



# Cambodia: Livable Cities Investment Project

Project Name	Livable Cities Investment Project				
Project Number	53199-001				
Country	Cambodia				
Project Status	Proposed				
Project Type / Modality of Assistance	Loan				
Source of Funding / Amount	<table border="1"><tr><td>Loan: Livable Cities Investment Project</td><td></td></tr><tr><td>concessional ordinary capital resources lending / Asian Development Fund</td><td>US\$ 180.00 million</td></tr></table>	Loan: Livable Cities Investment Project		concessional ordinary capital resources lending / Asian Development Fund	US\$ 180.00 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration				
Drivers of Change	Governance and capacity development Knowledge solutions				
Sector / Subsector	Water and other urban infrastructure and services - Urban flood protection - Urban policy, institutional and capacity development - Urban sewerage - Urban solid waste management				
Gender Equity and Mainstreaming	Effective gender mainstreaming				
Description	The project will focus on enhancing urban planning, building community resilience, and providing infrastructure that will facilitate long-term sustainable and economic growth. The project is consistent with the strategic goals set in the government's RSIV and ADB Strategy 2030. It supports Strategy 2030's key operational priorities of tackling climate change, making cities more livable, strengthening governance and institutional capacity, and accelerating gender equality. It is also aligned with the draft Country Partnership Strategy 2019-2023, the GMS Urban Development Strategic Framework 2015-2022, and Cambodia's Industrial Development Policy (2015-2025), which provides the overarching vision that guides the Country Partnership Strategy.				

Project Rationale and Linkage to Country/Regional Strategy

Cambodia has made significant strides in economic development. Its per capita gross domestic product increased five times from \$300 in 2000 to \$1,500 in 2018.<sup>1</sup> Cambodia's economic growth in 2018 remained strong, estimated at 7.3% and fueled by increased tourism and strong foreign direct investment.

Cambodia has experienced steady urban growth over the last decade. Since 2008, the urban population has grown at a rate of 3.4% per annum and it currently represents approximately 23% of the total population. By 2030, the urban population is projected to represent 30% of the total population.<sup>3</sup> Urban development will transform the current rural based economy of Cambodia by providing opportunities for the country to increase employment and rural-urban interactions, improve wages, and reduce the percentage of the population living in absolute poverty. To date, the urban population has concentrated around the capital city of Phnom Penh. However, this is slowly spreading to secondary cities such as Poipet, Bavel, Kampot, Battambang, Siem Reap, Sihanoukville, and Kep.

The government has identified a need to strengthen public institutions and human and financial capacity; promote employment; reduce income inequality; and address the growing requirements for public services, including infrastructure. This is emphasized in the government's Rectangular Strategy Phase IV (RSIV), which promotes strategies to accelerate governance reform through institutional and capacity building, and promotion of integrity in public administration, work efficiency and private sector governance. The RSIV is supported by four rectangles with the urban sector fitting into the fourth rectangle of inclusive and sustainable development. <sup>4</sup> It identifies a priority to (i) improve management of urbanization and develop infrastructure master plans that supports the provision of critical infrastructure; (ii) minimize environmental impacts; and (iii) develop the capacity to manage climate change and adopt principles of smart cities, green growth and sustainable development.

Due to rapid urbanization, communities have been established in areas that are not equipped with the basic and essential infrastructure. The government has recognized the growing trends and demands of urbanization and has identified a need to invest in long term land use and urban planning. The Law on Land Use Planning, Urbanization and Construction which sets requirements for development plans and land use plans was enacted in 1994.<sup>5</sup> However, despite the frameworks and policies guiding urban and land use planning, urbanization in Cambodia remains largely uncoordinated and unregulated.

The provision of sustainable urban infrastructure and services is critical to promoting economic opportunities, minimizing environmental degradation, improving livability to the residents and reducing exposure to the effects of climate change and extreme events. The state of urban infrastructure and services in the country is described below:

(i) The national access to improved water supply<sup>6</sup> across the country in 2016 was 61.1%, of which 29.5% have access to piped water. For urban areas (excluding Phnom Penh), about 78.8% has access to improved water source, but only 56.8% has access to piped water

(ii) Countrywide, 72.9% have access to improved toilet facilities, where a large majority are connected to a septic system and only 13.4% have access to a wastewater network. In urban areas (excluding Phnom Penh), 87.9% have access to improved toilet facilities, but only 15.3% is serviced through a wastewater network.

