



Report and Recommendation of the President to the Board of Directors

Project Number: 46009
March 2012

Proposed Loan and Administration of Grant Kingdom of Cambodia: Flood Damage Emergency Reconstruction Project

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 March 2012)

Currency unit	–	riel/s (KR)
KR1.00	=	\$0.000249
\$1.00	=	KR4,003

ABBREVIATIONS

ADB	–	Asian Development Bank
EARF	–	environmental assessment and review framework
ha	–	hectare
km	–	kilometer
LGAP	–	labor and gender action plan
MEF	–	Ministry of Economy and Finance
NCB	–	national competitive bidding
NCDM	–	National Committee for Disaster Management
PAM	–	project administration manual
PCMU	–	project coordination and monitoring unit
PIU	–	project implementation unit
SDR	–	special drawing rights

NOTE

In this report, “\$” refers to US dollars unless otherwise stated.

Vice-President	S. Groff, Operations 2
Director General	K. Senga, Southeast Asia Department (SERD)
Director	P. Kamayana, Cambodia Resident Mission (CARM), SERD
Team leader	P. Brimble, Senior Country Economist, CARM, SERD
Team members	R. Barba, Senior Safeguards Specialist, CARM, SERD
	C. Chea, Gender Specialist, CARM, SERD
	S. Chea, Project Analyst, CARM, SERD
	S. Date, Senior Transport Specialist, SERD
	E. Gagnon, Senior Procurement Specialist, Central Operations Services Office
	C. Gautrot, Senior Counsel, Office of the General Counsel
	S. Gyawali, Associate Project Officer, Nepal Resident Mission, South Asia Department
	S. Hel, Operations Assistant, CARM, SERD
	P. Long, Senior Project Officer, CARM, SERD
	C. Ouch, Senior Programs Officer (Governance), CARM, SERD
	N. Ouk, Senior Project Officer (Infrastructure), CARM, SERD
	S. Ouk, Social Safeguards Officer, CARM, SERD
	J. Petersen, Portfolio Management Specialist, CARM, SERD
	S. Ros, External Relations Coordinator, CARM, SERD
	K. Ryu, Unit Head, Project Administration, SERD
	K. Schelzig Bloom, Senior Social Sector Specialist, CARM, SERD
	V. Sin, Operations Assistant, CARM, SERD
	S. Sok, Senior Procurement Officer, CARM, SERD
	C. Wensley, Lead Natural Resources Specialist, SERD
Reviewers	N. Britton, Principal Disaster Risk Management Specialist, Research and Sustainable Development Department (RSDD)
	R. Bolt, Advisor, SERD
	I. Makin, Principal Water Resources Specialist, RSDD

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CONTENTS

	Page
PROJECT AT A GLANCE	
MAP	
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	3
C. Outputs	3
D. Investment and Financing Plans	5
E. Implementation Arrangements	6
III. DUE DILIGENCE	7
A. Economic and Financial	7
B. Governance	7
C. Poverty and Social	8
D. Safeguards	8
E. Risks and Mitigating Measures	9
IV. ASSURANCES AND CONDITIONS	10
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	14

PROJECT AT A GLANCE

1. Project Name: Flood Damage Emergency Reconstruction Project				2. Project Number: 46009-001	
3. Country: Cambodia		4. Department/Division: Southeast Asia Department/Cambodia Resident Mission			
5. Sector Classification:					
		Sectors	Primary	Subsectors	
		Multisector	√	Road transport	
				Irrigation and flood management	
6. Thematic Classification:					
		Themes	Primary	Subthemes	
		Economic growth	√	Promoting macroeconomic stability	
		Social development		Disaster risk management	
6a. Climate Change Impact			6b. Gender Mainstreaming		
Adaptation		High	Gender equity theme (GEN)		
Mitigation		Medium	Effective gender mainstreaming (EGM)		
			Some gender benefits (SGB)		√
			No gender elements (NGE)		
7. Targeting Classification:			8. Location Impact:		
General Intervention	Targeted Intervention			National	Low
	Geographic dimensions of inclusive growth	Millennium development goals	Income poverty at household level	Rural	High
	√				
9. Project Risk Categorization: Low					
10. Safeguards Categorization:					
		Environment	B		
		Involuntary resettlement	B		
		Indigenous peoples	C		
11. ADB Financing:					
		Sovereign/Nonsovereign	Modality	Source	Amount (\$ Million)
		Sovereign	Special assistance loan	Asian Development Fund	55.0
		Total			55.0
12. Cofinancing:					
		Financier	Category	Amount (\$ Million)	Administration Type
		Government of Australia	Official-Grant	5.25	Full administration by ADB
		Total		5.25	
13. Counterpart Financing:					
		Source	Amount (\$ Million)		
		Government	6.93		
		Total	6.93		
14. Aid Effectiveness:					
		Parallel project implementation unit	Yes		
		Program-based approach	No		

