist IAs in contract awards/bids evaluation, preparation, implementation, and monitoring of safeguard activities.
 - Assist IAs in execution and supervision of works

	<ul style="list-style-type: none"> ➤ Certify physical completion of works. ➤ Certify payments of works. ➤ Help relevant IAs in maintaining all projects accounts. ➤ Prepare all project reports including financial and physical progress reports to be submitted to PCMU ➤ Assists IA in disseminating and publishing procurements and contracts related information.
<ul style="list-style-type: none"> • Project Management Consultants at PCMU 	<ul style="list-style-type: none"> ➤ Assist PCMU in overall project management and coordination. ➤ Assist PCMU in reviewing and endorsing procurement, safeguard and financial management related documents submitted by IAs ➤ Assist PCMU in preparing all required documents for submission to ADB ➤ Assist PCMU in establishing performance monitoring system and website for disclosure
<ul style="list-style-type: none"> • Disaster Management Institutional Specialist 	<ul style="list-style-type: none"> ➤ Assist the Government in undertaking the capacity development activities on flood management
<ul style="list-style-type: none"> • ADB 	<ul style="list-style-type: none"> ➤ Examine the subprojects relating to costs and safeguard requirements ➤ Coordinate environment and social safeguards planning and implementation ➤ Examine bidding documents, request for proposal, and bid evaluation reports ➤ Select the Project Management Consultants and disaster management specialist on behalf of the Government ➤ Consolidate accounts and submit withdrawal applications to ADB for direct payments and reimbursement. ➤ Open and manage imprest account for ADB loan ➤ Ensure UAs open second generation imprest account. ➤ Submit all audited project accounts and financial statements pertaining to the project within 9 months of the end of the fiscal year. ➤ Process and submit to ADB any request, when required, for reallocation of loan proceeds ➤ Prepare project completion report and submit to ADB

Table 1: Composition of Project Management Coordination Committee

Title	Positions
Chair (MEF)	1
Members (MPWT, MRD, MOWRAM, MEF)	5

MEF = Ministry of Economy and Finance, MOWRAM = Ministry of Water Resources and Meteorology, MPWT= Ministry of Public Works and Transport, MRD = Ministry of Rural Development

Table 2: Composition of Project Coordination and Monitoring Unit

Title	Positions
PCMU Director	1
PCMU Manager	1
Technical Officers	8

PCMU= Project Coordination and Monitoring Unit

Table 3: Composition of Project Implementation Unit for all three IAs

Title	Positions
PIU Director	1
PIU Manager	1
Technical Officers	4
Procurement Officer	1
Finance Officer	1
Administrative Officer	1
Environment Officer	1
Safeguard Officer	1
Monitoring and Evaluation Officer	1
Gender Officer	1
Accountant ⁷	1
Site Engineer/ Provincial Focal Point	1 at each project province

PIU- Project Implementation Unit

B. Key Persons Involved in Implementation**Executing Agency**

Ministry of Economy and Finance Officer's Name: H.E. Chan Sothy
 Position: Deputy Secretary General
 Telephone: +855 012 851 448
 Email address: chan_sothy@online.com.kh

Implementing Agencies

Ministry of Public Works and Transport Officer's Name: H.E. Kem Borey
 Position: Director General of Public Works
 Telephone: +855 12 900 739
 Email address: kemborey12@yahoo.com

Ministry of Rural Development Officer's Name: H.E. Chan Darong
 Position: Director General of Technical Affairs
 Telephone: +855 12 599 599
 Email address: darongchan@gmail.com

Ministry of Water Resources and Meteorology Officer's Name: H.E. Ponh Sachak
 Position: Director General of Technical Affairs
 Telephone: +855 12 908 751
 Email address: sachak_p@yahoo.com

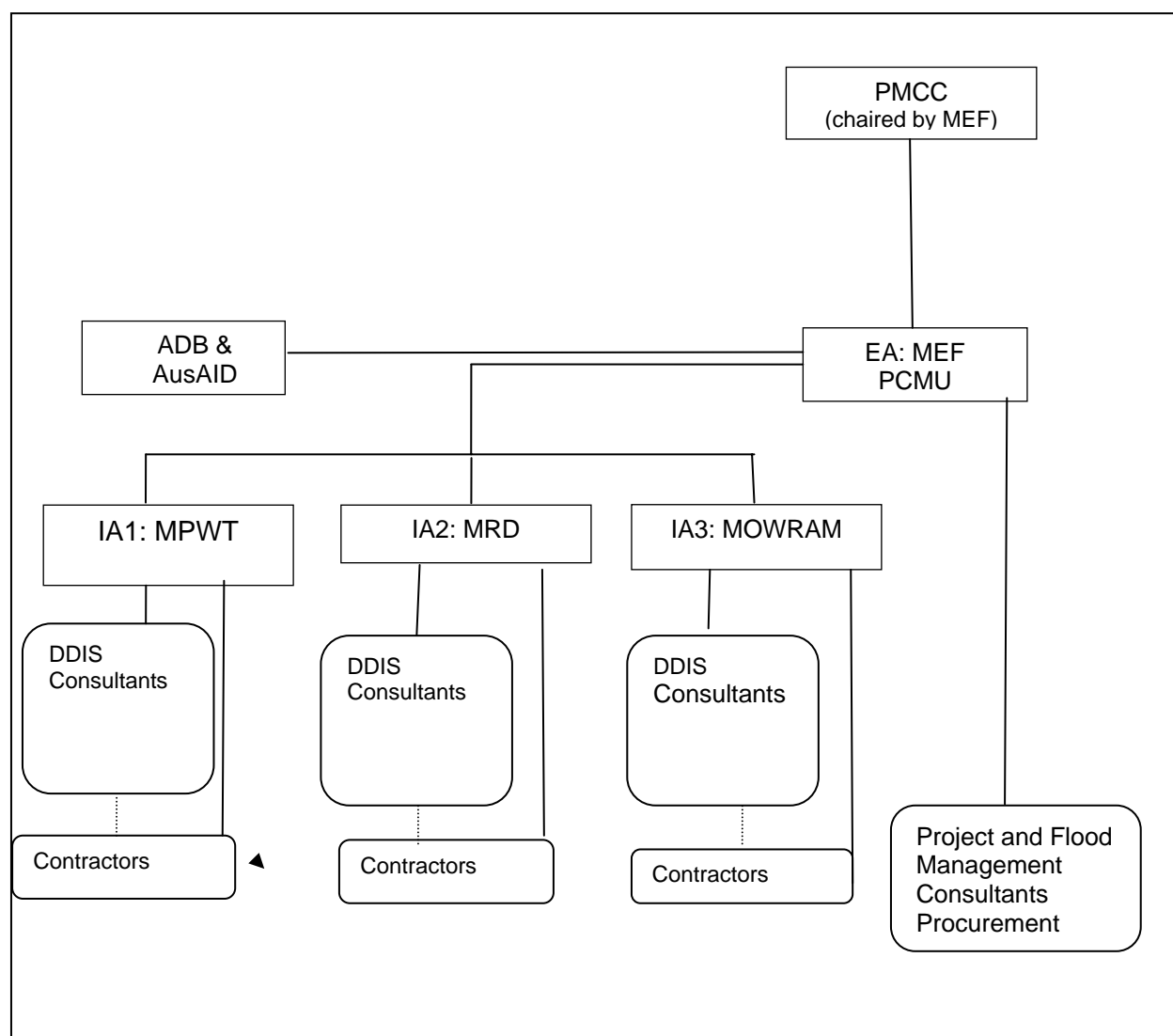
Asian Development Bank

Division Director Staff Name: Mr. Putu Kamayana
 Position: Country Director, CARM, SERD
 Telephone No. +855 23 215 805
 Email address: pkamayana@adb.org

Mission Leader Staff Name: Mr. Peter John Brimble
 Position: Deputy Country Director and Senior Country Economist
 Telephone No. +855 23 215 805
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⁷ To be engaged as an individual consultant under the project financing on an as needed basis.

