

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA16070

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	20-Jan-2016
Date PID Approved/Disclosed	20-Jan-2016
Estimated Date of Appraisal Completion	29-Dec-2015
Estimated Date of Board Approval	17-Mar-2016
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Cambodia has achieved impressive levels of economic growth and macroeconomic stability over the past 15 years. This trend is set to continue despite a slight slow down in the economy forecasted for the next two years as a result of greater international competition in the garment sector, weak agricultural growth, and a softening of the tourism sector. It is expected that a slow down in the traditional sectors will be offset by strong domestic demand in the construction sector resulting from low oil prices and expectations of regional integration under the ASEAN Economic Community. Downside risks to this outlook include a possible further appreciation of the US dollar and delays in economic recovery in Europe and China, which could put more pressure on the Cambodian garment and tourism industries, increasing the potential of renewed labor discontent.

Cambodia has made progress in reducing poverty in the past decade. The overall poverty rate fell from 50.2 percent in 2004 to 17.7 percent in 2012 as a result of increases in rice production and prices, improved road access to markets, real-time market information through mobile phones,

extensive and improved irrigation, and lower distortion in agricultural markets. However, large disparities exist between urban areas, which have experienced high rates of poverty reduction (60 % in Phnom Penh) compared to about 20 percent in rural areas. Moreover, poverty reduction gains remain fragile as the near-poor (approximately 8 million people living on less than \$2.30 a day) remain vulnerable to even slight economic shocks.

The increasing prevalence of severe weather events is one source of vulnerability, as rainy season floods in particular can cause recurrent damage to agricultural production and property. Required interventions include improved drainage and weatherproof structures, and more fundamentally, the cost-effective maintenance and management of infrastructure assets, including roads. The Cambodia National Strategic Development Plan 2014-2018 identifies disaster risk as a major challenge to the country, and Strategic Action Plans for Disaster Risk Reduction have been developed for the period 2014-2018.

Cambodia has been showing strong commitment to improved maintenance and management of its infrastructure assets. However, the recent moderation of growth in government revenue has begun to put pressure on infrastructure expenditures. This highlights the need for Cambodia to enhance the efficiency and effectiveness of its efforts to preserve valuable infrastructure assets, thereby ensuring that recent gains are sustained while ensuring the availability of adequate resources to support social sector priorities.

Sectoral and institutional Context

Roads are the main mode for the movement of goods and people in Cambodia. Thus, a road sector that can ensure safe and equitable growth is essential for sustained development and poverty reduction. Commensurate with economic trends, vehicular traffic is increasing rapidly. The average daily traffic in national and provincial roads in “passenger car units” ranged from about 1,000 to 3,000 in 1993. By 2014, the range had increased to 3,816-12,835. In absolute number of trips on the national road network by type of vehicle, motorcycles increased the most, with an average annual growth of 22 percent between 2010 and 2012 (from 4,600 to 6,777). Motorcycle trailers also increased by about 20 percent, reflecting the relative accessibility of motorcycle transport to a broad segment of the population. Cars were next in volume, followed by vans, 4-wheel-drives, and minibuses. During the period 2008-2013, the average annual growth in the number of registered vehicles was 14 percent, reaching 2,475,555 registered vehicles by 2013.

While this rapid growth in volume represents an increase in economic activity and opportunity, it has also been associated with a significant increase in traffic-related injuries and death. In 2015, the World Health Organization estimated that Cambodia has experienced an increase of 200 percent in road traffic incidents and a near doubling of fatalities over the last five years. The Cambodian National Road Safety Committee (NRSC) and other government stakeholders have responded by increasing coordination with domestic and international NGOs to strengthen regulation and enforcement, raise awareness on road safety, and improve data collection and reporting. Cambodia has also recently passed a new Road Traffic Law that will enter into effect in January 2016, which includes more stringent requirements, and increases in fines and enforcement.

The road network has expanded in response to the increased demand for road services. The existing network is estimated at an asset value approaching US\$2.6 billion. 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 with good results. However, this

amount covers largely routine maintenance with a critical financing gap to address 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's support through the coordination framework of the Infrastructure and Regional Integration Technical Working Group (IRI-TWG). The criteria for the prioritization of specific roads under this policy included: (ii) Annual Average Daily Traffic (AADT) higher 3,000 vehicles per day; (iii) high rate of return; (iv) national roads that address poverty reduction, for example by facilitating agricultural produce access to markets.

The first phase of the IDA and ADB-financed Road Asset Management Project (RAMP) helped the Ministry of Public Works and Transport (MPWT) to develop its institutional capacity for road maintenance planning, budgeting and operations. It helped to establish the Road Asset Management Office (RAMO), tasked with conducting surveys, analyzing data, and preparing prioritized three-year maintenance plans. RAMP also supported the development of the Road Management Decision Support/Highway Design Management 4 (RMDS/HDM4) system for the preparation of road maintenance plans and detailed assessment of proposals.

