



Report and Recommendation of the President to the Board of Directors

Project Number: 46009-003
April 2014

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

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 March 2014)

Currency unit – riel (KR)

KR1.00 = \$0.0002

\$1.00 = KR3,993

ABBREVIATIONS

ADB	–	Asian Development Bank
EARF	–	environmental assessment and review framework
km	–	kilometer
PCMU	–	project coordination and monitoring unit
PAM	–	project administration manual
PIU	–	project implementation unit

NOTE

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

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PROJECT AT A GLANCE

1. Project Name: Flood Damage Emergency Reconstruction Project (Additional Financing)				2. Project Number: 46009-003	
3. Country: Cambodia		4. Department/Division: Southeast Asia Department/Cambodia Resident Mission			
5. Sector Classification:					
		Sectors	Primary	Subsectors	
		Agriculture and natural resources		Irrigation, drainage, and flood protection	
		Multisector	√	Road transport	
6. Thematic Classification:					
		Themes	Primary	Subthemes	
		Economic growth	√	Promoting macroeconomic stability	
		Social development		Disaster risk management	
6a. Climate Change Impact			6b. Gender Mainstreaming		
Adaptation		Medium	Gender equity theme (GEN)		
Mitigation		Medium	Effective gender mainstreaming (EGM)		
			Some gender elements (SGE)		√
			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	Project loan	Asian Development Fund	75.0
		Total			75.0
12. Cofinancing:					
		Financier	Category	Amount (\$ Million)	Administration Type
		Australian Grant	Official-Grant	6.7	Full
		Total		6.7	
13. Counterpart Financing:					
		Source	Amount (\$ Million)		
		Government	9.0		
		Total	9.0		
14. Aid Effectiveness:					
		Parallel project implementation unit	Yes		
		Program-based approach	No		

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Kingdom of Cambodia for additional financing of the Flood Damage Emergency Reconstruction Project. The report also describes the proposed administration of a grant to be provided by the Government of Australia for the additional financing of the project, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the administration of the grant for the additional financing.¹

2. The additional financing to the project includes four outputs to restore key infrastructure damaged by the 2013 floods that affected 20 of Cambodia's 24 provinces: (i) national and provincial roads rehabilitation, (ii) rural roads rehabilitation, (iii) irrigation rehabilitation and flood management, and (iv) project management and facilitation. The project covers six severely flood-affected provinces: Banteay Meanchey, Battambang, Kampong Cham, Kampong Thom, Oddar Meanchey, and Siem Reap.²

II. THE PROJECT

A. Rationale

3. **Current Flood Damage Emergency Reconstruction Project.** In 2012, the Asian Development Bank (ADB) approved the Project to enable economic and social recovery and restore key infrastructure damaged during the 2011 floods, caused by exceptionally heavy rains, which affected 18 of Cambodia's 24 provinces.³ The scope included (i) national and provincial roads restoration, (ii) rural roads restoration, (iii) irrigation and flood control, and (iv) project management. By the end of February 2014, overall progress was estimated at 65% against the elapsed time of 55%. Cumulative contract awards of the combined loan and grant were \$55.2 million, equivalent to 93% of the total project amounts; cumulative disbursements were \$31.2 million, 52% of the total project amounts.

4. The project is performing well based on the criteria stated in ADB's Additional Financing Policy:⁴ (i) the strong capacity of the Ministry of Economy and Finance to coordinate and implement the project and achieve the intended outputs and outcome without any major delay, (ii) strong contract award and disbursement records against projections, (iii) compliance with covenants including safeguards, and (iv) successful management of risks through implementation of the risk assessment and risk management plan. The project performance is currently on track.

5. **Need for Additional Financing.** Cambodia experienced serious flash floods from late September to mid-October 2013. The damage to infrastructure was similar to that caused by the floods in 2011. However, the floods were more intense and sudden, caused by heavy rainfall combined with runoff from Thailand into Cambodia's northwestern provinces. Twenty of the country's 24 provinces were impacted, 168 deaths recorded, and over 1.7 million people

¹ The revised design and monitoring framework is in Appendix 1.

² Information on assistance of other development partners is given in Development Coordination (accessible from the list of linked documents in Appendix 2). The Government is expected to cover the longer-term infrastructure construction expenses of the remaining provinces from their own budget allocation.

³ The Flood Damage Emergency Reconstruction Project was approved on 27 March 2012 and became effective on 14 May 2012, with a loan closing date of 30 September 2015 in the amount of SDR35,347,000 (\$55 million equivalent) from the Asian Development Fund. The Government of Australia provided a grant of A\$5.00 million (\$5.25 million equivalent), while the government contributed \$6.93 million equivalent.