C. Project Organization Structure



ADB = Asian Development Bank, AusAID= Australian Agency for International Development, DDIS= Detailed Design and Implementation Support Consultants, EA= Executing Agency, IA = Implementing Agency, MEF = Ministry of Economy and Finance, MOWRAM = Ministry of Water Resources and Meteorology, MPWT= Ministry of Public Works and Transport, MRD = Ministry of Rural Development, PCMU = Project Coordination and Monitoring Unit, PMCC= Project Management Coordination Committee.

D. Phasing of Subproject Implementation

9. The restoration of flood damaged infrastructure will follow a framework as mentioned in paragraph 1 above. The subprojects will be implemented in such a way to provide flexibility to adjust the scope and prioritize works following more detailed damage assessments. The project will focus primarily on rehabilitation of stage 2 and stage 3 subprojects. ADB's assistance will not be financing stage 1 subprojects. The project is required to follow the subproject selection criteria, which is in **Appendix 1**. The indicative list of subprojects is in **Appendix 2**, with the list of stage 2 subprojects confirmed during the loan fact finding mission. The government may proceed for implementation of stage 2 subprojects after necessary safeguard requirements are

met. Confirmation on stage 3 subprojects will be undertaken after the approval of the project.⁸ Given the short overall time frame of the project, it will be essential to review funding allocations to each of the outputs at an early stage of implementation. It is therefore agreed that the EA, the IAs, and ADB will jointly undertake an in-depth review of progress within 9 months of loan effectiveness to determine and agree on potential reallocation of funds on the basis of progress to date and the readiness of remaining subprojects under each of the outputs.

10. There may be some subprojects that will comprise a mix of both Stage 2 and 3 works, with some repairs that must be done before the wet season to maintain operation and safeguard the undamaged works, while other repairs would need to be deferred until the next dry season. In this case, the best solution for implementing both stages would have to be judged for each subproject depending on the specific reasons for the need for 2-stage implementation. As far as practical, Stage 2 works should be completed under separate packages to be implemented by the end of the 2012 dry season, and subprojects involving similar works in the same geographical area with civil work contracts.

E. Approval Process for New Subprojects

1. Approval prior to commencing detailed design

11. Each PIU will be responsible for selection, preparation, submission, implementation, and benefits monitoring and evaluation of their own subprojects under the overall guidance of the PCMU. The PIUs will select the subproject based on the selection criteria, and prior to commencing detailed design will submit details of the proposed subproject, together with subproject's safeguards classification, to the PCMU for endorsement and to ADB for no objection. The submission will include a brief description and justification of the subproject, with adequate detail (including selected photographs if possible) to support its compliance with the selection criteria. In addition for Stage 2 subprojects, the PIU will complete the Assessment and Confirmation Sheet (Appendix 1, Table A1-1) for endorsement of the PCMU and ADB.

2. Approval prior to award of contract

12. Before awarding civil works contracts for all subprojects, the IAs will prepare and submit to ADB for approval all required safeguard documents in accordance with the ADB's SPS 2009, the Environment Assessment Review Framework (EARF) and Resettlement Framework (RF). IAs will also need PCMU endorsement and ADB's no objection to award the civil works contracts, for subprojects requiring resettlement plans and initial environment examinations. All Stage 2 subprojects will be subject to ADB's prior review and no objection for contract award, including those that are proposed for retroactive financing. All Stage 3 subprojects will be sent to the PCMU and ADB for endorsement. Safeguard documents for Stage 3 subprojects require ADB's prior review and approval. However, approval of ADB on contract packages of the subprojects will be based on the thresholds and procedures set out and agreed with the government in the loan agreement and procurement plan.

3. During Implementation

13. ADB will undertake periodic review of selected subprojects. For any subproject that does not meet the selection criteria, ADB retains the right not to finance or ask for refund of financing.

⁸ This timing will allow for the preparation of subproject designs and the completion of damage restoration works (Stage 3) over two full construction seasons starting in October 2012 to September 2014, and six months for project closing activities.

The IA will maintain the information on the subproject selection readily available for review by ADB or its consultants at all times.

- (i) If it is determined by ADB that any expenditures withdrawn from the Loan and Grant Account by or on behalf of the Borrower and Recipient have been applied to finance ineligible expenditures (whether by way of retroactive financing or otherwise), including but not limited to expenditures in relation to subprojects that do not satisfy the subproject criteria or have not been approved according to the procedures set out above, the Borrower and Recipient must promptly refund such amounts equal to such expenditures and accrued interest to ADB.
- (ii) Even if ADB has previously approved to the inclusion of the Subproject, ADB reserves the right to require refund of the ineligible expenditures financed if the approval or “no-objection” was based on incomplete, inaccurate, or misleading information or the Subproject has been substantially modified without ADB’s prior approval.

14. **Record:** The PIUs will keep appropriate record evidencing its assessment of the subprojects' compliance with the selection criteria and implementation arrangements. ADB may request the PIU to make available such information on any subproject within two weeks. Disbursements for the relevant subprojects or other subprojects implemented by that PIU may be suspended until compliance.

15. **Compliance:** If it is determined by ADB at any time that the subproject selection criteria and/or implementation arrangements have not been complied with, the subproject will not be eligible for ADB and Government of Australia financing. The Government will refund any loan and grant proceeds already withdrawn in respect of such ineligible subprojects to ADB upon request by ADB.

IV. COSTS AND FINANCING

16. The project is estimated to cost US\$67.17 million including taxes and duties. RGC has requested the provision of an Emergency Assistance Loan from ADB. ADB will provide an ADF loan of SDR 35,347,000 (Equivalent to US\$55.0 million) to help finance the project. The ADF loan will have an interest charge at the rate of 1% per annum (interest during construction to be capitalized in the ADF loan), a term of 40 years, including a grace period of 10 years, with repayment of principal at 2% a year for the first 10 years after the grace period and 4% a year thereafter and such other terms and conditions to be set forth in the loan agreement. The Government of Australia, has expressed interest in providing AUS\$ 5 million (approximately equivalent to US\$5.25 million). The RGC will contribute in-kind expenditures, resettlement cost and taxes and duties in the amount of US \$6. 91 million equivalent. Detailed cost by financier, loan and grant withdrawal allocation tables and the S-curve are provided below. The cost tables by expenditures, outputs and years are in **Appendix 3**.

