



# Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 26-May-2025 | Report No: PIDDC01327



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**BASIC INFORMATION**

**A. Basic Project Data**

|                                                               |                                         |                                                                  |                                   |
|---------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|-----------------------------------|
| Project Beneficiary(ies)<br>Cambodia                          | Operation ID<br>P510547                 | Operation Name<br>Cambodia Regional Connectivity Improvement     |                                   |
| Region<br>EAST ASIA AND PACIFIC                               | Estimated Appraisal Date<br>15-Dec-2025 | Estimated Approval Date<br>25-Mar-2026                           | Practice Area (Lead)<br>Transport |
| Financing Instrument<br>Investment Project<br>Financing (IPF) | Borrower(s)<br>Kingdom of Cambodia      | Implementing Agency<br>Ministry of Public Works<br>and Transport |                                   |

**Proposed Development Objective(s)**

The Project Development Objectives (PDO) are to improve the efficiency and resilience of transport and trade along the selected regional corridor sections in Cambodia.

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

**Maximizing Finance for Development**

|                                                 |     |
|-------------------------------------------------|-----|
| Is this an MFD-Enabling Project (MFD-EP)?       | Yes |
| Is this project Private Capital Enabling (PCE)? | Yes |

**SUMMARY**

|                      |        |
|----------------------|--------|
| Total Operation Cost | 235.00 |
| Total Financing      | 150.00 |
| of which IBRD/IDA    | 150.00 |
| Financing Gap        | 85.00  |

**DETAILS**

**World Bank Group Financing**

|                                             |        |
|---------------------------------------------|--------|
| International Development Association (IDA) | 150.00 |
| IDA Credit                                  | 150.00 |



Environmental and Social Risk Classification

Substantial

Concept Review Decision

The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- Cambodia maintained remarkable economic growth over the two decades preceding the pandemic.** The economy grew at an average annual rate of 8.2 percent between 2000 and 2019, driven by tourism, manufacturing exports, real estate, and construction. Poverty rates fell significantly from 33.8 percent in 2009 to 17.8 percent in 2019/20. However, the COVID-19 pandemic and global inflationary pressures have temporarily reversed some of these gains. Investments and reforms are needed to sustain inclusive growth, foster competitiveness, manage natural resource wealth sustainably, and improve access to quality public services. Sustained growth will require improved infrastructure, including enhanced transport connectivity and logistics to support trade and economic diversification.
- Cambodia is located at the heart of Southeast Asia, a diverse region home to low, middle, and high-income economies experiencing varying degrees of economic resilience.** Before COVID-19, many countries in the region averaged robust annual GDP growth rates. While the pandemic disrupted progress, the region has been steadily recovering, albeit below pre-pandemic growth levels. Trade disruptions from the pandemic have intensified the focus of the countries in the region on intra-regional commerce and investments in shorter regional routes. In 2023, intra-regional trade accounted for approximately 22 percent of ASEAN's<sup>1</sup> total trade, valued at US\$775 billion<sup>2</sup>. Cambodia's exports to ASEAN markets have expanded, reaching 28 percent of the country's total exports in 2024, up from 14.6 percent in 2022, reflecting a growing trade with neighboring markets<sup>3</sup>. In this context, improving Cambodia's sections of the Asian Highway 21 (AH21) transport corridor has become particularly timely. While AH21 has long been designated as a regional corridor, new economic drivers have increased its strategic relevance; the post-COVID supply chain reconfigurations and the emergence of Viet Nam's Central Highlands as a major logistics hinterland have created stronger demand for east-west corridors with robust inland resilience.
- Cambodia is highly vulnerable to climate change impacts, particularly floods and extreme heat.** According to the Country and Climate Development Report for Cambodia (CCDR)<sup>4</sup>, climate risks could exacerbate poverty and disrupt trade, potentially lowering GDP by 3-9 percent by 2050. Floods cut off transport access to critical services, delay supply chains, and harm competitiveness. Prolonged flood disruptions from intensified extreme climate hazards could increase daily indirect costs for trade partners by up to 5 percent from the baseline. Climate-induced flooding events substantially impact access to jobs and services in Cambodia, including in the provinces targeted by the proposed

<sup>1</sup> The Association of Southeast Asian Nations (ASEAN) countries consist of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