Additional gains have been made through modest increases in outsourcing of road maintenance. The current target for outsourcing over the next five years is at around 8-10 percent of fiscal national budget spent on public roads. Moving forward, the government will test the efficacy of performance based contracting (PBC) for road maintenance to increase this rate.

RAMP II would scale-up the work started under RAMP to develop Cambodia's capacity to plan and manage the national road network efficiently and effectively while broadening participation of the private sector. The WBG would assist the government to apply global best practice to integrate a disaster risk resilience approach and road safety measures into the periodic maintenance/rehabilitation works of selected roads and into the broader road maintenance decision-making and management systems.t

II. Proposed Development Objectives

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

The project will achieve this objective through (i) 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.

III. Project Description

Component Name

Component A: Road Asset Management

Comments (optional)

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 Name

Component B: System Upgrading and Capacity Development

Comments (optional)

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 Name

Component C: Contingent Emergency Response

Comments (optional)

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.

IV. Financing (in USD Million)

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

V. Implementation

The RAMP-II will build on the same institutional arrangements and implementation structure as the original RAMP Project. The MPWT will be responsible for overall technical supervision, execution and management of the project. The project will be implemented using the existing MPWT organizational structure and institutional arrangements, thus a separate Project Implementation Unit will not be established. The General Department of Public Works (GDPW) is currently responsible for most aspects of road maintenance and will be responsible for the day to-day implementation, supervision and operation of the project, including contracting and oversight of all consultants, and will be the employer for all civil works contracts. The General Department of Administration and Planning (GDAP) is currently responsible and will carry on with the financial, safeguards (through Environmental and Social Office/ESO), capacity development, training and public disclosure matters of the project. The Minister of MPWT will appoint a Project Director to provide overall guidance, policy advice; ensure internal coordination, discussion and resolution of project matters with counterparts in other departments within the MPWT and other government agencies; donor alignment and harmonization; reporting on project progress to the Inter-ministerial Committee for Road Repairs and Maintenance (ICRRM) and the Minister of Public works; and for public disclosure and civil society involvement. A Project Manager (PM) will ensure that the Project Operation Manual (POM) is followed, audits (technical and financial) are carried out, safeguards

activities during design and construction are implemented; all consultants follow their terms of reference and delivery schedule; project activities are carried out on schedule and within budget; and Interim Unaudited Financial Reports are submitted on time.

The MPWT will have a Project Technical Committee (PTC) to assist in the overall coordination of the various project activities implemented by various MPWT departments in the road (sub)-sector. The PTC is to meet as least bi-weekly. The (ICRRM) established by the Prakas number 1154 MEF dated December 30, 2011 will, in addition to tasks assigned by the Prakas, act as the Steering Committee (SC) for the Project for the purposes of achieving the development objectives of the project, mobilization of the required financial resources, including counterpart funding allocations, and support for donor coordination. The ICRRM comprises representatives from Ministry of Economy and Finance (MEF) and MPWT. The Road Asset Management Office (RAMO) is responsible for providing advice on maintenance planning, strategy, policies, and road asset management capacity, including: (i) the condition and performance of road networks; (ii) priority of road sections for periodic maintenance and rehabilitation; (iii) asset preservation strategies for optimal investment returns; (iv) annual work programs and three year rolling programs; (v) overall monitoring and evaluation of road network performance; and (vi) capacity development for these activities. The RAMO served as the Secretariat to the PTC for RAMP and will continue to do so for RAMP II.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

RAMP-II is a World Bank Category B project triggering the Environmental Assessment Policy (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Indigenous Peoples (OP/BP 4.10). During the environmental and social screening (November 2013 and 2014, and December 2015), MPWT conducted consultations with Project Affected Households (PAHs) and local communities along the two NRs through free, prior and informed consent manner to establish their broad support for the project implementation. No large scale or irreversible impacts under the RAMP II are expected as the project focuses on the rehabilitation of existing road assets within the right of way. The Environmental and Social Safeguard Framework (ESSF), including the generic Environmental Management Plan (EMP) used for RAMP, has been updated to reflect new project coverage as well as the lessons learned from the original project. The ESSF describes the relevant aspects related to the social and environmental impact management and public disclosure. MPWT has prepared site-specific Environmental Management Plans (EMPs) and Abbreviated Resettlement Action Plans (ARAPs) for both NR3 and NR7 as location and impacts are known. These documents will be

incorporated in the contract documents. Although no ethnic minority people were identified during the screening of the new project, the existing Indigenous People Development Framework (IPDF) would remain applicable for precautionary purposes.

VII. Contact point

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