

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC7833

Project Name	KH - Road Asset Management Project II (P150572)
Region	EAST ASIA AND PACIFIC
Country	Cambodia
Sector(s)	Rural and Inter-Urban Roads and Highways (97%), Central government administration (3%)
Theme(s)	Other public sector governance (40%), Infrastructure services for private sector development (40%), Administrative and civil service reform (20%)
Lending Instrument	Investment Project Financing
Project ID	P150572
Borrower(s)	The Kingdom of Cambodia
Implementing Agency	Ministry of Public Works and Transport
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	01-Feb-2016
Date PID Approved/ Disclosed	01-Feb-2016
Estimated Date of Appraisal Completion	18-Dec-2015
Estimated Date of Board Approval	17-Mar-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Cambodia has experienced remarkable economic growth and macroeconomic stability since the early 2000's. It grew by an average annual rate per capita of 7.8 percent in 2004-2014, ranking among the top 15 economies in the world in terms of economic growth. GDP per capita increased by more than fourfold, from US\$ 253 in 1993 to around US\$ 1,090 in 2014. The main drivers of growth have been garment, manufacturing, agriculture, tourism and, more recently, construction and real state. Economic growth eased in the aftermath of the 2009 global crisis, while remaining strong at 7.2 percent in 2010-2014, on average. Growth is projected to ease slightly to 6.9 percent in 2015, in a context of slowdown in China and appreciating US dollar; stronger domestic demand, boosted by a construction boom, low oil prices, and fast credit growth, would be partly offsetting the moderation in the garment, tourism and agriculture sectors. Cambodia is expected to have reached the lower middle income status in 2015.

The sustained economic performance has lifted a large proportion of the population above the national poverty line, but Cambodia is still one of the poorest countries in the South-East Asia region. Between 2004 and 2012, the poverty incidence under the national poverty line declined from 50.2 percent to 17.7 percent of the population, reaching the country's Millennium Development Goal before the 2015 deadline. Most of the poverty reduction occurred between 2007 and 2009, when the headcount rate declined by twenty percentage points, driven by a significant hike in the price of rice, the main agricultural product of Cambodia. Despite this progress, the vast majority of the families that rose above the poverty line did so by a small margin, leaving them at risk in the event of an adverse shock. Poverty reduction in Cambodia has been accompanied by shared prosperity: the real consumption growth of the bottom 40 percent of the distribution was larger than that of the top 60 percent; and a decrease in inequality, with the Gini coefficient going down from 32 to 28 between 2008 and 2012.

The overall welfare of households described by non-monetary indicators has improved significantly throughout the period 2004 to 2014. Still, several challenges remain. Cambodia achieved most of the MDG targets, including those related to poverty reduction, child mortality and maternal mortality. Targets have been nearly achieved in primary education, whereas areas such as gender equality and environmental sustainability have seen less progress. Moreover, the incidence rate and death by TB remain high. Cambodia's Human Development Index in 2013 (UNDP) was 0.58, well below the East Asia Pacific average of 0.70, and also below the medium income countries average of 0.63.

In addition, while Cambodia has been showing greater commitment to improved maintenance and management of its infrastructure assets, the recent moderation of growth in government revenue has begun to put pressure on infrastructure expenditures. This underscores the need for Cambodia to enhance the efficiency and effectiveness of its efforts to preserve valuable infrastructure assets, thereby ensuring that recent gains are not lost while at the same time ensuring the availability of adequate resources to sustain social sector priorities.

Sectoral and Institutional Context

Cambodia's road network was largely destroyed during the long period of unrest in the 1970s 1980s. What followed was a phase of reconstruction of the primary and secondary road network, and later of critical provincial and rural linkages to the main network. During this phase, the emphasis was on building the maximum number of road kilometers in the shortest period of time, so as to provide the connectivity needed to support economic activity as fast as possible. It was not long, however, before these quickly restored roads began to age, requiring periodic maintenance and repair. As funds were scarce, it became increasingly apparent that an integrated asset management approach was needed to optimize expenditure, and thereby sustain the network in as good condition as possible.

The Royal Government of Cambodia (RGC), with assistance from the donor community, developed its road network from one with an estimated value of about US\$800 million in 2008 to one with an estimated asset value approaching US\$2.6 billion in 2014. This improvement has been due in part to the government's strategic use of concessional external funding for reconstruction and upgrading, while allocating increasing amounts of domestic funding for road maintenance.