<sup>2</sup> ASEAN. 2024. ASEAN Key Figures 2024

<sup>3</sup> World Bank. 2024. Cambodia's export revival and trade shifts

<sup>4</sup> World Bank. 2023. Cambodia Country Climate and Development Report.



project. Under a 50-year flood scenario, it is estimated that road accessibility to jobs within 60-minute travel time drops by nearly 28 percent, severely limiting livelihood opportunities and access to economic activities.<sup>5</sup>

#### Sectoral and Institutional Context

4. **Road transport accounts for over 90 percent of Cambodia's domestic freight and passenger movements, connecting agricultural and industrial production areas to markets.** While inland waterways (notably along the Mekong, Bassac, and Tonle Sap) and railways (totaling about 650 km) provide alternative routes, their share in national transport activity remains limited. Road connectivity is crucial for linking domestic producers to key trade gateways, facilitating international trade.

5. **Notable progress has been made in improving the main road network, although infrastructure gaps remain, and financing for maintenance is insufficient.** The Ministry of Public Works and Transport (MPWT) is managing about 20,000<sup>6</sup> kilometers of national and provincial roads, and the Ministry for Rural Development (MRD) is responsible for about 47,900 kilometers of rural roads. Truck overloading remains a critical sector issue to be addressed, not only for prolonging the lifespan of road infrastructure but also for road safety.

6. **Trade remains central to Cambodia's economic growth and ambition to become a high-income country by 2050.** Containerized import and export cargo movement has increased more than fivefold over the past 12 years and is expected to double by 2030.<sup>7</sup> Export trends show a rising share of trade with the United States (39 percent in 2023, up from 24 percent in 2018), while the European Union's share has declined from 30 percent to 15 percent over the same period. On the import side, China dominates with a 44.6 percent share in 2023 (exports to China accounted for 6.4 percent in the same year). The share of exports to ASEAN countries has been steadily increasing. Viet Nam, Thailand, Singapore, Indonesia, and Malaysia are Cambodia's top five trading partners in ASEAN. Improved infrastructure and cross-border transit procedures will be critical for Cambodia to expand and diversify its export markets, especially within ASEAN.

7. **Cambodia's road network is highly exposed to climate risks, particularly from riverine and flash floods.** The flood-prone road network spans 9,141 km to 27,952 km, with an asset value-at-risk ranging from US\$1.7 billion to US\$5.2 billion, depending on flood return periods. Cambodia relies heavily on National Road (NR) 1 and NR5 to transport freight to Viet Nam and Thailand. However, due to the location close to the Mekong River system and the Tonle Sap Lake, this road link is extremely prone to riverine flood risks. Although NR1 and NR5 have been fully paved since 2015, flood disruptions occur regularly. Cambodia needs to develop alternative climate-resilient export and transit freight routes in response to the increasing long-term climate change risks. Compared to the traditional north-south trade corridor, AH21 links Cambodia's underserved northeastern provinces and offers a climate-resilient alternative to the southern routes.

8. **The Country Gender Action Plan (CGAP) for Cambodia<sup>8</sup> highlights some gender disparities in employment.** About 74 percent of women in Cambodia participate in the formal labor force, compared to 86 percent of men. It is estimated that women account for 29 percent of senior and middle management positions. While there is a gender gap in earnings across sectors, it is higher in the construction industry. Transportation and road accessibility challenges are among the constraints to accessing job opportunities.

<sup>5</sup> World Bank. 2024. Resilient Transport Series. Cambodia Geospatial Analysis for Resilient Road Accessibility.

<sup>6</sup> Ministry of Public Works and Transport. Royal Government of Cambodia. 2024

<sup>7</sup> World Bank. 2024. Cambodia's Regional Connectivity: Unlocking the Full Potential of Transport Corridors.