A. Detailed Cost Table by Financier

FDERP - Cost Estimates by Financier (\$)									
Outputs		Total Cost	ADB		Government of Australia*		Government***		
		Total Cost	Amount	% of cost category	Amount	% of cost category	Amount	Duties and Taxes	Total
		\$	\$		\$		\$		
1. Civil Works									
1	National and Provincial Roads	25,384,000	20,345,600	80%	2,500,000	10%		2,538,400	2,538,400
2	Rural Roads	15,595,025	12,535,523	80%	1,500,000	10%		1,559,503	1,559,503
3	Irrigation and Flood Control	9,638,197	7,674,377	80%	1,000,000	10%		963,820	963,820
4	Safeguards	600,000					600,000		600,000
Subtotal (1)		51,217,222	40,555,500	79%	5,000,000	10%	600,000	5,061,722	5,661,722
2. Equipment and Vehicle									
1	National and Provincial Roads	185,200	143,200	77%		0%	0	42,000	42,000
2	Rural Roads	120,000	78,000	65%		0%	0	42,000	42,000
3	Irrigation and Flood Control	162,200	120,200	74%		0%	0	42,000	42,000
4	Project & Flood Management	87,600	59,600	68%		0%	0	28,000	28,000
Subtotal (2)		555,000	401,000	72%		0%	0	154,000	154,000
3. Consulting Services									
1	National and Provincial Roads	2,470,950	2,470,950	100%		0%	0	0.00	-
2	Rural Roads	1,509,800	1,509,800	100%			0	0.00	-
3	Irrigation and Flood Control	1,380,200	1,380,200	100%			0	0.00	-
4	Project & Flood Management	923,950	923,950	100%			-	0.00	-
Subtotal (3)		6,284,900	6,284,900	100%	-	0%	-	-	-
4. Incremental Management Costs									
1	National and Provincial Roads	585,000	450,600	77%			134,400	0.00	134,400
2	Rural Roads	454,800	281,400	62%			173,400	0.00	173,400
3	Irrigation and Flood Control	538,800	422,400	78%			116,400	0.00	116,400
4	Project & Flood Management	180,600	116,800	65%			63,800	0.00	63,800
Subtotal (4)		1,759,200	1,271,200	72%			488,000	-	488,000
Total Base Cost		59,816,322	48,512,600	81%	5,000,000	8%	1,088,000	5,215,722	6,303,722
5. Contingencies									
	Physical contingencies	4,019,400	3,617,400	90%			402,000		402,000
	Price contingencies	2,222,000	2,000,000	90%			222,000		222,000
Subtotal (5)		6,241,400	5,617,400	90%	-	0.0%	624,000		624,000
Interest During Construction (IDC)		870,000	870,000	100%					
Unallocated**		250,000			250,000				
TOTAL		67,177,722	55,000,000	82%	5,250,000	8%	1,712,000	5,215,722	6,927,722

* The Government of Australia financing will be front loaded at the contract commitment level for Civil Works

** This amount shall have deducted from it ADB's administration fee, audit cost, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by interest and investment income earned by ADB on this or any additional Grant from the Government of Australia.

*** The contribution of Government in the incremental costs are in kind, and taxes and duties will be funded through government exemptions.

B. Loan Withdrawal Allocation Table

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Flood Damage Emergency Reconstruction Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	26,064,000		
1A	Component 1		13,076,000	100% of total expenditure claimed*
1B	Component 2		8,056,000	100% of total expenditure claimed*
1C	Component 3		4,932,000	100% of total expenditure claimed*
2	Equipment	258,000		
2A	Component 1		92,000	100% of total expenditure claimed*
2B	Component 2		50,000	100% of total expenditure claimed*
2C	Component 3		77,000	100% of total expenditure claimed*
2D	Component 4		39,000	100% of total expenditure claimed*
3	Consulting Services	4,039,000		
3A	Component 1		1,588,000	100% of total expenditure claimed*
3B	Component 2		970,000	100% of total expenditure claimed*
3C	Component 3		887,000	100% of total expenditure claimed*
3D	Component 4		594,000	100% of total expenditure claimed*
4	Incremental Administrative Costs	817,000		
4A	Component 1		290,000	100% of total expenditure claimed
4B	Component 2		181,000	100% of total expenditure claimed
4C	Component 3		271,000	100% of total expenditure claimed
4D	Component 4		75,000	100% of total expenditure claimed
5	Interest Charge	559,000		100 % of amounts due
6	Unallocated	3,610,000		
	Total	35,347,000		

* Exclusive of taxes and duties imposed within the territory of the Borrower.

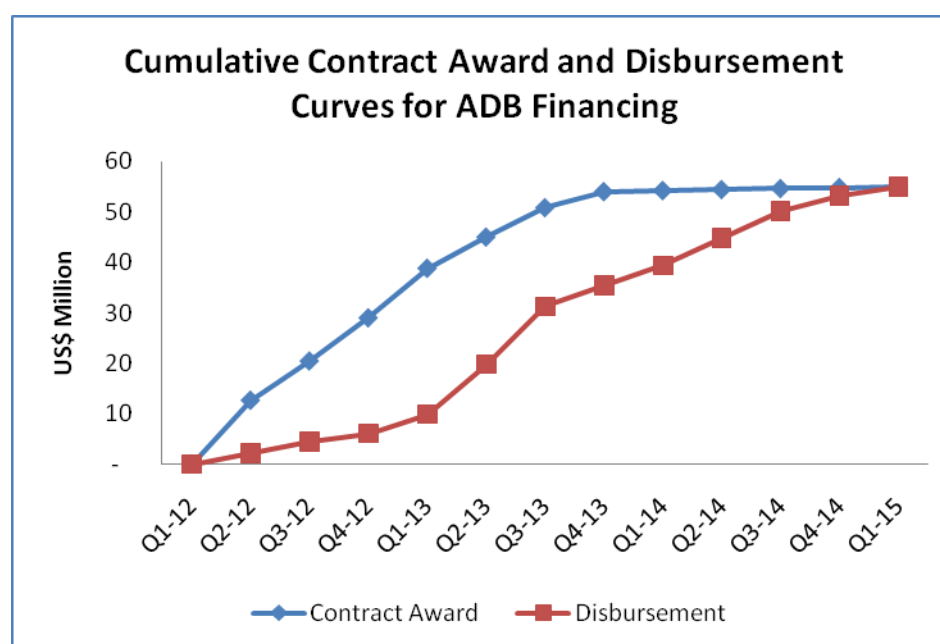
C. Grant Withdrawal Allocation Table

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Flood Damage Emergency Reconstruction Project)				
CATEGORY				
Number	Item	Total Amount Allocated for Government of Australia Financing (\$)		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	5,000,000		
1A	Component 1		2,500,000	100% of total expenditure claimed*
1B	Component 2		1,500,000	100% of total expenditure claimed*
1C	Component 3		1,000,000	100% of total expenditure claimed*
2	Unallocated	250,000		
	Total	5,250,000**		

* Exclusive of local taxes and duties imposed within the territory of the Recipient.