⁴ ADB. 2011. Additional Financing. *Operations Manual. OM H5/OP*. Manila.

affected (about 10% of the national population). The damage from the 2013 floods, compared to the events in 2011,⁵ appears to have been less extensive in scale, yet in some provinces the flood impact was more significant than in 2011 because of a combination of factors such as the unexpected severity of the floods, the longer time it took for waters to recede, repeated floods and flash floods, limited preparedness, and limited early warning. According to the National Committee for Disaster Management, 45,905 households had to be evacuated, although many people have since been able to return. More than 240,195 houses, 1,254 schools, 92 health centers and hospitals, and 533 pagodas have been affected, with sizeable infrastructure damage, including 440 kilometers (km) of national roads and 3,569 km of rural roads. More than 126,925 hectares of transplanted rice and 57,443 hectares of other crops were damaged, representing about 8% of the total cultivated area.

6. The government has requested ADB to provide urgent assistance to support relief, rehabilitation, and reconstruction of infrastructure arising from flash floods.⁶ ADB approved a grant of \$3 million to Cambodia under the Asia Pacific Disaster Response Fund on 14 November 2013. Given the similar nature of damage, the emergency, and the implementation mechanisms in the current project, additional financing to the existing emergency assistance loan is the most suitable response to the flood emergency. This would (i) maximize synergies and the response impacts, (ii) take advantage of the lessons from the 2011 flood response to speed up emergency actions, and (iii) utilize the existing implementation structures and capacities to achieve faster disbursements and implementation.⁷

7. **Damage, loss, and needs assessment.** ADB closely cooperated with the United Nations Development Program to assist the government to conduct a post-floods early recovery needs assessment, measuring the extent of the damage and providing a framework for recovery. The assessment was completed in late January 2014. Total damage and losses to all assets and public infrastructure, including roads (national, provincial, and rural), irrigation facilities, water supply and sanitation facilities (mostly small-scale rural), schools, and health centers were estimated at \$356 million.

8. **Government response.** The government's immediate budget response to the crisis in 2013–2014 amounted to \$24 million, which is far below the \$118 million required for short-term infrastructure recovery needs estimated in the Post-Floods Early Recovery Needs Assessment Report. Government fully expects to cover the rest of the longer-term infrastructure construction expenses from its own budget allocation, other related infrastructure projects, and assistance from development partners.

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

- (i) **Stage 1.** Immediate repairs to reestablish use of the infrastructure on a temporary basis and restore communications. The most urgent work has been implemented by the government using its own resources, and therefore ADB support will focus on stages 2 and 3.
- (ii) **Stage 2.** Fast-track repairs where it is necessary to restore functionality before the next wet season to secure the existing (undamaged) works and thus avoid

⁵ In 2011, the floods affected 18 provinces and about 1.5 million affected people, and caused 250 deaths. The damage to infrastructure and agricultural crops was estimated at about \$500 million. Source: Signed memorandum of understanding of the fact-finding mission between ADB and the government dated 13 February 2012.

⁶ Minister of Economy and Finance letter dated 21 October 2013.

⁷ Memorandum of Understanding. Flood Damage Emergency Reconstruction Project Joint Midterm Review Mission, December 2013 (Section D: Lessons Learned).

more extensive damage in the coming wet season. Urgent preparation of packages under this stage is the current emphasis of the line ministries.

- (iii) **Stage 3.** Complete flood damage restoration over the following two dry season construction periods (2015 and 2016). Flood capacity of key structures (especially spillways) will be upgraded and improved and operational plans and capacity will be reviewed. A hydrological review, taking into account climate change projections and impacts, will be implemented to update flood flow estimates for improving design capacity of key infrastructure to support enhanced flood management planning and operations. The measures will reduce risks from future flooding. Design adjustments will also reflect lessons from implementation of the Flood Damage Emergency Reconstruction Project.

B. Impact and Outcome

- 10. The impact of the project is economic and social recovery from the 2013 floods in the project provinces accelerated. The outcome of the project is reconstruction of critical infrastructure to restore livelihoods and access and protect against future flooding.

C. Outputs

- 11. Given the extent of the infrastructure damage and the limited resources available, the proposed project prioritizes specific areas and sectors, and infrastructure rehabilitation will be conducted in two stages—stage 2 and stage 3.