CAMBODIA FLOOD DAMAGE EMERGENCY RECONSTRUCTION PROJECT



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I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed loan, and (ii) proposed administration of a grant to be provided by the Government of Australia, both to the Kingdom of Cambodia for the Flood Damage Emergency Reconstruction Project.¹

2. The project includes four outputs to restore key infrastructure damaged by the 2011 floods that affected 18 of Cambodia's 24 provinces: (i) national and provincial road restoration, (ii) rural roads restoration, (iii) irrigation and flood control, and (iv) project and flood management. The project covers six severely flood-affected provinces: Banteay Meanchey, Battambang, Kampong Cham, Kampong Thom, Prey Veng, and Siem Reap.

II. THE PROJECT

A. Rationale

3. **The 2011 floods.** The Mekong River water level started to rise beyond normal levels in early August 2011, with the water level rising significantly when typhoons Nesat and Nalgae brought exceptionally heavy rain in late September and early October 2011, respectively. Some 18 provinces and municipalities were subsequently inundated and over 1.7 million people affected. The immediate direct social impacts on the affected community were devastating. The floods caused the death of 250 people and, overall, more than 350,000 households were affected; almost 270,000 houses were flooded of which 1,297 were damaged; about 405,000 hectares (ha) of rice crops were affected of which almost 230,000 ha were severely damaged or destroyed (9.3% of the cultivated area); 1,675 livestock were lost, and more than 70,000 drinking water wells were contaminated.

4. **Damage and loss assessment.** A number of partial assessments of the impacts of the 2011 floods have been carried out by the Government of Cambodia and development partners.² However, no agency took the lead role in preparing a comprehensive post-disaster needs assessment. To fill this gap, a preliminary damage and loss assessment³ was carried out by the Asian Development Bank (ADB). ADB also supported a post-flood household survey jointly with other development agencies to measure the impact of the floods on rural communities.⁴ Together, these two initiatives supported the identification of geographical focus and the selection of subprojects.

5. **Infrastructure damage.** The damage to public infrastructure includes roads (national, provincial, and rural); irrigation and water resources facilities; water supply and sanitation facilities (mostly small-scale rural); schools; and health centers. The preliminary damage and loss assessment estimated damage to infrastructure at \$376 million along with \$35 million of losses caused by loss of connectivity and access to markets. In the social sectors, the estimate for damages is \$35 million. In agriculture, the impacts of the floods, mainly on rice, were \$40

¹ The design and monitoring framework is in Appendix 1.

² United Nations Office for the Coordination of Humanitarian Affairs. 2011. *Kingdom of Cambodia: Evaluation of Post-Flood Needs Assessment Data*. Phnom Penh.

³ Preliminary Damage and Loss Assessment (accessible from the list of linked documents in Appendix 2).

⁴ The in-depth post-flood household assessment measures food security, nutrition, health, and livelihood indicators among a representative sample of flood-affected households. In addition to ADB, the survey is supported by: Action Aid, DanChurchAid, Danish Red Cross, Save the Children, United Nations Children's Fund, and World Food Program. The findings of the assessment will guide decisions for early recovery targeting and response, with the final report expected in April 2012.

million of damages and \$139 million of losses (largely of paddy rice). The 2011 floods caused an estimated \$451 million in damages and \$174 million in losses.⁵

6. **Flood emergency response management.** In line with ADB's guidelines for emergency assistance, the need for improvement of the government's capacity to prepare for and manage disasters was considered.⁶ The main agency responsible for disaster management in Cambodia is the National Committee for Disaster Management (NCDM), chaired by the Prime Minister and comprising all involved government agencies. Many development partners and institutions, including ADB, are involved in various aspects of flood management. ADB has provided support to the NCDM under the Emergency Food Assistance Project⁷ to build capacity to respond to food emergencies through enhancing the information system, and to the Ministry of Water Resources and Meteorology under the Water Resources Management Sector Development Program⁸ to promote integrated water resource management and adaptation to climate change. The proposed Greater Mekong Subregion Flood and Drought Risk Management and Mitigation Project aims to strengthen flood management capacity by addressing structural and nonstructural measures, including assisting the Ministry of Water Resources and Meteorology to establish the National Flood Forecasting Center, and strengthening capacity for community-based disaster risk management.