(iii) Drainage network and solid waste management (SWM) remain underdeveloped. There are no sanitary landfills and solid waste collection services (generally outsourced to private contractors) are also limited. Uncollected wastes are either burnt or dumped in open areas and waterways, and the lack of a functioning drainage network and SWM exacerbates the impacts of flooding in many cities and towns.

Responsibility for the water supply and sanitation sector is fragmented, requiring cooperation among ministries and overcoming structural and organizational weaknesses:

(i) The Ministry of Industry and Handicraft is responsible for urban water supply and service delivery is entrusted to the provincial waterworks (PWWs) under provincial administration.

(ii) The Ministry of Public Works and Transport (MPWT) is responsible for urban sanitation, while the provincial wastewater units (PWUs) under provincial administration oversee operation and maintenance.

(iii) However, the PWWs and PWUs have limited autonomy provincial waterworks operate using their revenues from water tariffs while PWUs operate with limited revenues as the recovery of sanitation tariffs is mixed with the provincial revenues.

The secondary cities of Poipet, Bavel, Kampot, and Battambang were selected due to its economic potential and location at key trade and tourism zones and critical for regional cooperation and integration. Permanent and transient population in these cities have increased recently and the capacity of existing basic urban infrastructure is affecting its ability to meet its potential as key economic and tourism centers. Poipet and Bavel were identified as economic hotspots for further development in the Greater Mekong Subregion and all four cities build on previous ADB investments, which allows for continuity of work and further expansion of key urban infrastructure.

The government has adopted national targets for water supply and sanitation which is to achieve 100% service coverage for both water supply and sanitation by 2025. However, access to urban infrastructure and services in these cities is limited, and due to poor service access, it affects their ability to function as economic centers.

Obtaining full cost recovery on the assets, which includes water supply, sanitation, drainage, and solid waste, has been limited due largely to weak tariff structures. Battambang, Kampot, and Bavel are reliant on central government transfers for more than 90% of their fiscal needs, as local revenue, comprising local taxes and tariffs is only able to cover on average about 2.8% to 6.8% of the recurrent costs. Poipet, on the other hand, is financially independent and not reliant on any subsidy and transfers from the government.

Impact	Livability of secondary cities improved
Outcome	Access to urban infrastructure and services in participating cities improved.
Outputs	Policy and regulatory environment improved. Urban infrastructure improved. Institutional effectiveness and governance improved.
Geographical Location	Battambang, Bavel, Kampot, Poipet

Safeguard Categories	
Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B

Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	The project will involve the construction of infrastructure, such as wastewater treatment plants and solid waste landfills and there may be a need to address temporary and permanent resettlement impacts, as well as land acquisition. The extent of the impacts on resettlement and land acquisition will be determined and confirmed during the project preparation stage and the categorization will be reviewed once the subproject requirements have been confirmed.
Indigenous Peoples	Resettlement involving land acquisition or temporary and permanent resettlement may affect IP land, however the extent and significance of the impact will be confirmed during the project preparation by SURF. It is unlikely that the project will involve any commercial development on traditional and customary lands, physical relocation from customary lands, or commercial development of cultural resources and knowledge of indigenous people. The community will be involved through consultation and community participation during the project preparation phase.

Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Wei Kim Swain

Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Urban Development and Water Division, SERD
Executing Agencies	Ministry of Public Works and Transport 4th Floor Eastern Building Corner Norodom Boulevard Street 106 Phnom Penh, Cambodia

Timetable	
Concept Clearance	16 Oct 2019
Fact Finding	20 Feb 2021 to 25 Feb 2021
MRM	25 Mar 2021
Approval	-
Last Review Mission	-
Last PDS Update	19 Oct 2019

Project Page	<a href="https://www.adb.org/projects/53199-001/main">https://www.adb.org/projects/53199-001/main</a>
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