12. **Output 1: National and provincial roads rehabilitated.** This project output will include reconstruction of flood-damaged national and provincial roads in five provinces. In Kampong Cham, one bridge along provincial road 270, which was severely weakened by the floods, will be replaced and 16.19 km of national road 70 will be reconstructed. In Banteay Meanchey, 25.0 km of provincial road 156D and 24.8 km of provincial road 2563 will be repaired and upgraded, and two bridges replaced. In Kampong Thom, 8.15 km of provincial road 264E and 7.50 km of provincial road 264D will be reconstructed. In Siem Reap, 11.3 km of provincial road 265F and 6.0 km of national road 63 will be reconstructed. In Battambang, 19.7 km of provincial road 1570 will be reconstructed. Stage 1 works have already been completed under government funding to restore minimum function of national and provincial roads.

13. **Output 2: Rural roads rehabilitated.** There has been extensive damage to many rural roads as a result of the floods such that lifelines, particularly in project areas, were cut off. The highest priority stage 2 works comprise 115 km of rural roads, to benefit 125,414 people in the selected provinces, by rehabilitation of damaged surface and structures. Stage 3 works comprise 142 km of rural roads, to benefit 158,993 people, through improvements for reliable and more efficient access between rural communities and markets. Improved traffic flow and efficient communications will lead to reduced fuel consumption. These roads were selected from the five priority provinces of Banteay Meanchey, Battambang, Kampong Cham, Kampong Thom, and Siem Reap. The stage 3 roads involve upgrading of a subset of the stage 2 roads, and are selected based on priority requirements for improvement and long-term climate resilience.

14. **Output 3: Irrigation rehabilitated and improved flood management.** At least nine flood-damaged irrigation schemes covering about 37,500 hectares will be rehabilitated and improved in five provinces—Banteay Meanchey, Battambang, Kampong Thom, Oddar

Meanchey, and Siem Reap.⁸ Stage 2 works will involve urgent rehabilitation to restore service functionality for implementation during the 2014 dry season. Stage 3 works will be upgraded with infrastructure improvements, to be implemented during the 2015 and 2016 dry seasons. Civil works and development of hydromet capacity will increase future flood resilience and contribute to mitigation strategies to lower risk arising from climate change.⁹ The pilot development of a hydromet system in three river catchments will form the basis for improved flash flood forecasting capacity in western catchments.¹⁰ When complete, it will provide real-time data to support the implementation of a strategic flood management plan and mitigate recurrent flood risks emanating from large flows in those catchments that impact water storages and infrastructure. The hydromet equipment will be complementary to the strategic water management plan, being developed under ADB's program.¹¹

15. **Output 4: Project management and facilitation.** This output will support the Ministry of Finance, as executing agency, in overseeing and managing the project. It will be supported by consultants to ensure that fiduciary and safeguards procedures are followed and that implementation schedules are kept on track. Consulting services will be provided to assist the executing agency and implementing agencies with project management support as well as assistance with the coordination and development of a cross-sector flood management strategy for the affected areas.

D. Investment and Financing Plans

16. The project is estimated to cost \$90.68 million (Table 1).

Table 1: Project Investment Plan (\$ million)

Item	Current Amount	Additional Financing ^a	Total
A. Base Cost^b			
1. National and provincial roads	29.03	29.91	58.94
2. Rural roads	17.78	25.48	43.26
3. Irrigation and flood management	11.82	23.83	35.65
4. Project management and facilitation	1.19	1.59	2.78
Subtotal (A)	59.82	80.81	140.63
B. Contingencies^c	6.24	8.67	14.92
C. Financial Charges During Implementation^d	1.12	1.20	2.32
Total (A+B+C)	67.18	90.68	157.86

ADB = Asian Development Bank.

^a Includes taxes and duties of \$7.08 million from the government through tax exemption.

^b In end-2013 prices.

^c Physical contingencies computed at 5% for all goods and services except for the subproject allocation. Price contingencies computed at 2.60% for the 3 years of implementation on foreign exchange costs and 4.25% on local currency costs. This assumes an exchange rate of KR4,000 = \$1 throughout the life of the investment.

^d Includes interest charges during implementation for ADB Asian Development Fund loan.

Source: ADB estimates.

⁸ Other provinces may also be considered depending on the detailed assessments during implementation, subject to agreement between the Ministry of Economy and Finance and ADB.

⁹ Installation of equipment to measure climate, rainfall, and stream flows, with data logging and telemetry for real-time data receipt at the Ministry of Water Resources and Meteorology.

¹⁰ The project will promote use of the standards in the Asian Water Information System and Water ML2.0, supported by ADB and the Asian Pacific Water Forum, as the basis for information exchange and hazard warning.