7. **Strengthening future flood and disaster risk management.** Given the need to strengthen flood and disaster management capacities in Cambodia⁹, additional flood-support funding from a trust fund is being considered to develop a disaster management program, separate from but complementary to the project. The proposed activities will strengthen the NCDM's capacity to harness the resources and expertise of the relevant line ministries and other organizations, and provide a robust approach for prevention, mitigation, and preparedness to manage future floods. The activities will also include community-based disaster risk management programs, targeting at-risk communities at district, commune, and village levels in areas covered under the project.¹⁰

8. **Complementary project resources.** ADB has been able to identify existing projects that can be adjusted to address the emergency. Specifically, ADB will: (i) assist with restoration of rural water supply facilities under the ongoing Second Rural Water Supply and Sanitation Sector Project,¹¹ (ii) restore some irrigation schemes within the Northwest Irrigation Sector

⁵ More details on the damages by sector are in Preliminary Damage and Loss Assessment (accessible from the list of linked documents in Appendix 2).

⁶ A review of the organization and management of resources, roles, and responsibilities to deal with all phases of a natural disaster, preparedness, response, and recovery, as well as ongoing or planned projects in the emergency assistance area is in Emergency Management during Natural Disasters in Cambodia (accessible from the list of linked documents in Appendix 2).

⁷ ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to the Kingdom of Cambodia for the Emergency Food Assistance Project*. Manila (Loan 2455-CAM, Grant 0116-CAM, and TA 7145-CAM).

⁸ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loans, Grant, and Technical Assistance Grant, and Administration of Loan and Technical Assistance Grants to the Kingdom of Cambodia for the Water Resources Management Sector Development Program*. Manila (Loans 2672/2673/8253-CAM, Grant 0220-CAM, and TA 7610-CAM).

⁹ See Emergency Management during Natural Disasters in Cambodia (accessible from the list of linked documents in Appendix 2).

¹⁰ Pilot tested under ADB. 2005. *Technical Assistance to the Kingdom of Cambodia for Community Self-Reliance and Flood Risk Reduction*. Manila (TA 4574-CAM).

¹¹ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Kingdom of Cambodia for the Second Rural Water Supply and Sanitation Sector Project*. Manila (Grant 0159-CAM).

Project¹², (iii) address the flood damage to rural roads under the Rural Road Improvement Project,¹³ and (iv) carry out repairs to flood-damaged roads under the Road Asset Management Project¹⁴ and the Northwest Provincial Roads Improvement Project.¹⁵

9. **Government's response.** The government allocated about \$40 million of budgetary resources to flood damage in 2011, and plans to allocate an additional \$90 million in 2012. These funds are being allocated in close collaboration with the respective line ministries, development partners, and civil society.

10. **Consultation and coordination.** The project has been closely coordinated with other development partners involved in flood relief and rehabilitation activities.¹⁶ Civil society representatives were also consulted.

11. **Flood impact response framework.** As a framework for structuring the proposed project activities, the restoration of flood-damaged infrastructure is divided into three stages:

- (i) Stage 1: Immediate repairs to reestablish use of the infrastructure and restore minimum functioning levels. The most urgent work was implemented by the government using its own resources in the immediate aftermath of the floods.
- (ii) Stage 2: Fast-track repairs where it is necessary to substantially repair the damage before the next wet season (June–July 2012), to secure the existing (undamaged) works and avoid more extensive damage during the rains. Urgent preparation of stage 2 packages has been the emphasis of the line ministries.
- (iii) Stage 3: Remaining flood damage restoration to complete the remaining damage repairs within the following two dry season construction periods.

B. Impact and Outcome

12. The impact of the project is economic and social recovery from the 2011 floods in project provinces. The outcome of the project is the restoration of critical public and social infrastructure assets to their original standards or better.

C. Outputs

13. Given the extent of the infrastructure damage and the limited resources available, the proposed project prioritizes specific areas and sectors.

14. **National and provincial road restoration.** The project will reconstruct flood-damaged national and provincial roads in four provinces. In Prey Veng, 2 kilometers (km) of a ring road, which also serves as a flood protection dyke for Prey Veng City,¹⁷ will be strengthened, and five bridges along National Road No. 11 that were severely weakened by the floods will be replaced

¹² ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Northwest Irrigation Sector Project*. Manila (Loan 2035-CAM).

¹³ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Rural Roads Improvement Project*. Manila (Loan 2670-CAM).

¹⁴ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Kingdom of Cambodia for the Road Asset Management Project*. Manila (Loan 2406-CAM).

¹⁵ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Greater Mekong Subregion: Cambodia Northwest Provincial Roads Improvement Project*. Manila (Loan 2539-CAM).

¹⁶ See Development Coordination (accessible from the list of linked documents in Appendix 2).

¹⁷ The dyke was in danger of collapsing during the 2011 floods, thereby flooding Prey Veng City.

and improved. In Banteay Meanchey, Battambang and Kampong Cham provinces, 72 km of provincial roads will be repaired and upgraded, and one bridge replaced. The works will be carried out in three 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.