<sup>8</sup> World Bank. 2024. Cambodia Country Gender Action Plan FY25-FY29



## Relationship to CPF

9. **The proposed project is closely aligned with the WBG Country Partnership Framework (CPF) with Cambodia for FY2025-2029<sup>9</sup>.** It supports the CPF Objective 5: Expand and Improve Infrastructure Connectivity by improving regional connectivity and strengthening Cambodia's trade and integration into regional value chains. These outcomes directly support the CPF's high-level objective of Enhanced Competitiveness for Better Jobs (HLO2), which identifies quality infrastructure as a foundation for private sector-led growth and productivity improvements. The proposed project is also closely aligned with the development strategy of the Royal Government of Cambodia (RGC), including the Pentagonal Strategy Phase 1 and Comprehensive Intermodal Transport and Logistics System Master Plan 2023–2033 that emphasize the improved connectivity, cross-border trade, and climate resilience as pathways to achieving development ambitions. The proposed project is consistent with the RGC's climate commitments and strategies. Building climate-resilient infrastructure is a key focus of climate change adaptation in Cambodia's Nationally Determined Contributions (NDCs) under the Paris Agreement.

## C. Proposed Development Objective(s)

10. The Project Development Objectives (PDO) are to improve the efficiency and resilience of transport and trade along the selected regional corridor sections in Cambodia.

### Key Results (From PCN)

11. **PDO Indicators.** The following PDO level indicators are proposed for measuring key results.
- People with enhanced resilience to climate risks (number, Scorecard)
  - Average vehicle operating cost on the project roads (percentage)
  - Average cross-border processing time at selected border checkpoints in Cambodia (hours)

## D. Concept Description

12. **The proposed project aims to improve climate-resilient connectivity along Cambodia's section of the Asian Highway 21 (AH21), a critical East-West corridor connecting Cambodia with Thailand and Viet Nam, with a northern extension to Lao PDR.** The road sections in Cambodia from Siem Reap to Ratanakiri (Ban Lung) require investment to address the connectivity constraints and climate resilience of supply chains along this regional corridor. The proposed corridor improvement is expected to generate significant economic benefits while addressing spatial disparities in Cambodia. The project is expected to catalyze job creation by fostering private sector investment in logistics, agribusiness, tourism, and trade-related services. Improving the Cambodia section of the corridor will enhance trade with neighboring countries and generate substantial positive cross-border externalities for the region. The proposed project aligns with the Master Plan for ASEAN Connectivity 2025 (MPAC 2025), which prioritizes connectivity-oriented infrastructure projects of member countries<sup>10</sup>. The proposed road is also a part of the GMS Regional Southern Economic Corridor.<sup>11</sup>

13. **Component 1: Climate-resilient regional connectivity improvement.** This component will finance: (i) Subcomponent 1.1. Climate-resilient road improvement and maintenance works of the selected sections of the AH21 corridor between Siem Reap and Ratanakiri (Ban Lung) in Cambodia, and (ii) Subcomponent 1.2: Consultancy services for construction supervision, design, and technical studies. MPWT has commenced preparing engineering designs and

<sup>9</sup> World Bank. 2024. Cambodia Country Partnership Framework for the Period of FY25-FY29. Report Number: CPF0000016

<sup>10</sup> ASEAN. 2019. Enhancing ASEAN Connectivity: Initial pipeline of ASEAN Infrastructure Project.

<sup>11</sup> ADB. 2018. Review of Configuration of the Greater Mekong Subregion Economic Corridors.



bidding documents with the support of an international consulting firm. The overall technical framework for the engineering design will follow the ASEAN Highways Class 2 standards, including 7-meter AC paved two traffic lanes (3.5 meters for each direction) and paved road shoulders on each side. In most sections, the Right of Way (ROW) is large enough to extend the current width for adding paved road shoulders. Output and performance-based road contracts (OPBRC) will be used for road improvement and maintenance based on experience and lessons learned from the ongoing World Bank-financed road projects in Cambodia. Design engineers will conduct detailed flood and hydrology assessments and integrate resilient engineering solutions for road pavement, drainage, and structures. The road design would require a major focus on enhancing traffic safety, including extending and paving road shoulders to create a dedicated lane marked for 2-wheelers, speed calming measures, and safety zones at villages, schools, and markets.

14. **Component 2: Trade facilitation, multimodal transport, and logistics improvements.** This component will support prioritized activities with RGC to enhance trade facilitation, multimodal transport, and logistics. Technical partners of Component include the MPWT General Department of Logistics, MEF General Department of Customs and Excise (GDCE), and the Ministry of Commerce (MOC). The preliminary scope of the component includes Sub-component 2.1 - Institutional Development support to the Secretariat of the National Logistics Council; Sub-component 2.2 - Modernization of the customs IT systems and infrastructure; Sub-component 2.3 - Improvement of operations of selected border gates; and Sub-component 2.4 - Modern truck overloading control system (weigh-in-motion) along key main network nodes. The scope of the component and subcomponents will be further assessed and confirmed during project preparation.