¹¹ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Water Resource Management Sector Development Program*. Manila.

17. The government has requested a loan in various currencies equivalent to SDR48,545,000 from ADB's Special Funds resources to help finance the project.¹² 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 will contribute to safeguards costs, salary supplements for staff, and external independent monitoring, and will bear the costs of taxes and duties in the total amount of \$9.00 million equivalent (Table 2).¹³ The Government of Australia has confirmed its intention to provide a grant of A\$7.60 million, equivalent to \$6.68 million at the exchange rate prevailing at the time of fact finding; it will be denominated in US dollars pursuant to ADB's standard accounting practice.¹⁴ The Government of Australia financing will be front-loaded for civil works.

Table 2: Project Financing Plan

Source	Current ^a		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank	55.00	82	75.00	83	130.00	82
Government of Australia	5.25	8	6.68	7	11.93	8
Government of Cambodia	6.93	10	9.00	10	15.93	10
Total	67.18	100	90.68	100	157.86	100

^a Refers to the original amount and any previous additional financing.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

18. Implementation arrangements for the additional financing will, to the extent practical, use the existing arrangement of the current project. Detailed implementation arrangements are described in the project administration manual (PAM).¹⁵ Since the additional financing will be cofinanced by Asian Development Fund resources and by the grant from the Government of Australia, which will be administered by ADB, universal procurement will apply to procurement of goods, works, and services (including consulting services) for the additional financing.¹⁶

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	April 2014–March 2017
Estimated completion date	31 March 2017
Management	
(i) Oversight body	Project Management Coordination Committee Ministry of Economy and Finance (chair) Ministry of Public Works and Transport, Ministry of Rural Development, Ministry of Water Resources and Meteorology (members)
(ii) Executing agency	Ministry of Economy and Finance
(iii) Key implementing	Ministry of Public Works and Transport for output 1

¹² The ADB loan may finance local transportation, insurance, and recurrent costs to facilitate project implementation, and taxes and duties for incremental administration costs.

¹³ Except taxes and duties on incremental administrative costs that will be financed by the ADB loan.

¹⁴ This amount may be adjusted for currency fluctuations to match the grant amount received by ADB.

¹⁵ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

¹⁶ Board document R29-13: Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Cofinanced from Asian Development Fund Resources, approved on 18 March 2013.

Aspects	Arrangements		
agencies	Ministry of Rural Development for output 2 Ministry of Water Resources and Meteorology for output 3		
(iv) Implementation unit	Phnom Penh PCMU: 10 staff; PIU (3): 10 staff at each PIU plus two site engineers and provincial focal points in each project province		
Procurement	ICB	2 contracts	\$10.30 million
	NCB	17 contracts	\$39.08 million
	Direct contract	13 contracts	\$17.02 million
	Shopping	4 contracts	\$0.34 million
Consulting services	ICS	159 person-months	\$0.57 million
	Contract variations	877 person-months	\$6.50 million
Retroactive financing and/or advance contracting	For eligible expenditures incurred after 30 September 2013, 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 Australian Aid proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, ICB = international competitive bidding, ICS = individual consultant selection, NCB = national competitive bidding, PCMU = project coordination and monitoring unit, PIU = project implementation unit.
Source: Asian Development Bank.

19. **Advance action and retroactive financing.** To ensure that project activities are completed before the onset of the wet season (July 2014), stage 2 works will need to commence before loan effectiveness. The government has requested retroactive financing be used to secure consulting services and stage 2 procurement packages. Retroactive financing can apply to eligible expenditures incurred after 30 September 2013, but not earlier than 12 months before the date of loan or grant agreement, provided the project coordination and monitoring unit (PCMU), assisted by consultants, certifies the expenditures and that certification is acceptable to ADB. In principle, retroactive financing approval will be sought for the initial costs of consultant recruitment and the procurement of stage 2 civil works contracts. Details on procedures for retroactive financing and advance actions are in the PAM. 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.

20. **Procurement.** Stage 2 contracts will be awarded under direct contracting, using those contractors that performed well under the Flood Damage Emergency Reconstruction Project, subject to following relevant prior- and post-review processes. Procedures are to be documented in each component's procurement plan. Stage 3 contracts are expected to start after the 2014 wet season. Competitive procurement procedures will be followed for all stage 3 project packages. Civil works packages of less than \$4 million may be procured using national competitive bidding, with international competitive bidding for larger packages, as per procedures outlined in the procurement plans. Procurement will be carried out in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). Detailed procedures are outlined in the PAM.