15. **Rural roads restoration.** The project will reconstruct about 450 km of flood-damaged rural roads in five provinces: Banteay Meanchey, Kampong Cham, Kampong Thom, Prey Veng, and Siem Reap. Reconstruction civil works will be carried out in three stages; the government has already completed stage 1. During stage 2, project roads will be repaired to facilitate immediate access by reshaping the road section and providing a 100–150 millimeter laterite overlay, before the rains in 2012. During stage 3, road sections will be strengthened to protect against future flood damage, with cross-drainage facilities and paving of laterite or double bituminous surface treatment. Under this output, a demonstration exercise relating to labor-intensive construction and maintenance of rural roads will be carried out.¹⁸

16. **Irrigation and flood control.** Under this output, about 26 flood-damaged irrigation schemes covering about 25,000 ha¹⁹ will be repaired in at least five provinces: Battambang, Kampong Cham, Kampong Thom, Prey Veng, and Siem Reap. 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 Ministry of Economy and Finance (MEF, the executing agency) 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.

17. **Project and flood management.** This output will support the MEF 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 consulting and capacity development inputs to link the restoration outputs under the project with support for flood management activities (para. 7).

¹⁸ 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 ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Rural Roads Improvement Project*. Manila (Loan 2670-CAM); and ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance, and Administration of Loan and Grant to the Kingdom of Cambodia for the Provincial Roads Improvement Project*. Manila (Loan 2839-CAM, Grant 0278-CAM, and TA 8005-CAM). See the note on Labor-Based Construction and Maintenance for Flood Damage (accessible from the list of linked documents in Appendix 2).

¹⁹ These include 10 subprojects under ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Northwest Irrigation Sector Irrigation Project*. Manila, which are included in the 19 to be restored under stage 2.

D. Investment and Financing Plans

18. The project is estimated to cost \$67.18 million (Table 1).²⁰

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Output 1: National and provincial road restoration	29.03
2. Output 2: Rural roads restoration	17.78
3. Output 3: Irrigation and flood control	11.82
4. Output 4: Project and flood management	1.19
Subtotal (A)	59.82
B. Contingencies^c	6.24
C. Financing Charges During Implementation^d	1.12
Total (A+B+C)	67.18

^a Includes taxes and duties of \$5.22 million borne by the Government of Cambodia, and safeguards costs of \$0.60 million, and staff and office facilities of \$0.49 million equivalent to be financed from government resources.

^b In February 2012 prices.

^c Physical contingencies computed at 7%. It includes an unallocated amount of \$0.25 million which may be used towards administration fees, audit costs, a provision for foreign exchange fluctuations, and any other expenses related to the grant from the Government of Australia.

^d Interest during construction for the Asian Development Bank loan has been computed on the basis of Asian Development Fund interest rates at 1% per annum during the implementation period.

Source: Asian Development Bank estimates.

19. The government has requested a loan in various currencies equivalent to SDR35,347,000 from ADB's Special Funds resources to help finance the project.²¹ The loan will have an interest charge at the rate of 1% per annum (interest during construction to be capitalized in the 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 as set forth in the loan agreement. The Government of Australia has confirmed joint cofinancing through a grant of A\$5 million (equivalent to \$5.25 million) for civil works, to be administered by ADB. The government will contribute safeguards costs and in-kind expenditures on staff and office facilities, and will bear the costs of taxes and duties,²² in the total amount of \$6.93 million equivalent (Table 2).

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	55.00	81.9
Government of Australia ^a	5.25	7.8
Government of Cambodia	6.93	10.3
Total	67.18	100.0

^a Through the Australian Agency for International Development, to be administered by ADB.
Source: Asian Development Bank estimates.

²⁰ Cost Tables and Indicative Lists of Subprojects are in the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

²¹ The ADB loan may finance local transportation, insurance, and recurrent costs to facilitate project implementation, and taxes and duties for incremental administrative costs.

²² Except taxes and duties on incremental administrative costs that will be financed by the ADB loan.

E. Implementation Arrangements

20. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual (PAM).²³

Table 3: Implementation Arrangements

Aspects		Arrangements	
Implementation period		April 2012–March 2015	
Estimated completion date		31 March 2015	
Management			
(i) Oversight body		Project Management Coordination Committee Chair: Ministry of Economy and Finance; members: Ministry of Public Works and Transport, Ministry of Rural Development, Ministry of Water Resources and Meteorology	
(ii) Executing agency		Ministry of Economy and Finance	
(iii) Key implementing agencies		Ministry of Public Works and Transport for output 1 Ministry of Rural Development for output 2 Ministry of Water Resources and Meteorology for output 3	
(iv) Implementation units		Phnom Penh, PCMU: 10 staff, PIU (3): 14 staff each plus 1 site engineer or provincial focal point in each project province	
Procurement	International competitive bidding	4 contracts	\$23.60 million
	National competitive bidding	13 contracts	\$19.19 million
	Direct contract	16 contracts	\$19.29 million
	Shopping	9 contracts	\$0.12 million
Consulting services	Individual consultant selection	156 person-months	\$0.64 million
	Single source selection	756 person-months	\$5.18 million
Retroactive financing and/or advance contracting		For eligible expenditures incurred after 30 September 2011, but not earlier than 12 months before the date of the loan agreement or grant agreement, and to a maximum of 30% of the loan and grant amounts	
Disbursement		The ADB loan and AusAID grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2007, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.	