** This amount shall have deducted from it ADB's administration fee, audit cost, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by interest and investment income earned by ADB on this or any additional Grant from the Government of Australia.

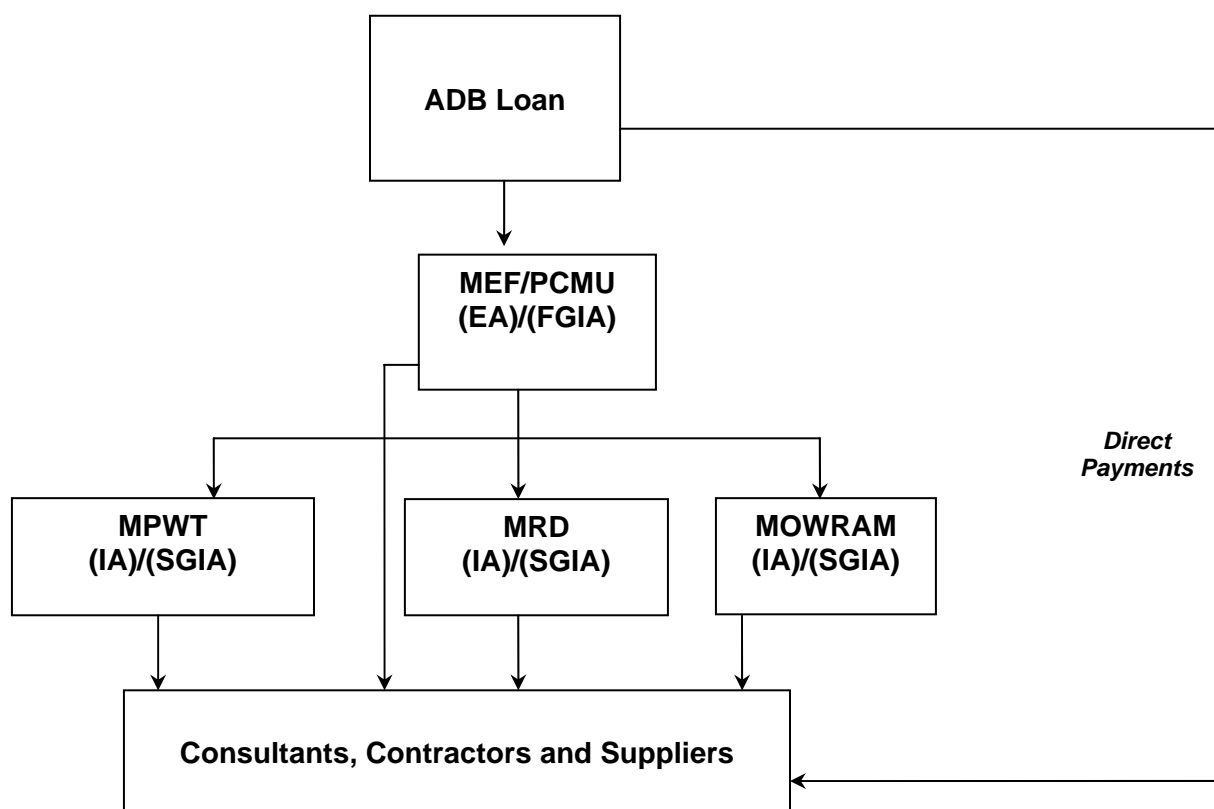
D. S-Curve



i) Cumulative Contract Award and Disbursement Projections for ADB Financing													
Projections in million US\$	2012				2013				2014				2015
	I Qtr	II Qtr	III Qtr	IV Qtr	I Qtr	II Qtr	III Qtr	IV Qtr	I Qtr	II Qtr	III Qtr	IV Qtr	I Qtr
Contract Award	0.0	12.61	20.39	28.95	38.78	44.97	50.81	54.00	54.20	54.40	50.60	50.80	55.00
Disbursement	0.0	2.15	4.53	6.11	9.89	19.81	31.29	35.36	39.38	44.81	50.13	50.23	55.00

Yearly Contract Award and Disbursement Projections for ADB Financing																	
Projections in million US\$	2012					2013					2014					2015	
	I Qtr	II Qtr	III Qtr	IV Qtr	Total	I Qtr	II Qtr	III Qtr	IV Qtr	Total	I Qtr	II Qtr	III Qtr	IV Qtr	Total	I Qtr	Total
Contract Award	0.0	12.61	7.79	8.56	28.95	9.83	6.19	5.84	3.19	25.04	0.20	0.20	0.20	0.20	0.81	0.20	0.20
Disbursement	0.0	2.15	2.38	1.59	6.11	3.77	9.92	11.48	4.08	29.25	4.01	5.43	5.32	3.10	17.87	1.77	1.77

E. Fund Flow Diagram



ADB= Asian Development Bank, EA= Executing Agency, IA= Implementing Agency, FGIA= First Generation Imprest Account, MEF= Ministry of Economy and Finance, MOWRAM = Ministry of Water Resources and Meteorology, MPWT= Ministry of Public Works and Transport, MRD = Ministry of Rural Development, PCMU = Project Coordination and Monitoring Unit, SGIA= Second Generation Imprest Account

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

17. The financial management assessments of the three IAs for this project were based on the detailed financial management assessments carried out during the approval of new projects⁹ in 2011. In addition, the IAs were also requested to fill out ADB's standard financial management assessment checklists during project preparation. The purpose of the assessment was to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the IAs to meet all the fiduciary requirements which are set out in the loan agreement. The assessments indicate that on the whole, the prevailing government financial, accounting, and auditing rules and systems meet the generally acceptable international accounting and auditing standards. Regulations have adequate internal control systems and financial reporting arrangements. All the IAs have worked in the past with ADB and are implementing ongoing ADB projects. They also have been part of ADB's capacity development activities¹⁰ particularly on public financial management.

18. However, there is still a varying degree of financial record keeping capacity at the PIU levels. In view of this, the MPWT and MOWRAM PIUs will recruit individual accounting consultants while the MRD PIU has agreed to utilize existing staff who are successfully handling financial management of the ongoing ADB's Rural Road Improvement Project. Likewise, team leader and deputy team leader to be recruited at the PCMU level will have a strong financial and procurement background to ensure sound financial management and procurement system are established and maintained at the PCMU and PIUs level during project implementation. Further, ADB's small scale technical assistance to undertake advance actions for this project has provision of a financial management expert. The financial management expert will assist the PCMU and PIUs in setting up the financial management system during the initial phase of project implementation. Assessment and review of internal controls and accounting systems using the checklists on asset verification, procurement and financial management will be carried out by CARM during review missions.

