



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 18-Dec-2023 | Report No: PIDA36868



**BASIC INFORMATION**

**A. Basic Project Data**

Country Cambodia	Project ID P181396	Project Name Additional Financing to Road Connectivity Improvement Project	Parent Project ID (if any) P169930
Parent Project Name Cambodia Road Connectivity Improvement	Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 15-Jan-2024	Estimated Board Date 28-Mar-2024
Practice Area (Lead) Transport	Financing Instrument Investment Project Financing	Borrower(s) Kingdom of Cambodia	Implementing Agency Ministry of Rural Development, Ministry of Public Works and Transport

Proposed Development Objective(s) Parent

The project development objective is to improve climate resilient road access to economic and human development facilities in targeted provinces.

Proposed Development Objective(s) Additional Financing

The project development objective is to improve climate resilient road access to economic and human development facilities in targeted provinces and, in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

Components

- Component 1: National and Provincial Roads Improvement
- Component 2: Rural Roads Improvement
- Component 3: Institutional Development and Project Management
- Component 4: Contingent Emergency Response

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	35.00
<b>Total Financing</b>	35.00
<b>of which IBRD/IDA</b>	35.00
<b>Financing Gap</b>	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	35.00
IDA Credit	35.00

Environmental and Social Risk Classification  
Substantial

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Cambodia achieved an average real growth rate of seven percent between 2009 and 2019, reaching a per capita gross domestic product of US\$1,671 in 2019.** The country attained lower-middle-income status in 2015. Economic development was inclusive, and the poverty rate declined from 33.8 percent in 2009 to 17.8 percent in 2019. During the COVID-19 pandemic, the economy contracted by 3.1 percent in 2020. Post pandemic recovery has been gradual, growing at 3.0 percent and 5.2 percent in 2021 and 2022, respectively. The Royal Government of Cambodia (RGC) introduced the 2021–2023 economic recovery plan in late 2021 to restore traditional growth drivers while embracing structural reforms to diversify the economy for sustaining growth momentum and enhancing socioeconomic resilience.

Sectoral and Institutional Context

2. **Cambodia’s export-driven growth relies on the continuous improvement of its transportation network and connectivity.** National logistics costs in Cambodia are estimated at 26 percent of GDP (2020) which is higher than most countries under the Association of Southeast Asian Nations (ASEAN) including Thailand (14 percent) and Vietnam (20 percent). Transportation costs are particularly high, representing more than 40 percent of total logistics costs. Road transport is the dominant mode in domestic transportation, carrying more than 90 percent of domestic passenger and freight demand. Although about 85 percent of national roads are paved as of 2022, only 38 percent of provincial roads and 10 percent of rural roads are paved, indicating a major gap on climate resilient last mile domestic connectivity. With trade and exports being an important economic growth engine, resilient and efficient transport connectivity is key to ensuring Cambodia’s international competitiveness.

3. **Climate change poses significant physical risk to Cambodia’s road infrastructure with riverine and flash flood as the most pressing threats.** According to the Country and Climate Development Report (CCDR) for Cambodia (2023), floods cause disruptions to critical services and supply chains. In 2020, a 1-in-50-year flood was estimated to have reduced the percentage of people with road access to a referral hospital within 60 minutes of travel time by up to 47 percent and the percentage of people with road access to a high school within 30 minutes of travel time by up to 21 percent. These disruptions to education and health facilities could have cumulative and compound effects on human capital accumulation. The floodable road network in Cambodia ranges from 9,141 km to 27,952 km, representing a total asset



value at-risk from US\$1,727 million to US\$5,280 million, depending on the flood return periods. Road infrastructure therefore needs to be designed applying climate resilience approaches and ‘road for water’ principals to maximize normal water passage underneath the roads located in floodplain and enhance of surface and hydraulic designs to adapt to increasing flood risks.

4. **Cambodia Road Connectivity Improvement Project (RCIP) was approved on July 16, 2020, with a total financing of SDR 73.00 million (US\$ 100 million equivalent at approval). RCIP was declared effective on October 26, 2020.** The PDO is to improve climate resilient road access to economic and human development facilities in targeted provinces. The project was designed to benefit three targeted provinces, namely Kratie, Kampong Cham, and Tbaung Khmum with over two million rural population. Using a human-centric approach, RCIP improves climate resilient road accessibility for local communities to reach crucial human development facilities, such as hospitals, emergency medical facilities, and schools. The project also helps in improving road access to economic facilities such as local markets for agriculture products; and reducing transportation costs and the risk associated with flood-induced transportation disruptions. The Ministry of Public Works and Transport (MPWT) and the Ministry of Rural Development (MRD) are the two Implementing Agencies of the project. The original project closing date is July 31, 2027.