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, PCMU = project coordination and monitoring unit, PIU = project implementation unit.

Source: Asian Development Bank.

21. **Advance action and retroactive financing.** Given that works under stage 2 generally need to commence before the expected date of loan effectiveness in April 2012, and to ensure that project activities commence in a timely manner, the government has requested the use of retroactive financing for consulting services and stage 2 procurement packages.²⁴ Retroactive financing is considered essential to finance the repair or rehabilitation of certain critical facilities before the next flooding season. Retroactive financing can apply to eligible expenditures incurred after 30 September 2011, but not earlier than 12 months before the date of the loan agreement or grant agreement, provided that the project coordination and monitoring unit (PCMU), assisted by the project consultants, certifies the expenditures, and that the certification is acceptable to ADB. The government has been advised that approval of advance action and/or retroactive financing does not commit ADB to finance any part of the project.

²³ Detailed implementation arrangements, including terms of references of all agencies, are in the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

²⁴ Details on procedures for retroactive financing and advance actions are in the PAM (accessible from the list of linked documents in Appendix 2).

22. **Procurement.** For stage 3 subprojects, expected to commence works following the next rainy season in October 2012, competitive procurement procedures will be followed for all project packages. Civil works packages of less than \$3,500,000 may be procured using national competitive bidding (NCB) and, for larger packages, international competitive bidding will be used. The first subproject to be carried out under stage 3 by each implementing agency under outputs 1–3 following NCB will be subject to prior review and approval by ADB before commencing. Subsequent NCB packages over \$1,000,000 will be submitted to ADB for prior review and approval. Procurement packages valued at less than \$1,000,000 will be sent to the PCMU for endorsement and to ADB for post-approval.

23. **Consulting services.** Consultant support will be provided under the project to support the PCMU²⁵ and the three implementing agencies. Under outputs 1–3 of the project, one international consulting firm, in association with national consulting firms, will assist each of the three implementing agencies. The international firms will be engaged through single source selection in the respective sectors to provide the necessary services. Individual consultants (two international and two national) will be engaged to assist the PCMU under output 4.²⁶ All engagement of consultants under ADB financing will be carried out in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). As requested by the MEF, ADB will assist the government in selecting individual consultants for the PCMU.

24. **Monitoring and evaluation.** The PCMU will establish the project performance monitoring and evaluation system within 6 months of loan effectiveness using the targets, indicators, assumptions, and risks in the design and monitoring framework (Appendix 1). The data will be disaggregated by income levels, gender, and ethnicity. Further, the PCMU will monitor and ensure compliance with loan assurances: policy, legal, financial, safeguards, and gender. The midterm review will also be held to examine whether the project implementation is in line with the project objective and scope. Further details are provided in the PAM.

III. DUE DILIGENCE

A. Economic and Financial

25. Economic and financial assessments will be undertaken for all subprojects under the investment packages in stage 3. Economic analysis of flood projects focuses on future losses avoided and, through restoring basic infrastructure and improving connectivity, such projects will improve the welfare of affected people and businesses. They will also directly generate jobs and incomes through reconstruction activities.

B. Governance

26. The public financial management system is being developed, but is still inadequate to achieve accountability in public expenditures.²⁷ The government has implemented the Public

²⁵ Advance Actions for the Flood Damage Emergency Reconstruction Project (TA 8051-CAM), for \$225,000, has been mobilized to provide consulting support for (i) advance actions in the areas of procurement, (ii) technical and engineering services to fill gaps in the resources already available, (iii) consulting services to support the preparation of various elements of the Report and Recommendation of the President, and (iv) consulting services required to prepare the preliminary damage and loss assessment.

²⁶ Complete details of the terms of reference of the consulting firms are in the PAM (accessible from the list of linked documents in Appendix 2).

²⁷ The assessments of public financial management, procurement, and anticorruption efforts draw on ADB. 2011. *Cambodia: Country Governance Risk Assessment Report and Risk Management Plan*. Manila.