21. **Consulting services.** Consultant support will be extended for the additional financing under variation orders to support the PCMU and the three implementing agencies.¹⁷ Under outputs 1–3, the existing international consulting firms in association with national consulting

¹⁷ ADB. 2014. *Small-scale Technical Assistance to Cambodia for Advance Actions for Flood Damage Emergency Reconstruction – Additional Financing*. Manila

firms will be invited to continue assisting each of the three implementing agencies with additional financing subproject design and supervision. Individual consultants (one international and two national) will be invited to continue providing assistance to the PCMU under output 4. The engagement of consultants under ADB financing will be carried out in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Complete details on the terms of reference of the consulting firms are provided in the PAM.

22. **Monitoring and evaluation.** The current PCMU will use the existing project performance monitoring and evaluation system using the targets, indicators, assumptions, and risks in the design and monitoring framework. This will be updated for the additional financing. The data will be disaggregated by income levels, gender, and ethnicity. The PCMU and implementing agencies will continue to monitor and ensure the compliance of loan assurances—policy, legal, financial, safeguards, and gender. The Flood Damage Emergency Reconstruction Project midterm review confirmed that monitoring and evaluation requirements are being completed, including adherence to safeguards. Further details are provided in the PAM.

III. DUE DILIGENCE

A. Economic and Financial

23. Standard economic and financial assessments will be undertaken for all subprojects under the investment packages in stage 3.¹⁸ All project investments are expected to be economically viable. The economic internal rate of return for all stage 3 subprojects is expected to be greater than 12%.¹⁹ Stage 3 subprojects will restore basic infrastructure and, in the process, improve the welfare of affected people and businesses. The investments will improve connectivity as well as trade, agriculture production, and access to social services.

B. Governance

24. **Public financial management.** The government has embarked on a Public Financial Management Reform Program since 2004 and the public financial management system is being developed, but improvements are needed to achieve full accountability in public expenditures. The 2010 Public Expenditure Financial Accountability Assessment indicates mixed but improving performance. An update assessment in 2012 was that the program implementation was overall on track. ADB has also supported capacity building for three rural development ministries in budget preparation and execution, financial management and accounting, procurement, internal audit development, and monitoring and evaluation.²⁰ All three ministries have made gradual improvements in these areas. In addition, the grant has also supported the National Audit Authority to strengthen its capacity in audit of externally funded projects. The National Audit Authority has been progressively improving external audit scrutiny of government expenditures and revenues, borrowings, and assets.

¹⁸ Economic and financial analysis were not undertaken for Stage 2 subprojects due to urgent repairs to restore functionality before the next wet season to avoid further damage to the undamaged works. The incremental returns are expected to far exceed the costs, given that without urgent repairs the structure would be lost altogether in the coming rainy season.

¹⁹ The average economic internal rate of return for stage 3 subprojects of the original project was 34%.

²⁰ ADB. 2009. *Public Financial Management for Rural Development Project, Subprogram 2*. Manila. Three rural development ministries: Ministry of Agriculture, Forestry, and Fisheries; Ministry of Water Resources and Meteorology; and Ministry of Rural Development.

25. **Procurement.** The procurement assessment, drawing on procurement diagnostic studies, indicates limited recent progress. Significant domestically financed procurements occur through noncompetitive and informal procedures. Even though the Public Procurement Law was adopted in January 2012 and the Anti-Corruption Law was adopted in 2010, implementation progress is limited and the risk remains high. The updated Standard Operating Procedures, Procurement Manual, and Financial Management Manual for Externally Assisted Projects have been applied to projects financed by ADB and other development partners.²¹ The manuals consist of the identification of mitigation measures designed to reduce the risk and improve the efficiency and effectiveness of management and administration of the portfolio of externally assisted projects.

26. **Anticorruption.** The anticorruption assessment identifies that the Public Finance System Law (2008), strengthening the Penal Code for Corrupt Offenses (2009), and the Anti-Corruption Law (2010) have been adopted. Institutional work is focusing on early development of the Anti-Corruption Unit provided under the Anti-Corruption Law. However, corruption remains a major issue and poses significant constraints on development effectiveness in Cambodia. ADB support to improve sector governance through improvement of the financial management and procurement systems, implementation of risk assessment and risk management plan at the project level, and improved local accountability through support for decentralization initiative is expected to further improve the governance environment.

27. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the executing agency and implementing agencies. The specific policy requirements and anticorruption measures are described in the PAM.

28. **Complaints redress mechanism.** The executing agency and implementing agencies will set up grievance redress mechanisms with outreach for all subprojects funded by ADB. The grievance and complaints mechanism will be posted publicly on the project website.