15. **Component 3: Project Management and Capacity Building.** This component will support project management and capacity building, including procurement, financial management, environmental and social oversight, monitoring and evaluation, technical studies, training, and incremental operation costs.

16. **Contingent Emergency Response.** This component will provide an immediate response to an Eligible Crisis or Emergency, as needed. In an Eligible Crisis or Emergency, the RGC can seek reallocation of project funds to support emergency response and recovery.

#### Legal Operational Policies

| Policies                                    | Triggered? |
|---------------------------------------------|------------|
| Projects on International Waterways OP 7.50 | No         |
| Projects in Disputed Area OP 7.60           | No         |

#### Summary of Screening of Environmental and Social Risks and Impacts

Environmental and social risks of the Project are both categorized as Substantial. The project is expected to bring significant benefits to the communities by reducing the travel time to reach schools, health, and other public service centers; expand access to markets and work opportunities, in particular access to Vietnam; enhance connectivity during rainy season by providing climate-resilient roads; improve road safety through the establishment of road shoulders, better signage and other road measures, and improve air quality due to dust improved road surfaces. The project has also the potential to cause some potential direct, indirect and cumulative adverse environmental and social risks and impacts, which are expected to be site-specific, largely predictable, and mostly contained to the construction and



maintenance activities. The project will support roads improvement and maintenance which may including road widening within the existing ROW, whilst applying an avoidance strategy of land acquisition impacts, elevating flood-prone sections, constructing/improving structure including bridges and drainage, cross section/box culverts, etc. By widening, this project means increasing the existing carriageway on the existing two-lanes to improve safety and reduce congestion, mostly affecting road shoulders which will be paved/sealed to enable motorbikes and bicycles to use it instead of the main carriageway which is used by trucks and vehicles. The project may also consider developing rest areas, if public land is available, for the benefit and safety of drivers, as well as installing EV charging stations. Potential direct environmental risks are typical of brownfield road improvements in mixed-use landscapes, including roadside tree cutting, erosion, runoff from earthworks, occupational and traffic safety risks, construction-related pollution, presence of UXO and potential disruptions to irrigation and drainage systems. Biodiversity risks may arise from poorly managed borrow pits, worker camps, equipment storage areas, and asphalt plants. While improving road conditions would greatly contribute to better access to public services, it could also increase access to natural resources, forest in particular, which could exacerbate deforestation from logging, illegal hunting and fishing and land clearance/grabbing in the areas. On the other hand, social risks are likely to result from (i) occupational and health and safety (OHS) risks to project workers during the construction, including those operating heavy/machinery and traffic-related risks; (ii) management of worker's camps and Asphalt Mixing Plants/AMPs; (iii) discrimination of female workers for jobs in construction, both related to hiring and salary rates; (iv) harassment or sexual/violence of female workers; (v) traffic safety for communities living along the road, as well as road users both at construction and operation phase; (vi) potential impacts from labour influx, including spread of communicable diseases, conflicts with communities and sexual violence; (vii) limited impacts to structures (fences, roofs, pavement, small/temporary shop structure) or trees/branches where these are too close to the COI; and (viii) impacts, positive or negative, to Indigenous peoples living on, or close to, the road, including indirect impacts from road connectivity. No adverse impacts are expected for three cultural heritage sites near the road; however, close coordination with relevant authorities is essential. While MPWT has experience with Bank-financed projects, additional staff and consultants will be required for effective implementation.

## CONTACT POINT

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### Borrower/Client/Recipient



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**APPROVAL**

|                      |                                                            |
|----------------------|------------------------------------------------------------|
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|----------------------|------------------------------------------------------------|

**Approved By**

|                           |                      |             |
|---------------------------|----------------------|-------------|
| Practice Manager/Manager: | Benedictus Eijbergen | 28-Apr-2025 |
| Country Director:         | Mariam J. Sherman    | 26-May-2025 |