Financial Management Reform Program since 2004.²⁸ The procurement assessment, drawing on procurement diagnostic studies, indicates limited recent progress. The Public Procurement Law, January 2012 and the Anti-Corruption Law, 2010 strengthen sanctions, but these laws have just been adopted. The government's Standard Operating Procedures, Procurement Manual, and Financial Management Manual for Externally Assisted Projects have been applied to ADB-financed projects, and are being updated under ADB support. The anticorruption assessment identifies important legislative and institutional developments, and stresses these have achieved initial results. Important legislative developments include penalty provisions in the 2008 Public Finance Law, strengthening the Penal Code for corrupt offenses, 2009, and passing the Anti-Corruption Law, 2010. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the implementing agencies. The specific policy requirements and supplementary measures are described in the PAM.

C. Poverty and Social

27. **Poverty reduction.**²⁹ The floods affected a number of the poorest provinces in 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. In rehabilitating damaged road and irrigation infrastructure, the direct poverty reduction impact will come from the provision of short-term employment and much-needed cash income to poor women and men using labor-intensive approaches where appropriate. 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.

28. **Gender equity.** Pre-existing gender inequalities have likely worsened in the aftermath of the floods and will deteriorate further unless women's participation in the reconstruction is ensured. The project includes a Labor and Gender Action Plan (LGAP)³⁰ to ensure women's access to project benefits, mostly through their participation in the labor force recruited to reconstruct and maintain the infrastructure. Equal pay for equal work will be guaranteed. Social development and gender consultants will be hired to support each implementing agency in implementing and monitoring the LGAP, which focuses on stage 3 activities. ADB's Cambodia Resident Mission's gender specialist will support LGAP implementation.

D. Safeguards

29. **Environment.** The project is classified category B for environment. Subprojects will reconstruct existing transport and irrigation infrastructure. Subproject selection criteria are formulated to avoid significant adverse environmental impacts. An environmental assessment

²⁸ This takes a multi-platform approach. Each platform is built on achievements of the earlier one. Platform 1 introduced budget credibility; platform 2 strengthens accountability and internal control, particularly in line ministries; platform 3 improves linkage between policy priorities and budget planning; and platform 4 strengthens integration of accountability and review processes for both financial and performance management. ADB has been supporting the public financial management process through ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, Grant for Subprogram 1, and Grant Assistance to the Kingdom Cambodia for the Public Financial Management for Rural Development Program*. Manila (Grants 0132-CAM and 0133-CAM).

²⁹ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

³⁰ Labor and Gender Action Plan (accessible from the list of linked documents in Appendix 2).

and review framework (EARF)³¹ 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 avoid and minimize adverse impacts during the identification and finalization of subprojects. Implementation arrangements in the PCMU and project implementation units (PIUs) build on experience gained from ADB-financed projects, and adequate capacity is ensured to manage environmental impacts through consultant support and additional capacity building. Initial environmental examinations and environmental management plans will be prepared 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 semiannual basis.

30. **Social.** The project is classified category B for involuntary resettlement and category C for indigenous peoples. Subproject selection criteria are formulated to avoid land acquisition, resettlement impacts, and social risks.³² A resettlement framework³³ was prepared and disclosed in accordance with ADB's Safeguard Policy Statement, and government laws, regulations, and policies to guide planning studies and detailed designs of subprojects. Implementation arrangements in the PCMU and PIUs build on experience from ADB-financed projects, and ensure the PIUs have adequate capacity to understand and prepare resettlement plans, through consultant support and additional capacity building. Widespread consultations will be undertaken with stakeholders in project areas during implementation.

E. Risks and Mitigating Measures

31. Given the importance of governance risks in Cambodia, the project will implement specific project level actions to mitigate risks. Building on the Cambodia Governance Risk Assessment and Risk Management Plan 2011, these risks have been identified and mitigation measures have been developed in the risk assessment and risk management plan.³⁴ The major project risks and mitigation measures include: (i) limited financial management capacity - ongoing implementation of the Public Financial Management Reform Program to improve budget preparation and execution, financial management and reporting, procurement, and strengthening of internal controls. In addition, ADB is supporting the MEF in implementing part of the Public Financial Management Reform Program which includes strengthening the public financial management systems in two of the implementing agencies, the Ministry of Rural Development and the Ministry of Water Resources and Meteorology; (ii) inadequate procurement capacity - strengthening of procurement capacity through the Public Financial Management Reform Program, as well as additional measures by ADB to strengthen the procurement capacities of the MEF and the implementing agencies, including provision of procurement consultants and training on the Standard Operating Procedures and the Procurement Manual; and (iii) corruption - requiring all contractors/bidders, suppliers and consultants to sign declarations of ethical conduct, strengthening transparency through posting project information on the IA websites, developing complaint handling mechanisms, monitoring and enforcement of procurement procedures and contracts; and joint investigation of irregularities by the National Audit Authority and the ADB's Office of Anticorruption and Integrity.