B. Disbursement

19. The loan and grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time),¹¹ and detailed arrangements agreed upon between the Government and ADB.

20. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),¹² ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

⁹ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Provincial Road Improvement Project*. ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Rural Road Improvement Project*. ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Water Resource Management Sector Development Project*.

¹⁰ MRD and MOWRAM have been participants in ADB's Public Financial Management for Rural Development Program

¹¹ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

¹² Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

21. Disbursements from the ADB Loan for consulting services, civil works and goods under the international competitive bidding(ICB) procedures will generally be paid through direct payment procedures as defined in ADB's Loan Disbursement Handbook (January 2007, amended from time to time). Likewise, civil works contracts of \$1 million and above using national competitive bidding (NCB) and direct contracting procedures will generally be paid directly by ADB. Disbursements for civil works using direct contracting and NCB procedures for contracts less than \$1 million will be generally paid through an imprest account. Likewise, civil works contracts using shopping methods, and goods using NCB and shopping procedures will be generally paid using an imprest account. In addition, all the related incremental expenses will be generally paid through an imprest account. The Government of Australia co-financing will fund only the civil works, and disbursement will be in accordance with the joint cofinancing agreement between ADB and the Government of Australia.

22. The PCMU representing the MEF as the EA, will immediately after loan effectiveness, establish the first generation imprest account (FGIA) for the ADB Loan at the National Bank of Cambodia (NBC). The currency of the imprest account will be US Dollar and managed by the PCMU. The PCMU will coordinate with other IAs to open the second generation imprest accounts (SGIA) at the National Bank of Cambodia or commercial banks acceptable to ADB for the PIU/MPWT, PIU/MRD, and PIU/MOWRAM respectively. The currency of the SGIA is US dollar. MEF, MPWT, MRD and MOWRAM have sufficient past experience in administering ADB-funded project accounts, and disbursement arrangements have been satisfactory to ADB. PCMU will be responsible for preparing the annual contract awards and disbursement projections. It will be responsible in (i) requesting budgetary allocations for counterpart funds, (ii) preparation of withdrawal applications, and (iii) sending the withdrawal applications to ADB. PCMU and the PIUs will be responsible in collecting supporting documents for the project expenditures they have incurred.

23. The maximum ceiling of the FGIA will not at any time exceed the estimated ADB financed expenditures to be paid from the FGIA account for the next 6 months or 10% of the loan amount, whichever is lower. The maximum ceiling of the SGIA with MPWT will be equivalent to 6 months of estimated expenditures to be funded from the SGIA or \$2 million, whichever is lower. The ceiling of each SGIA with MRD and MOWRAM will be equivalent to 6 months estimated expenditures to be funded from the respective SGIA or \$1 million, whichever is lower.¹³

24. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet¹⁴ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records.¹⁵

25. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. The borrower is to consolidate claims to meet this limit for

¹³ Bank charges from the operation of the imprest accounts may be financed by the ADB loan.

¹⁴ Available in Appendix 29 of the *Loan Disbursement Handbook*.

¹⁵ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

26. The statement of expenditure (SOE) will be used to reimburse and replenish the eligible expenditures and liquidate advances to the imprest accounts to ensure speedy project implementation. Any individual payment to be reimbursed or liquidated under this procedure shall not exceed the equivalent of \$100,000 for the FGIA and the SGIAs. Payments exceeding the SOE ceiling, supporting documents should be provided. Supporting documents include contracts (contract terms and conditions relating to payments), contractor's invoice claims, interim payment certificates and other documents required in the contract, evidence of payments (official receipts, bank payment slips). The SOE records should be well maintained and made available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit purposes.¹⁶

C. Disbursement and Liquidation Procedures for Government Funds

27. Withdrawal of government counterpart funds must be carried out in accordance with the Government Policies and Procedures. The IAs will be responsible for submitting withdrawal applications to MEF. Counterpart funds withdrawal applications should be made in accordance with the budget plan agreed between the IAs and MEF. Counterpart funds may only be withdrawn for expenditures of the project which are specified in the project loan and grant agreements. Projects Team should set out the expenditure percentages, for the project in the Project Finance Manual as a supplement to the main Financial Management Manual (September 2005, updated time to time). Counterpart funds withdrawals may be made for:

- Imprest Account Initial Advance
- Imprest Account Replenishment
- Direct Payment to Supplier or Contractor

28. **Key Internal Controls:** Withdrawal applications must be signed by an authorized signatory or signatories. Withdrawal applications must be sequentially numbered starting with the number one. Counterpart funds advanced to projects must be held in a Government Counterpart Funds/Project Account at the National Bank of Cambodia or other approved commercial bank.

29. **Counterpart Funds Initial Advance:** Each PIU completes the Government Withdrawal Application form for the initial advance of counterpart funds together with supporting documents and submits to the MEF/DIC – Department of Investment and Cooperation (DIC). The maximum amount of the advance of counterpart funds will be agreed between the PIUs and MEF. The Government Withdrawal Application Form must be signed by the authorized signatories of PIUs and submitted to the MEF/DIC. The Government Withdrawal Application must be recorded in the Project Counterpart Funds WA Register.

¹⁶ Checklist for SOE procedures and formats are available at:
http://www.adb.org/documents/handbooks/loan_disbursement/chap-09.pdf
http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-100-Below.xls
http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-Over-100.xls
http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Operating-Costs.xls
http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Free-Format.xls

30. The MEF/DIC reviews the completed forms and submits for approval of MEF Management. Thereafter arrangements are made to transfer the funds from the General Department of National Treasury Accounts to the Project's Counterpart Funds Imprest Account and advises the respective PIU of the transfer. On receipt of advice from the NBC that the funds have been deposited into the Counterpart Funds Account, the receipt of the funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

31. **Counterpart Funds Replenishment:** The Project Team completes the Government Withdrawal Application form and attaches a statement of actual expenditure together with the disbursement tracking form for counterpart funds. Supporting expenditure documentation must be maintained by the Project Team for subsequent review by MEF or audit. The Government Withdrawal Application Form must be signed by the authorized signatories of the PIU and submitted to the MEF/DIC. The Government Withdrawal Application must be recorded in the Project Counterpart Funds WA Register.

32. The DIC reviews the completed forms and submits for approval of MEF Management. Thereafter arrangements are made to transfers the funds from the General Department of National Treasury Accounts to the Project's Counterpart Funds Imprest Account. On receipt of advice from the NBC that the funds have been deposited into the Counterpart Funds Account, the receipt of the funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

33. **Direct Payment to Supplier or Contractor:** The Project Team completes a Government Withdrawal Application Form. Separate withdrawal applications are required for each payment in different currencies. The following documentation must be attached to the Withdrawal Application Forms:

- Copy of Contract(s).
- Supplier or contractor invoice or claim
- For civil work – summary of work progress certified by project technical officer and approved by the relevant Project authorized officer
- For equipment and materials purchased - evidence of shipment, either a copy of the bill of lading or the forwarder's certificate
- Advance security such as a bank guarantee in the case of advance payments if required under the terms of the contract, or where an unusually large advance payment is made.