C. Poverty and Social

29. The 2013 floods exacerbated poverty and vulnerability with a particularly long period of inundation that seriously disrupted livelihoods and damaged infrastructure, particularly roads and irrigation. Damaged roads hamper physical access to markets, goods, and services, and damaged irrigation hinders agricultural production. In the wake of the 2011 floods, studies found that a large proportion of affected households had taken out loans to cope with the negative impact of the floods, and that loans were primarily taken to meet food needs. Poor and vulnerable families can very easily get trapped in a vicious cycle of overindebtedness, which makes the reconstruction of damaged infrastructure all the more urgent so that productive activities can be resumed as soon as possible. Restored infrastructure will have clear direct benefits for poor and vulnerable flood-affected rural households. The emergency restoration of rural roads has been given the highest priority under the project, since these are rural residents' lifelines. Other direct benefits will come from the construction jobs created and the cash income they generate.

30. **Gender action plan.** Rehabilitated national, provincial, and rural roads and irrigation facilities will benefit women and men. To support the reestablishment of livelihoods, a gender action plan was developed to ensure that the executing agency, implementing agencies, and civil works contractors pay particular attention to the inclusion of local unskilled laborers, and

²¹ Government of Cambodia. 2012. *Standard Operating Procedures. Updated Version*. Phnom Penh.

particularly unskilled women, on reconstruction crews. Women who are able to access income from construction jobs will be able to contribute to rebuilding their families' lives. The 2011 ADB Country Gender Analysis highlights that gender disparities in employment remain extensive in Cambodia, primarily because of traditional attitudes about appropriate occupations for women and men.²² This is particularly true in the construction sector, where it is believed that women either cannot or do not wish to engage in manual labor. However, women are heavily engaged in manual labor in the agriculture sector, and social and gender analysis undertaken in the context of rural road improvement projects confirms their willingness and availability for such work. The Ministry of Rural Development's Ready for Roads suite of training, monitoring, and outreach tools, developed in 2013, will be used to ensure that women are able to access at least 25% of the unskilled work days created.

D. Safeguards

31. **Environment.** The project is deemed category B for environment. Subproject selection criteria are formulated to avoid significant adverse environmental impacts. An environmental assessment and review framework (EARF) was prepared in 2012 and updated in 2014, and disclosed on 3 March 2014 in accordance with ADB's Safeguard Policy Statement (2009) and government laws and subdecrees.²³ The EARF includes environmental guidelines to mitigate impacts during subproject design and implementation. The PCMU and project implementation units (PIUs) will use experience gained from ADB-financed projects, and provide adequate capacity to manage environmental impacts with consultant support. Initial environmental examinations and environmental management plans for stage 2 subprojects will be prepared according to the EARF and will be incorporated into bidding and contract documents, with monitoring by PIUs. For stage 3 subprojects, initial environmental examinations and environmental management plans will be prepared consistent with the EARF. Environmental reporting to ADB by the PCMU will be semi-annual.

32. **Social.** The project is deemed category B for involuntary resettlement and category C for indigenous peoples. Subproject selection criteria will minimize land acquisition, resettlement impacts, and social risks.²⁴ Resettlement framework was updated and disclosed in accordance with ADB's Safeguard Policy Statement and government laws, regulations, and policies to guide planning and design of subprojects.²⁵ The PCMU and PIUs have gained safeguards monitoring experience from the Flood Damage Emergency Reconstruction Project, thereby ensuring the PIUs have the capability, with consultant support, to prepare resettlement plans. Consultation will be undertaken with subproject stakeholders during implementation to ensure participation and disclosure as per resettlement framework section IV, Table 1. Responsibilities are identified for each consultation and information disclosure activity. The executing agency will ensure a grievance redress mechanism is in place as described in section VI of the resettlement framework. All consultation activities will be documented in the semi-annual monitoring reports on social safeguards by the external monitoring organization for ADB. It has been confirmed that there are no indigenous peoples in the subproject areas covered under the additional financing.

²² ADB. 2012. *Cambodia Country Gender Analysis*. Manila.

²³ Environmental Assessment and Review Framework (accessible from the list of linked documents in Appendix 2).

²⁴ Stage 2 will exclude any subproject with involuntary resettlement impacts; stage 3 will exclude any subproject assessed to have significant involuntary resettlement impacts, and no subproject with impacts on indigenous peoples will be included.

²⁵ Resettlement Framework (accessible from the list of linked documents in Appendix 2).