³¹ Environmental Assessment and Review Framework (accessible from the list of linked documents in Appendix 2).

³² Subprojects with involuntary resettlement impacts will not be included in stage 2; those with significant involuntary resettlement impacts will not be included in stage 3. Subprojects with impacts on indigenous peoples will not be included.

³³ Resettlement Framework (accessible from the list of linked documents in Appendix 2).

³⁴ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

32. **Communications.**³⁵ A shared objective of the ADB–government communication strategy is to build public awareness and recognition of the collaboration and its outcomes. ADB and the government will proactively make maximum use of well-proven communication methodologies for raising awareness of the viability and credibility of the project, as well as other government activities in response to the 2011 floods.

IV. ASSURANCES AND CONDITIONS

33. The government has assured ADB that the implementation of the project shall conform to all applicable ADB policies and procedures including those concerning anticorruption measures, the Safeguard Policy Statement, safeguard frameworks, social and gender equity, procurement, financial management, and disbursement. The government has agreed with ADB on covenants set out in the loan and grant agreements.

34. **Conditions for effectiveness.** The grant agreement will have been duly executed and delivered and become effective as a condition for the effectiveness of the loan agreement, and the loan agreement will have been duly executed and delivered and become effective as a condition for the effectiveness of the grant agreement or arrangements satisfactory to ADB shall have been made for the fulfillment of those conditions within a period satisfactory to ADB.

V. RECOMMENDATION

35. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve:

- (i) the loan in various currencies equivalent to SDR35,347,000 to the Kingdom of Cambodia for the Flood Damage Emergency Reconstruction Project, from ADB's Special Funds resources, with an interest charge at the rate of 1.0% per annum; for a term of 40 years, including a grace period of 10 years; with repayment of principal at 2% per annum for the first 10 years after the grace period and 4% per annum thereafter; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) the administration by ADB of the grant not exceeding the equivalent of \$5,250,000 to the Kingdom of Cambodia for the Flood Damage Emergency Reconstruction Project, to be provided by the Government of Australia.

Haruhiko Kuroda
President

16 March 2012

³⁵ Communications Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Economic and social recovery from the 2011 floods in project provinces	Average traffic levels on project roads are restored to pre-flood levels or better by 2018. Agricultural production of major crops in targeted areas equals or exceeds pre-flood levels 2010/2011 by 2018.	MPWT and MRD annual reports Production data from the Ministry of Agriculture, Forestry and Fisheries	Assumption Strong commitment by the government in implementing flood reconstruction projects Risk A severe follow-up flood in 2012
Outcome Restoration of critical public and social infrastructure assets to their original standards or better	90% of damaged infrastructure (roads and irrigation) in subprojects in project provinces is reconstructed and rehabilitated by 2015. Average travel times on project roads return to pre-flood levels or better by 2015. Agricultural productivity in project area returns to pre-flood levels or better by 2015.	Project progress reports and ADB project completion report MPWT and MRD field traffic surveys MOWRAM/Ministry of Agriculture and Fisheries monthly reports	Assumptions All implementing agencies are committed to efficient project implementation. The government proceeds with its own budget allocation for flood rehabilitation. Reconstruction activities are matched with disaster risk management improvements and links to climate change adaptation activities. Risk The project provinces suffer unexpectedly severe additional natural disasters.
Outputs 1. National and provincial roads damaged by floods (including bridges and culverts) rehabilitated and reconstructed	70 km of flood-damaged national and provincial roads are reconstructed by 2015. Five bridges along National Road No. 11 and one bridge along Provincial Road No. 270 are reconstructed and upgraded by 2015. At least 30% of unskilled labor hired are women.	MPWT's monthly progress reports MPWT annual report ADB project completion report	Assumptions MPWT is committed to implement stage 2 and 3 subprojects in a timely manner. Construction costs do not increase unexpectedly. Risks Negotiated contracts for stage 2 civil works fail due to lack of qualified contractors, who could offer rates acceptable

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
			to MEF/implementing agency. The extent of natural disasters exceeds expectations.
2. Rural roads damaged by floods (including bridges and culverts) rehabilitated and reconstructed	450 km of flood-damaged rural roads are reconstructed by 2015. Average roughness of project roads in 2011 decreases from 14 to 7 in 2015. At least 30% of unskilled labor hired are women	MRD's monthly progress reports MRD annual report ADB project completion report	Assumptions MRD is committed to implement stage 2 and 3 subprojects in a timely manner. Construction costs do not increase unexpectedly. Risk Same as output 1
3. Irrigation facilities rehabilitated and reconstructed	26 flood-damaged irrigation schemes covering about 25,000 ha are reconstructed by 2015. At least 30% of unskilled labor hired are women.	MOWRAM's monthly progress reports (based on contractor reports) MOWRAM annual report ADB project completion report	Assumptions MOWRAM is committed to implement stage 2 and 3 subprojects in a timely manner. Construction costs do not increase unexpectedly. Risk Same as output 1
4. Project managed and monitored efficiently	Project implemented on time and within budget: by 2015 PIUs in each implementing agency will collect sex-disaggregated data. All PIU staff will participate in training on gender mainstreaming in infrastructure projects.	Project reviews and project progress reports	Assumption Project coordination proceeds effectively.