In 2004, the government allocated a total of US\$26 million for routine and periodic maintenance

and spot rehabilitation. By 2015 this allocation had risen to approximately US\$60 million. However this amount covers mainly routine maintenance leaving a critical financing gap for periodic maintenance. In order to address the financing gap and to achieve the national policy of 100 percent asphalt concrete of national roads by 2020, MPWT requested development partner support through the framework of the Infrastructure and Regional Integration Technical Working Group (IRI-TWG). The IRI-TWG is the key coordination mechanism between the MPWT and the community of development partners active in Cambodia. The criteria for the prioritization of specific road sections under this policy includes: (i) Annual Average Daily Traffic (AADT) higher than 3,000 vehicles per day; (ii) high economic rate of return; and (iii) national roads that address poverty reduction, for example by facilitating agricultural produce access to markets.

Relationship to CAS

The World Bank Group recently conducted consultations and engaged with the Royal Government of Cambodia (RGC) and stakeholders across Cambodia to inform the forthcoming Country Engagement Note (CEN). The RGC and stakeholders identified road as a top developmental priority for Cambodia. The proposed project will be prepared in parallel with the development of the CEN. The project will contribute to efforts to achieve the objectives of “increasing competitiveness and connectivity” as well as “strengthening government capacity to support growth diversification and competitiveness”. In addition, the project’s emphasis on cost-effective road asset management, along with greater local participation in maintenance activities, will help to extend the benefits of improved transport options and lower transport costs to a broader segment of the population in support of the World Bank’s twin goals of an end to extreme poverty and promotion of shared prosperity.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The PDO is to improve the condition, safety and climate resilience of selected national road corridors in Cambodia.

The project will achieve this objective (i) through the systematic introduction of designs that include climate proofing and road safety measures and the use of performance based contracts; and (ii) by enhancing MPWT’s capacity to carry out road maintenance planning, contracting and management.

Key Results (From PCN)

Four major outcomes of RAMP II are expected to include: (i) expanded and improved maintenance of the national road infrastructure with enhanced climate resilience; (ii) maintenance funding requests and allocations in the budget process based on sound technical and economic analysis; (iii) more effective road network management, through more effective maintenance technologies and contract management; and (iv) greater private sector involvement in competitive bidding and improved performance quality.

III. Preliminary Description

Concept Description

Component A: Road Asset Management

This component support periodic maintenance with PBC including climate resilience and road safety measures and finance the supervision support to MPWT. It has two sub-components.

A1: finances periodic maintenance with 3-year PBC of 218km, installation of side drains of 90km

and road safety measures of some 40kg.

A2: finances supervision of periodic maintenance, of PBC and skill hands-on.

Component B: System Upgrading and Capacity Development

This component support: (a) system upgrading and technical capacity development for road asset management within the MPWT; (b) road safety audits of project roads and awareness raising of contractors and communities along project roads; (c) enhancing financial management and internal audit capacities of MPWT and project team; (d) supporting the technical and financial audit of the Project; and (e) administrative and incremental operating costs.

Component C: Contingent Emergency Response

This component will enable immediate response through the reallocation of project proceeds in the event of an eligible crisis or emergency. If Component 3 is triggered, then the Standard Immediate Response Mechanism - Contingent Emergency Response Component (IRM CERC)-specific objective of “provide immediate and effective response to an Eligible Crisis or Emergency” will be incorporated and the results framework revised as part of a Level Two restructuring.

The project will be implemented using the existing RGC organizational structure and institutional arrangements, particularly within MPWT. A separate Project Implementation Unit will not be established. The Ministry of Economy and Finance (MEF) is the formal point of contact between RGC and IDA on all financial and legal matters related to the Credit for the Project, and represents RGC in discussions on these matters. The MPWT is responsible for overall technical supervision, execution and management of the project. The General Department of Public Works (GDPW) will be responsible for the day to-day implementation, supervision and operation of the project, including contracting and direction of all consultants, and will be the employer for all civil works contracts. The General Department of Administration and Planning (GDAP) will carry out the financial, safeguards, capacity development, training and public disclosure matters on the project. The General Department of Transport (GDT) will be responsible for Road Safety aspects.

The project is proposed to continue to integrate periodic maintenance investments with institutional support and capacity development for prioritization and planning, implementation of national roads (NRs) maintenance and rehabilitation activities. It will be implemented for a period of 6 years, from 2016 to 2022.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	

Projects in Disputed Areas OP/BP 7.60		x	
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V. Financing (in USD Million)

Total Project Cost:	64.80	Total Bank Financing:	60.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			4.80
International Development Association (IDA)			60.00
Total			64.80

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