5. **The project is part of the World Bank Group Program** described in the Country Partnership Framework (CPF) for Cambodia 2019–2024 (CPF Objectives 8 ‘Expand and Improve Sustainable Infrastructure Services’). The project contributes to the World Bank’s mission to end extreme poverty and boost shared prosperity on a livable planet by extending the benefits of climate-resilient road accessibility and lower transportation costs to a broader segment of the population in rural areas, where most of the poor and near-poor are concentrated. The project also contributes to RGC’s development strategy which prioritizes the enhancement of transport connectivity and efficiency to support economic diversification and competitiveness under the Pentagonal Strategy Phase 1 (2023).

### C. Proposed Development Objective(s)

#### Original PDO

6. The project development objective is to improve climate resilient road access to economic and human development facilities in targeted provinces.

#### Current PDO

7. There is no change from the original PDO. The PDO remains as to improve climate resilient road access to economic and human development facilities in targeted provinces and, in case of an Eligible Crisis or Emergency, repond promptly and effectively to it.

#### Key Results

8. The achievement of the PDO is measured by the following key result indicators. The Result Framework (RF) and result indicators of the original project remain effective and relevant. The proposed Additional Financing (AF) will update the target values and measurement methodology for several result indicators to align with recently completed baseline socio-economic surveys, and to better monitoring and measuring progress and impact.

- (a) Facilities with improved climate resilient road access (number, disaggregated by facility):



- (i) Economic facilities: markets (number)
- (ii) Human development facilities: schools (number)
- (iii) Human development facilities: hospitals (number)
- (b) Number of people that benefit from improved access to sustainable transport infrastructure and services (number, thousand)
- (c) Travel time reduction along the project-financed national and provincial roads (percentage)
- (d) Project-financed assets (road and bridges) have a sustained resilience with service level maintained under the OPBRC (percentage)

#### D. Project Description

9. **Project design, including components, implementation agencies, and implementation arrangements for the proposed AF will remain the same as under the original project.** The project components include:

- (a) **Component 1 National and Provincial Roads Improvement (US\$47.00 million)** includes two subcomponents. Subcomponent 1.1 (US\$44.00 million) finances the improvement and maintenance of the section of National Road (NR) 7, NR73, and Provincial Road (PR) 377 and PR377A. Subcomponent 1.2 (US\$3.0 million) finances the costs of supervision and design activities. This component is managed by MPWT.
- (b) **Component 2 Rural Roads Improvement (US\$47.00 million)** includes two subcomponents. Subcomponent 2.1 (US\$44.00 million) finances the improvement and maintenance of prioritized rural roads. Subcomponent 2.2 (US\$3.00 million) finances the costs of supervision and design activities. This component is managed by MRD.
- (c) **Component 3 Institutional Development and Project Management (US\$6.00 million)** includes two subcomponents: Subcomponent 3.1 (US\$3.00 million) supporting MPWT and Subcomponent 3.2 (US\$3.00 million) supporting MRD.
- (d) **Component 4 Contingent Emergency Response** is a zero-dollar component designed to provide swift response in the event of an eligible crisis or emergency, by enabling the RGC to request the World Bank to reallocate project funds to support emergency response and reconstruction.

10. **AF is sought to fill the financing shortfall revealed from the bidding outcomes across the existing project activities, mainly from road works contracts.** High inflation and price increases of key inputs, including fuel and bitumen, over the past three years have resulted in higher bid prices for civil works than the engineering estimates conducted in 2019 before the approval of the original project. In addition, SDR/USD exchange rate fluctuation since the approval of parent project has also contributed to financing gap. Furthermore, the need for additional climate resilience interventions identified by detailed survey works and engineering designs for the project roads has further increased the financing needs. The AF will also include contingency allocation for ongoing road works as well as for potential additional technical studies and capacity building activities related to road network and asset management and maintenance practices by MPWT and MRD. The total financing gap is estimated to be US\$35.00 million.