E. Risks and Mitigating Measures

33. Major risks identified were in procurement, financial management, and perceived corruption. The project will implement specific actions to mitigate major risks through (i) supporting executing and implementing agencies to strengthen their capacity for procurement and monitoring contractors' works, to avoid irregularities during bidding; (ii) strengthening the capacity of the implementing agencies to improve financial management and internal control; and (iii) strictly monitoring and enforcing procurement procedures and contracts, and improving transparency through advertisements and disclosure of project information on executing agency websites. The complaint handling mechanisms developed under the original project will be used. Joint investigation of irregularities will be undertaken by the National Audit Authority and ADB's Office of Anticorruption and Integrity. Other risks and mitigating measures are described in detail in the risk assessment and risk management plan.²⁶ The integrated benefits and impacts are expected to outweigh the costs.

34. **Communications.** A shared objective of the ADB–government communication strategy is to build public awareness and recognition of the collaboration and its outcomes.²⁷ 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 2013 floods.

IV. ASSURANCES AND CONDITIONS

35. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan and grant documents.

36. **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

37. 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 the loan in various currencies equivalent to SDR48,545,000 to the Kingdom of Cambodia for the additional financing of 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.

Takehiko Nakao
President

2 April 2014

²⁶ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

²⁷ Communication Plan (accessible from the list of linked documents in Appendix 2).

REVISED DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators^a with Baselines^b	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
Impact Current project Economic and social recovery from the 2011 floods in the project provinces Overall project Economic and social recovery from the 2011 and 2013 floods in the project provinces accelerated	Current project 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 in 2010–2011 by 2018. Overall project Average traffic levels on project roads are restored to pre-flood levels or better by 2018 and 2020. Agricultural production of major crops in targeted areas equals or exceeds pre-flood levels in 2010–2011 by 2018 and 2012–2013 by 2020.	MPWT and MRD annual reports Production data from the Ministry of Agriculture, Forestry and Fisheries Commune database	Assumption Strong commitment by the government in implementing flood reconstruction projects Risk A severe follow-up flood during project implementation
Outcome Current project Restoration of critical public and social infrastructure assets to their original standards or better	Current project 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; MPWT and MRD annual reports MOWRAM and 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.

Design Summary	Performance Targets and Indicators^a with Baselines^b	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
Overall project Reconstruction of critical infrastructure to restore livelihoods and access and protect against future flooding.	Overall project 90% of damaged infrastructure (roads and irrigation) in subprojects in project provinces is reconstructed and rehabilitated by 2015 and 2017 Average travel times on project roads return to pre-flood levels or better by 2015 and 2017		Risk The project provinces suffer unexpected severe additional natural disasters.
Outputs Output 1 Current project National and provincial roads damaged by floods (including bridges and culverts) rehabilitated and reconstructed	Current project 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 laborers hired are women	MPWT monthly and annual reports ADB project completion report Consultant progress reports	Assumption MPWT committed to timely implementation of stage 2 and 3 subprojects
Overall project Unchanged	189 km of flood-damaged national and provincial roads (including bridges and culverts) reconstructed and upgraded by 2015 and 2017 Eight bridges along national road 11, provincial road 270 and provincial road 156D reconstructed by 2015 and 2017 At least 25%–30% of unskilled laborers hired are women ^c		Risks Sudden high increases in construction costs Negotiated contracts for stage 2 civil works fail because of lack of qualified contractors who could offer rates acceptable to MEF and implementing agency Limited financial management capacity

Design Summary	Performance Targets and Indicators ^a with Baselines ^b	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
<p>Output 2</p> <p>Current project Rural roads damaged by floods (including bridges and culverts) rehabilitated and reconstructed</p> <p>Overall project Unchanged</p>	<p>Current project 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 laborers hired are women</p> <p>Overall project 707 km of flood-damaged rural roads reconstructed and upgraded by 2015 and 2017^d Average roughness of project roads in 2011 and 2013 decreases from 14 to 7 in 2015 and 2017 At least 25%–30% of unskilled laborers hired are women</p>	<p>MRD monthly and annual reports</p> <p>Consultant progress reports</p> <p>ADB project completion report</p>	<p>Assumptions MRD committed to timely implementation of stage 2 and 3 subprojects</p> <p>Risk Same as output 1</p>
<p>Output 3</p> <p>Current project Irrigation facilities rehabilitated and reconstructed</p>	<p>Current project 26 flood-damaged irrigation schemes covering about 25,000 ha are reconstructed by 2015 At least 30% of unskilled laborers hired are women</p>	<p>MOWRAM monthly and annual reports</p> <p>Consultant progress reports</p> <p>ADB project completion report</p>	<p>Assumptions MOWRAM committed to timely implementation of stage 2 and 3 subprojects Timely delivery and installation of hydromet equipment</p>
<p>Overall project Irrigation facilities rehabilitated and flood management improved</p>	<p>Overall project At least 35 flood-damaged irrigation schemes covering about 62,500 ha reconstructed by 2015 and 2017</p>		<p>Risk Same as output 1</p>