<p>Activities with Milestones</p> <p>1. National and Provincial Road Reconstruction (including bridges and culverts)</p> <p>1.1 MPWT selects and engages detailed design and implementation supervision consultants: by March 2012.</p> <p>1.2 MPWT awards contracts in stage 2 subprojects: by April 2012.</p> <p>1.3 MPWT awards contracts in stage 3 subprojects: by December 2012.</p> <p>1.4 MPWT completes strengthening of 2 km of a Prey Veng ring road, replacement and improvement of five bridges along National Road No. 11, repair and upgrading of 72 km of provincial roads, and replacement of one additional bridge: by January 2015.</p> <p>2. Rural Roads Reconstruction</p> <p>2.1 MRD selects detailed design and implementation supervision consultants: by March 2012.</p> <p>2.2 MRD awards contracts in stage 2 subprojects: by April 2012.</p> <p>2.3 MRD awards contracts in stage 3 subprojects: by December 2012.</p> <p>2.4 MRD completes 450 km of rural road reconstruction: by January 2015.</p> <p>3. Irrigation and Flood Control</p> <p>3.1 MOWRAM selects and engages detailed design and implementation supervision consultants: by March 2012.</p> <p>3.2 MOWRAM awards contracts in stage 2 subprojects: by April 2012.</p> <p>3.3 MOWRAM awards contracts in stage 3 subprojects: by December 2012.</p> <p>3.4 MOWRAM completes 46 irrigation schemes reconstruction: by January 2015.</p> <p>4. Project Management and Support</p> <p>4.1 PCMU manages the overall project and implements and monitors the labor and gender action plan: by 2015.</p> <p>4.2 PCMU supports capacity development in flood and disaster management through providing consulting services to the NCDM.</p> <p>4.3 PCMU prepares an in-depth review of progress 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: by December 2012.</p>	<p>Inputs</p> <p>ADB: \$55 million loan</p> <p>Government of Australia: \$5.25 million grant</p> <table border="1"> <thead> <tr> <th>Item</th><th>Amount (\$ million)</th></tr> </thead> <tbody> <tr> <td>1. National and provincial road restoration</td><td>25.91</td></tr> <tr> <td>2. Rural roads restoration</td><td>15.90</td></tr> <tr> <td>3. Irrigation and flood control</td><td>10.60</td></tr> <tr> <td>4. Project and flood management</td><td>1.10</td></tr> <tr> <td>5. Contingencies</td><td>5.87</td></tr> <tr> <td>6. ADB loan interest during construction</td><td>0.87</td></tr> </tbody> </table> <p>Government of Cambodia: \$6.93 million</p> <table border="1"> <thead> <tr> <th>Item</th><th>Amount (\$ million)</th></tr> </thead> <tbody> <tr> <td>1. Contribution in kind (including taxes and duties, and safeguards)</td><td>6.93</td></tr> </tbody> </table>	Item	Amount (\$ million)	1. National and provincial road restoration	25.91	2. Rural roads restoration	15.90	3. Irrigation and flood control	10.60	4. Project and flood management	1.10	5. Contingencies	5.87	6. ADB loan interest during construction	0.87	Item	Amount (\$ million)	1. Contribution in kind (including taxes and duties, and safeguards)	6.93
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ADB = Asian Development Bank; ha = hectare; km = kilometer; MEF = Ministry of Finance and Economy; MOWRAM = Ministry of Water Resources and Meteorology; MPWT = Ministry of Public Works and Transport; MRD = Ministry of Rural Development; NCDM = National Committee for Disaster Management; PCMU = project coordination and monitoring unit; PIU = project implementation unit.
Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=46009-001-3>

1. Loan Agreement
2. Grant Agreement
3. Sector Assessment (Summary)
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Labor and Gender Action Plan
10. Environmental Assessment and Review Framework
11. Resettlement Framework
12. Risk Assessment and Risk Management Plan

Supplementary Documents

13. Preliminary Damage and Loss Assessment
14. Emergency Management during Natural Disasters in Cambodia
15. Labor-Based Construction and Maintenance
16. Communications Plan