11. **In addition to covering the financing shortfall, the proposed AF is also to process Project Restructuring to the original project to ensure the achievement of the PDO.** The proposed project restructuring includes (a) extending the project closing date by twenty-two-months, from the original closing date of July 31, 2027, to May 31, 2029. Such extension allows the project to cover road maintenance period under Outputs-and-Performance Based Road Contracts



(OPBRC) to maximize the benefits of investment; (b) to include the Contingency Emergency Response Component (CERC) to PDO; (c) to update the Result Framework to better track progress and impact, and (d) to change the segregated Designated Account (DA) to a pooled DA for the parent project and the AF and update the disbursement projection considering the extended project timeline. Other elements of project design, scope, and implementation will remain the same as for the parent project.

Legal Operational Policies

**Triggered?**

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts



12. **Potential negative environmental impacts from road works include (a) possible erosion and run off to water bodies during earthworks; (b) occupational and community health and safety including temporary traffic blockages and traffic safety; (c) the possibility of cutting trees/branches; (d) pollution from construction (dust, noise and vibration, wastewater, solid wastes, and used oil); (e) use of construction materials such as soil and gravel and use of water for construction; and (f) the possibility of irrigation or drainage channel blockages, and so on.** These impacts are temporary and reversible and duly managed by applying good construction practices and respective mitigation measures. Climate change and disaster risk screening have identified extreme precipitation and flooding as major risks related to climate change which is mitigated by ensuring adequate adaptation and flood resilience measures in the design of road investments. Both MPWT and MRD have significant experience in implementing World Bank-financed projects with improved track records on safeguards compliance. The ESF instruments including the Environmental and Social Management Plans (ESMPs) considering risks and impacts of the reconstruction of NRs/PRs under Component 1, the Environmental and Social Management Framework (ESMF) establishing procedures and responsibilities for addressing specific environmental and social risks and impacts of the rehabilitation of rural roads under Component 2, site-specific ESMPs under Component 2, the Resettlement Policy Framework (RPF), and Stakeholders Engagement Plan (SEP) have been developed and are used by the implementing agencies to address specific risks and implement appropriate mitigation measures to avoid or manage the impacts. The Environmental and Social Commitment Plan (ESCP) has been updated for the purposes of AF and summarizes specific actions to be implemented by MPWT and MRD within a certain time frame to meet the requirements of Environmental and Social Standards (ESSs) found relevant for the project.

13. **Direct and indirect social risks associated with rehabilitation and improvement of existing national, provincial, and rural roads are mostly temporary, predictable, and avoidable. While no physical displacement neither happened so far not is expected to happen, the social risks and impacts result from a small number of roadside vendors who might have to be partially economically displaced, impacts to small strips of gardens, trees or agricultural areas/crops, fences of houses/farms encroaching the right-of-way and realignment of small sections of roads and renovation of some bridges; temporary labor influx of workers in low-density areas; and risk of GBV, VAC, and child labor.** Although indigenous people are found present in some project areas, the project is unlikely to encounter circumstances that necessitate Free, Prior and Informed Consent (FPIC) as defined in ESS7 for the planned roads under Component 2. This is primarily because the project is unlikely to have adverse impacts on land and natural resources subject to customary use/occupation; involve relocation, or have significant impacts on cultural heritage. This will be determined with greater certainty once activities under Component 2 are finalized and the presence of IP groups are found. Special attention is paid during project implementation to monitor and enforce compliance in the application of ESS2 (Labor and Working Conditions), particularly to child labor; ESS4 (Community Health and Safety), because temporary labor influx of workers is expected; and ESS5 (Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement) because of the potential negative impacts to vendors operating close to the improved roads, impacts to small strips of gardens, trees or agricultural areas/crops, fences of houses/farms encroaching the right-of-way plus the realignment of small sections of roads and the renovation of some bridges.

## E. Implementation

### Institutional and Implementation Arrangements

14. **Project implementation agencies, and implementation arrangements for the proposed AF will remain the same as under the original project.** MPWT and MRD will continue using the existing Project Implementation Teams, including offices, equipment's, personnels, systems and procedures to implement the AF, under the supervision of the existing Project Steering Committee. The current Project Operations Manuals (including CERC Operations Manual) will remain effective for the AF. Procurement and financial management arrangements will remain the same. The Department of



Finance in MPWT and Department of Finance and Supply in MRD continue to have overall responsibility for the project FM and disbursements for their respective project components. Procurement plans are also being updated by both Implementing agencies to reflect the proposed change of project amount through AF and the extension of the project implementation timeline. The existing ESF documents for the original project remain applicable to the AF. The Environmental and Social Commitment Plan and Stakeholder Engagement Plan have been updated for the purposes of AF and duly disclosed by the MPWT and MRD.

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