34. The Government Withdrawal Application Form must be signed by the authorized signatories of the PIU and submitted to the MEF/DIC. The Government Withdrawal Application must be recorded in the Project Counterpart Funds WA Register. The DIC reviews the completed forms and submits for approval of MEF Management. Thereafter arrangements are made to transfer the funds from the General Department of National Treasury Accounts to the accounts of the supplier or contractor. On receipt of advice from the DIC that the payments have been made, the receipt of the counterpart funds should be recorded in the General Ledger and the Government WA Register must be updated.

D. Accounting Systems

35. The EA and the IAs will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Recording and reporting of transactions of project expenditures will be consistent with the Chart of Accounts and Budget Classification of

the Government (2007) and Government's 2005 Standard Operating Procedures (SOP) for Externally Financed Projects/Programs (as updated from time to time).¹⁷

E. Auditing Requirements

36. PCMU will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the EA. The annual audit report will include a separate audit opinion on the use of the imprest accounts, SGIA, the SOE procedures (as applicable) and financial loan covenants. The Government has been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. The audited project accounts must be disclosed in the ADB and the EA website.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advanced Actions and Retroactive Financing

37. The issuance of invitations to bid under advance actions and retroactive financing will be subject to ADB approval. The Government has been advised that approval of advanced actions and retroactive financing does not commit ADB to finance the Project. The EA and the IAs need to follow the summary note for advance actions and retroactive financing, which is attached in **Appendix 4**.

38. **Advance Actions** are approved for the recruitment of DDIS at the PIU levels using single source selection (SSS), civil works contracts for stage 2 subprojects and individual project management consultants at the PCMU. Retroactive Financing is approved in principle for the recruitment of DDIS at the PIU levels; civil work contracts of stage 2 subprojects and the operation of PCMU, and PIUs. Retroactive financing will be up to 30% of the ADB loan amount for eligible expenditures incurred prior to the effectiveness of the financing agreement but after 30 September 2011 and not earlier than 12 months before the date of the loan agreement.

B. Procurement of Goods, Works and Consulting Services

40. The procurement of goods and works, and recruitment of consulting services will be carried out in a manner consisted with the simplified and expedient procedures permitted under the *ADB Disaster Emergency Assistance Policy, ADB Guidelines for Procurement (April 2010 and as amended from time to time)* and *ADB Guidelines on the Use of Consultants (April 2010, and as amended from time to time)*. As a general principle, the project's approach to procurement of Works will be inspired by Procurement Guidelines para 3.18, which reads as follows:

Procurement under Disaster and Emergency Assistance

"Procurement of goods and works under disaster and emergency assistance shall incorporate greater flexibility. ICB requirements will be relaxed in favor of NCB with an

¹⁷ Ministry of Economy and Finance (MEF). 2005a. *Standard Operating Procedures for Externally Financed Project/Programs in Cambodia*. Phnom Penh (August); MEF. 2005b. *Financial Management Manual for Externally Financed Project/Programs in Cambodia*. Phnom Penh (September); MEF. 2005c. *Procurement Manual for Externally Financed Project/Programs in Cambodia*, Phnom Penh (in two volumes), (September)

abbreviated bidding period. LIB will be the norm for procurement of goods with minimum bidding periods ranging from one to two weeks. Direct contracting to contractors and suppliers under existing loans or grants will be allowed for new contracts, with rates negotiated around those in effect for the existing contract with adjustments as required for inflation and physical considerations. Similarly, contractors and suppliers competitively selected under projects financed by other donors will be considered for direct contracting for new ADB-financed contracts."

41. Procurement capacity assessment of the EA and the IAs, has been undertaken. Based on the assessment of the EA and IAs, the thresholds for procurement of works and goods as well as consulting services have been agreed upon with the Government. Likewise, ADB's prior review and post review have been set forth in the procurement plan. Further, domestic preference will be provided to the ICB contracts for goods and works in accordance with *ADB Guidelines for Procurement (April 2010 and as amended from time to time)*

42. **Procurement of Works and Goods:** In order to expedite implementation and meet the emergency needs, the procurement of works for stage 2 subprojects will be retroactively financed using direct procurement method. Direct contracting of civil works will be subject to ADB prior review. All works to be contracted under stage 3 of the project will use competitive bidding. ICB procedures will be used for any civil works contracts estimated to cost more than \$3.5 million, and any goods contracts estimated to cost more than \$500,000. NCB procedures will be used for any civil works contract estimated to cost \$3.5 million or less and any goods contracts estimated to cost \$500,000 or less respectively. Shopping will be used for any civil works or goods contracts estimated to cost less than \$100,000. The prior and post review by ADB in accordance with the threshold has been set out in the procurement plan. NCB works above one million will be prior reviewed by ADB. NCB threshold shall further be reviewed during implementation of the project and may be revised depending upon the capacity of the IA, local constructing industry to enhance efficiency and economy in the procurement process.

43. **Recruitment of Consultants:** Three DDIS consulting firms will be recruited by using SSS and located in the PIUs. The detailed procedure for the recruitment of DDIS using SSS has been outlined in the **Appendix 4**. On an exceptional basis, ADB will select all individual consultants to be deployed at the MEF/PCMU including the disaster management institutional specialist. ADB will undertake all stages of recruitment up to the evaluation stage and MEF/PCMU will then undertake contract negotiation with the first ranked individuals selected by ADB. MEF/PCMU will be bound to accept ADB's selection, and will then proceed with the contract negotiations, contracting and contract management of the experts recommended by ADB.

C. Procurement Plan: The procurement plan for each output is in **Appendix 5**.

D. National Competitive Bidding

a. General

44. The procedure to be followed for NCB shall be those set forth for the “National Competitive Bidding” method in the Government’s SOP Procurement Manual of September 2005 issued under sub-decree Number 14 ANK dated 26 February 2007 or revised SOP Procurement Manual, acceptable to ADB with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of *ADB’s Guidelines for Procurement (April 2010 and as amended from time to time)*.

b. Application

45. Contract packages subject to NCB procedures will be those identified as such in the project Procurement Plan. Any changes to the mode of procurement from those provided in the Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

c. Eligibility

46. Bidders shall not be declared ineligible or prohibited from bidding based on barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

d. Advertising

47. Invitations to bid shall be advertised in at least one widely-circulated national daily newspaper or freely accessible, nationally-known website. Bidding of NCB contracts estimated at \$500,000 equivalent or more for goods and related services or \$3 million equivalent or more for civil works shall be advertised on ADB’s website.

e. Anti- Corruption

48. Definitions of corrupt, fraudulent, collusive and coercive practices shall reflect the latest ADB’s Anti- Corruption Policy definitions of these terms and related additional provisions.