Design Summary	Performance Targets and Indicators^a with Baselines^b	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
	Up to 8 AWSs and 10 hydrological stations installed or upgraded, equipped with civil works, equipment, and telemetry At least 25%–30% of unskilled laborers hired are women		
Output 4 Current project Project managed and monitored efficiently Overall project Unchanged	Current project 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 Overall project Project implemented on time and within budget by 2017 Unchanged Unchanged Timely monitoring and evaluating by implementing agencies, along with measures for corrective action during project implementation	Project reviews and project progress report MEF quarterly and annual progress reports Implementing agency periodical progress reports Implementing agency periodical progress reports	Assumption Project coordination proceeds effectively
Activities with Milestones (Overall Project) 1. National and provincial roads rehabilitated 1.1 MPWT retains original project detailed design and implementation supervision consultants by April 2014 (changed) 1.2 MPWT awards contracts in stage 2 subprojects by April 2014 (changed) 1.3 MPWT awards contracts in stage 3 subprojects by December 2014 (changed) 1.4 MPWT completes stage 3 subprojects by March 2017 (changed)			Inputs ADB Loan \$55,000,000 (current) \$75,000,000 (additional) \$130,000,000 (overall) Government \$6,930,000 (current) \$9,000,000 (additional) \$15,930,000 (overall)

Design Summary	Performance Targets and Indicators^a with Baselines^b	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
<p>2. Rural roads rehabilitated</p> <p>2.1 Confirm retention of original project design and implementation consultants by April 2014 (added)</p> <p>2.2 Award contracts for stage 2 subprojects by April 2014 (changed)</p> <p>2.3 Award contracts for stage 3 subprojects by December 2014 (changed)</p> <p>2.4 Complete reconstruction of 257 km of rural roads by March 2017 (changed)</p> <p>3. Irrigation rehabilitated and improved flood management</p> <p>3.1 Confirm retention of original project design and supervision consultants by April 2014 (added)</p> <p>3.2 Award contracts for stage 2 subprojects by April 2014 (changed)</p> <p>3.3 Award contracts for stage 3 subprojects by December 2014 (changed)</p> <p>3.4 Complete reconstruction of at least seven irrigation schemes by March 2017 (changed)</p> <p>3.5 Complete Sisophon data acquisition and flood forecasting and warning hydromet system by June 2016 (added)</p> <p>4. Project management and facilitation</p> <p>4.1 PCMU manages the overall project, 2014–2017 (changed)</p> <p>4.2 Implement and monitor the labor and gender action plans, 2014–2017 (added)</p>			<p>Government of Australia</p> <p>\$5,250,000 (current)</p> <p>\$6,680,000 (additional)</p> <p>\$11,930,000 (overall)</p>

ADB = Asian Development Bank, AWS = all-weather meteorological station, ha = hectare, km = kilometer, 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,

^a The indicators of the overall project are similar to those of the current project. The changes are mainly due to new timelines and cumulative outputs of the additional financing.

^b Baseline data will be surveyed and reported during the start of implementation (May-June 2014).

^c The reduction in percentage of women from 30% to 25% is due to the experience in the current project whereby constructions are machined based, the works are short and intermittent, and the difficulties faced by women due to less than-competitive daily rates for women working in urban areas or in neighboring countries.

^d The length of rural road reconstructed using additional financing is less than that of the current project because approximately 50 are paved with concrete pavement. The rural roads reconstructed by the current project used laterite only.

Notes:

1. "Current project" refers to the original project with past additional financing (if any). For example, for the second additional financing, "current project" refers to the original project and the first additional financing. The same principle applies to subsequent additional financing, if any.

2. "Overall project" refers to the original project with past (if any) and proposed additional financing. For example, for the second additional financing, "overall project" refers to the original project, the first additional financing, and the second additional financing. The same principle applies to subsequent additional financing, if any.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=46009-003-3>

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

Supplementary Documents

13. Cambodia Post-Floods Early Recovery Needs Assessment Report
14. Disaster Risk Management in Cambodia
15. Communication Plan
16. Gender Action Plan
17. Financial Management Assessment