f. Rejection of all Bids and Rebidding

49. Bids shall not be rejected and new bids solicited without ADB’s prior concurrence.

g. Bidding Documents

50. The bidding documents provided with the Government’s Procurement Manual shall be used for NCB. For ICB, ADB standard bidding documents shall be followed. The first draft English language version of the procurement documents shall be submitted for ADB review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the project, and need not be subjected to further review unless specified in the procurement plan.

h. Member Country Restrictions

51. Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

E. Consultant's Terms of Reference: The detailed terms of reference is in **Appendix 6**

VII. SAFEGUARDS

52. **Environmental Safeguards:** The project is classified as category B for environment. Subprojects will reconstruct existing transport and irrigation infrastructure. The subproject selection criteria are formulated to avoid significant adverse environmental impacts. Subprojects with impacts that are irreversible, diverse, or unprecedented; and/or located in critical habitats and protected areas will not be included in the project. An EARF was prepared and disclosed in accordance with ADB's Safeguard Policy Statement, 2009 and government laws and sub-decrees. The EARF includes environmental guidelines to further avoid and minimize adverse impacts during the identification and finalization of subprojects. Implementation arrangements in the PCMU and PIUs build on experience gained from previous and ongoing ADB-financed projects, and adequate capacity is ensured to manage environmental impacts through consultant support and additional capacity building. Initial Environmental Examinations (IEEs) and Environmental Management Plans (EMPs) will be prepared during implementation consistent with the EARF and will be incorporated into bidding and contract documents to be implemented by contractors and monitored by the PIUs. Environmental reporting to ADB from the PCMU will be done on a semi-annual basis. The EARF is in **Appendix 7**.

53. **Social Safeguards:** The project is classified as category B for involuntary resettlement and category C for indigenous peoples. The subproject selection criteria are formulated to avoid land acquisition, resettlement impacts, and social risks. Subprojects with involuntary resettlement impacts will not be included in Stage 2 of the project. Subprojects with significant involuntary resettlement impacts will not be included in Stage 3 of the project. Subprojects with impacts on indigenous peoples will not be included in the project. A resettlement framework was prepared and disclosed in accordance with the ADB's Safeguard Policy Statement, 2009 and government laws, regulations, and policies—to guide planning studies and detailed designs of subprojects. Implementation arrangements in the PCMU and PIUs will build on experience gained from previous and ongoing ADB-financed projects, and ensures that the PIUs have adequate capacity to understand and prepare resettlement plans, through consultant support and additional capacity building. Meaningful, widespread consultations will be undertaken with stakeholders particularly in subproject areas during implementation. For each subproject, consultation, participation, and disclosure will be undertaken based on RF Section IV. Table 2 of the RF identifies consultation and information disclosure during preparation, updating, and implementation of resettlement plans. The Table also identifies who is responsible for each consultation and information disclosure activity. The EA will also ensure that the 4-stage grievance redress mechanism is in place as described in Section VI of the RF. Semi-annual monitoring reports on social safeguards from the EMO to be provided to ADB will include the conduct of consultation, participation, disclosure and grievance redress procedures as described in RF Section IX. The RF is in **Appendix 8**.

VIII. GENDER AND SOCIAL DIMENSIONS

54. **Poverty reduction:** The floods exacerbated an already difficult poverty situation in many parts of Cambodia. The project is geographically targeted to the areas most in need and with a high concentration of poverty. The household survey carried out jointly with other development partners will assist in measuring the poverty impacts of the flood on rural communities. The design incorporates features that will help reduce poverty both directly and indirectly. The direct poverty reduction impact will come from the provision of short-term employment. Output 2: Rural Road Rehabilitation and output 3: Irrigation and flood control will use labor-intensive work as appropriate. Employment opportunities will be given to the poor and vulnerable population will be based on self-selection using wage rate (the preferred method for targeting labor-intensive public works). The repaired and in some cases upgraded road and irrigation infrastructure will indirectly reduce poverty by helping to restore livelihoods and reduce vulnerability by improving physical access to markets and social services as well as by increasing agricultural productivity. The PIUs will monitor the poverty reduction impact by reporting on number of days of work created for local men and women.

55. **Gender mainstreaming:** The project includes a Labor and Gender Action Plan (LGAP), developed in accordance with the ADB Policy on Gender and Development and the laws of the RGC, to ensure more equal access to project benefits, particularly in construction jobs. The LGAP contains specific targets to raise awareness and improve gender equality. Monitoring the LGAP will ensure the participation of women in project management and implementation. Awareness raising on the Core Labor Standards and gender specific measures (such as equal pay for equal work) will be provided to contractors under each PIU and in the TORs of the supervision consultants. Contractors will implement a sex-disaggregated data collection system in order to allow PIUs to monitor the achievement of the gender targets such as the total number of days of unskilled labor that are created, and the number of these that accrue to women unskilled laborers. The provisions in the LGAP apply primarily to Stage 3 works under the project.

56. The PCMU, through the PIUs, will ensure LGAP implementation, monitoring, and quarterly reporting with support from a national labor and gender consultant recruited for each PIU and the CARM gender team. Gender-related targets are reflected in the DMF and include for each output that at least 30% of unskilled labor hired for construction work will be women. The estimated cost of implementing the LGAP is included in the project financing.

Table 4: Labor and Gender Action Plan

Project Output	Proposed Activities and Targets
Output 1: National and provincial road restoration (MPWT)	
	<ul style="list-style-type: none"> Contractors will prioritize and report on the use of local unskilled labor At least 30% of unskilled labor hired will be women (through conditions in bid documents) Contractors will uphold the Core Labor Standards, including not employing child labor Men and women will receive equal pay for equal work
Output 2: Rural road restoration (MRD)	
	<ul style="list-style-type: none"> Contractors will prioritize and report on the use of local unskilled labor At least 30% of unskilled labor hired will be women (through conditions in bid documents) Contractors will uphold the Core Labor Standards, including not employing child labor Men and women will receive equal pay for equal work Any community-based rural road maintenance demonstration activities, if selected for inclusion in the project, will prioritize, build capacity for, and report on women's participation
Output 3: Irrigation and flood control (MoWRAM)	
	<ul style="list-style-type: none"> Contractors will prioritize and report on the use of local unskilled labor At least 30% of unskilled labor hired will be women (through conditions in bid documents) Contractors will uphold the Core Labor Standards, including not employing child labor Men and women will receive equal pay for equal work Irrigation canals will only be selected for rehabilitation if they have functioning Farmer Water User Committees with women's representation
Output 4: Project coordination and monitoring	
	<ul style="list-style-type: none"> Each PIU will have at least one woman on staff Each Ministry's Gender Mainstreaming Action Group will be encouraged to participate in project activities (particularly any gender training or orientation) All PIU staff will participate in training on gender mainstreaming in infrastructure projects A national labor and gender specialist will be hired for each PIU to support LGAP implementation, monitoring, and reporting PIUs will collect sex-disaggregated data in project performance and monitoring indicators or project management information system The PMU will ensure that LGAP progress updates are included in quarterly and annual reports

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework: The design and monitoring framework (DMF) is in **Appendix 9**.

B. Monitoring

57. Project Performance Monitoring: Within 6 months of loan effectiveness, the PCMU will establish a project performance management system using the targets, indicators, assumptions, and risks in the DMF. The PCMU with the support of consultants will also expand the DMF into a Monitoring and Evaluation (M&E) Framework taking into account the important monitoring parameters in addition to those included in DMF. The baseline data corresponding to indicators and targets set out in the DMF and M&E Framework disaggregated by income levels, sex and ethnicity will be gathered during detailed design stage by each PIU with the support of DDIS. The PCMU will conduct annual monitoring using the same indicators and submit the reports to ADB throughout project implementation on a quarterly basis. These quarterly reports will provide information necessary to update ADB's project performance reporting system.¹⁸ Results of a comprehensive completion survey will be included in the project completion report.

58. Compliance Monitoring: PCMU will monitor and ensure the compliance of loan assurances —policy, legal, financial, safeguards, and others. All non-compliance issues, if any, will be updated in quarterly progress reports together with remedial actions. Each ADB review mission will also monitor the status of compliance with loan assurances and raises the non compliance issues with the government and agrees on remedial actions.

59. Safeguards Monitoring: The PCMU will brief the PIU safeguards focal persons on monitoring requirements. The M&E/safeguards specialist recruited at the PCMU will coordinate with PIUs in monitoring safeguard compliance. The PCMU will prepare periodic monitoring reports on progress of safeguards implementation, compliance issues, and corrective actions. Reports will be posted in a location accessible to the public. Safeguards monitoring requirements including suggested monitoring report formats are in safeguards plans and frameworks. Consolidated safeguards monitoring reports will be provided by the PCMU to ADB on a semi-annual basis.

60. Gender and Social Monitoring: The PCMU will ensure LGAP implementation, monitoring, and quarterly reporting. Monitoring the LGAP will ensure the participation of women in project management and implementation. A sex-disaggregated data collection system will be developed by the PCMU and PIUs to monitor the achievement of the gender targets, such as the number of days of unskilled labor that are created, and the number of these that accrue to women unskilled laborers. The PCMU will monitor compliance with core labor standards and reporting to ADB on an annual basis.

C. Evaluation

61. An inception mission will be fielded soon after the project is declared effective. Regular bi-annual review missions will follow. The government and ADB will jointly review the project. This includes (i) the performance of the PCMU, PIUs, consultants and contractors; (ii) physical

¹⁸ ADB's project performance reporting system is available at:
<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

progress of subprojects with subsector analysis and effectiveness of safeguards, and the LGAP; and (iii) compliance with loan/assurances. Given that this project is to be implemented over a short period of time (three years duration), it is essential to review the status of implementation at an early stage. Accordingly, the MEF, MPWT, MRD and MOWRAM will undertake an in-depth review of progress of the project jointly with ADB within 9 months of the Effective Date to determine and agree on potential reallocation of Loan Proceeds on the basis of progress and readiness of remaining Subprojects under Components 1 to 3. Within three months of physical completion of the project, the PCMU will submit a project completion report to ADB¹⁹.

D. Reporting

62. The PCMU will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement and implementation plan (d) Safeguard compliance; and (iii) a project completion report within three months of physical completion of the project. The project accounts and the executing agency APAs, together with the associated auditor's report, should be prepared and adequately reviewed. PIUs will provide PCMU with monthly progress reports and monthly expenditure reports within 15 days of the following month using the standard format prepared by PCMU.

E. Stakeholder Communication Strategy and Grievance Redress

63. The communication plan developed by ADB for the project which is available as the linked document will guide both ADB and the Government in stakeholder communication activities. The project will follow ADB's revised public communication policy which is effective from April 2012. The project intends to maximize transparency by communicating relevant project information to stakeholders in various means. The PCMU through the assistance of its consultant and the ADB's SSTA on Advance Action for Flood Damage Reconstruction Project will set up a website within 3 months of loan effectiveness and disclose all key project-related information, including the scope, cost, and financial and institutional arrangements of the project, project safeguard reports such as IEE and RPs, and project progress such as procurement, contract award and disbursement. The project will disclose the audited financial project accounts as part of the revised ADB's revised public communication policy. The website will include information on project procurement including the list of participating bidders, name of each winning bidder, basic details on bidding procedures adopted, the value of each contract awarded, and the list and value of goods/services procured and the intended utilization of loan proceeds under each contract being awarded. The website will also include contact details for the PCMU and PIUs' counterpart staff in Khmer and English languages, and will link to ADB's Integrity Unit website at <http://www.adb.org/Integrity/complaint.asp> for reporting to ADB any grievances or allegations of corrupt practices arising out of the project and/or project activities. The PCMU consultants will also assist the Government to undertake disclosure

64. The government will cause the executing agency to ensure that all project staff are fully aware of ADB procedures, including, but not limited to, procedures for implementation, procurement, use of consultants, disbursements, reporting, monitoring, and prevention of fraud and corruption. Each PIU will also fully disclose on their websites, relevant project-related information such as subproject cost, cost-sharing arrangement, contractor's name, contract price, progress of construction.

¹⁹ Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

65. Participation is an important aspect of the project. Information, education, and communication program for the project will be carried out by the Government and ADB. The safeguard plans will ensure sufficient consultation and participation with beneficiaries, including women, the poor and vulnerable groups.

X. ANTICORRUPTION POLICY

66. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.²⁰ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.²¹

67. To support these efforts, relevant provisions are included in the financing agreement, project agreement and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the project will include provisions specifying the right of ADB to audit and examine the records and accounts of the EA, IAs and all contractors, suppliers, consultants, and other service providers as they relate to the project. ADB will disseminate ADB's anticorruption policy to EA and the IAs.

68. The Anti-Corruption Unit, operating under the Anti-Corruption Law of 2010, has power to investigate any irregularities in the project. This includes financial irregularities, as well as corruption by government officials.

69. Project-specific measures to enhance governance and prevent corruption, designed with the stages of project implementation and the disbursement chain in mind, include (i) the requirement for PCMUs and PIUs to follow government's Standard Operating Procedure for all expense and revenue items including cash and the proper and accurate maintenance of financial records; (ii) establishing a project website at PCMU to provide transparency on project details; and (iii) adhering to risk assessment and risk mitigation plan, which is in **Appendix 10**.

70. Furthermore, the project intends to maximize transparency, as described in Section IX above. Full information disclosure and participatory monitoring at both the central and the local levels are expected to be effective in reducing the risk of corruption and improving governance at central and local levels.

71. Within 12 months of project effectiveness, the PCMU will prepare a grievance redress mechanism acceptable to ADB.

²⁰ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

²¹ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

72. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²²

XII. RECORD OF PAM CHANGES

73. The first draft of the PAM (dated 7 March 2012) has been prepared and agreed upon at the loan negotiation in March 2012. All revisions/updates during the course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

²² For further information see: <http://compliance.adb.org/>.