

ASIAN DEVELOPMENT BANK CAMBODIA RURAL ROADS IMPROVEMENT PROJECT II

**LOAN 3151(COL)/GRANT 0401(NDF)/GRANT 0402(GOA)/KEXIM LOAN KHM-
16/L8299(AFD)/L8300(SCF)/GRANT0467(SCF)**

JOINT LOANS AND GRANTS MIDTERM REVIEW MISSION

3 TO 7 DECEMBER 2018

MEMORANDUM OF UNDERSTANDING

I. Introduction

1. A joint midterm review Mission¹ (the Mission) undertook a joint loan and grants review of the captioned project with the Executing Agency (EA) for the Project, Ministry of Rural Development (MRD), and the Ministry of Economy and Finance (MEF), the Borrower, from 3 to 7 December 2018. **Annex-1** lists the key persons met by the Mission.

2. The main purpose of the Mission is to assess whether the project's objective is to be achieved in a timely manner and provide the executing agency and other stakeholders with recommendations on sound implementation and completion of the project. The Mission had discussions with the MRD, MEF, the Detailed Design and Implementation Supervision (DDIS) consultants, contractors, and the consultants for Climate Change Adaptation Framework, Rural Road Asset Management, Sustainable Community-Based Road Safety Program and HIV and Human Trafficking Awareness and Prevention Program. The Mission also visited the ongoing civil works in project roads. This Memorandum of Understanding (MOU) provides a summary of the Mission's findings and discussions, on which all parties agreed at the wrap-up meeting, held on 7 December 2018. The MOU is subject to approval by higher authorities of ADB, and the Government.

II. Background and Relevant Facts

3. ADB approved the captioned loan on 8 August 2014 for \$54 million (equivalent to SDR34,918,000 from ADB's Special Funds resources) to improve Cambodia's rural road network by paving 729 kilometers (km) of rural roads in ten provinces (Thbaung Khmom, Kampong Cham, Kampong Thom, Siem Reap, Banteay Meanchey, Battambang, Pursat, Kampong Speu, Kampong Chhnang, and Takeo) most of which are located around Tonle Sap Basin. The ADB loan funds ADB-financed civil works, related consulting services, equipment, and project management totaling \$54 million. The Government of Australia, through the

¹ Consisting of Takeshi Fukayama, Transport Specialist/Mission Leader; Shihiru Date, Senior Transport Specialist; Nazrul Islam, Transport Specialist; and Marites Ortega, Project Analyst from Southeast Asia Department Transport and Communication Division. Rangina Nazrieva, Safeguard Specialist (Resettlement); Ratha Sann, Senior Project Officer (Infrastructure); Sokha Ouk, Senior Environment Officer; and Pisey Chea, Gender Consultant from the ADB Cambodia Resident Mission (CARM), Asian Development Bank (ADB). DFAT: David van der Zwaag (Second Secretary of Australian Embassy), Sopeat Mer (Senior Program Manager), John Lee (Infrastructure Adviser) and Nanda Gasparini (Environmental and Safeguards Adviser); AFD: Sideth Muong (Head of Unit Agriculture, rural development, infrastructure, environment) and Farlotti Pierre (Project Officer).

Department of Foreign Affairs and Trade (DFAT), finances all outputs except Connectivity Improvements of Mekong River Islands and Efficient Project Management, through a \$6.67 million grant. Korea Eximbank (KEXIM) of the Government of Korea finances the civil works and related consulting services through a \$41 million loan, while the Nordic Development Fund finances the output of climate change adaptation framework of investments under the Connectivity Improvements of Mekong River Islands Output through a Euro 4.5 million (\$5.4 million equivalent) grant. The KEXIM loan is on tied-basis, parallel co-financing, administered by KEXIM. The loan became effective on 23 December 2014 and will close on 31 December 2020.

4. On 8 December 2015, ADB approved additional co-financing for rehabilitating a further 471 km of rural roads, in the amount of \$74.48 million; the Government of Australia for \$11.85 million equivalent; Agence Francaise de Developpement (AFD) amounting to \$40.0 million equivalent; Strategic Climate Fund – PPCR amounting to \$16.0 million. This makes the total project cost \$192.71 million, with the government financing the local taxes and duties amounting to \$17.79 million for the entire Project.

5. There are five key outputs of the Project.

- (i) **Rural Road rehabilitation.** The Project will pave 1,200 km of rural roads using double bituminous surface treatment (DBST) and cement concrete. This output also includes DDIS consulting services.
- (ii) **Rural road asset management.** The Project will improve road asset management in a sustainable manner through a strong capacity-building program, including an axle load control program.
- (iii) **Rural Road Safety and Community Awareness Program.** The awareness and application of road safety and safeguards will be increased by: (a) implementing a rural community-based road safety program; (b) implementing an HIV/AIDS and human trafficking prevention program; and (c) conducting a sex-disaggregated baseline socioeconomic survey of beneficiaries.
- (iv) **Efficient project management.** The project also includes project management support for MRD. The Project will have substantial positive employment and gender impacts in the rural communities. The Project therefore includes a labor and gender mainstreaming action plan that specifies the labor and gender-mainstreaming aspects associated with all the project outputs.
- (v) **Connectivity Improvements of Mekong River Islands.** Connectivity to and within highly vulnerable Mekong River Islands will be improved with concrete roads and jetties. A climate change adaptation framework will also be designed with complementary multi-sector investments to be implemented to support the isolated islands.

III. Mission Findings

A. Project outputs

6. **Output 1: Rural roads improvements.** All 21 civil work packages for road improvements have been awarded. Overall physical progress for the civil work under the original financing portion is 78.25% against the planned 90.70% (12.44% behind) as of 30 November 2018. Three packages for original financing (CW3A, CW6A and CW7A), whose

contracts will be completed in December 2018, have experienced large delays (25-82% behind the schedule) in physical work.

Table: Civil Works Contracts' Progress (Original Financing Portion)

Progress as of 30 Nov 2018	CW1	CW2A	CW3A	CW4A	CW6A	CW7A	CW8	Total
Amount (\$ million)	23.00	3.38	7.56	3.39	5.18	4.85	9.14	56.50
Planned (%)	85.80	99.93	99.32	99.12	99.30	99.22	79.94	90.70
Actual (%)	84.60	99.99	74.22	99.54	17.38	61.69	92.97	78.25
+/- (%)	-1.20	0.06	-25.10	0.42	-81.92	-37.53	13.03	-12.44

Note: There are three green planting packages (\$0.80 m in total) in addition to the above.

7. **CW6A.** For CW6A, the Mission observed that (i) the commitment by the contractor during the previous ADB mission in June 2018 to mobilize 25 additional teams by October 2018 was not realized (only 2 earthwork teams and 2 structure teams were mobilized as of December 2018), (ii) some sections of one road (SR7) were flooded between June and November 2018 because of frequent rains, which had an impact on site activities for earth works and delayed the whole package, (iii) the contractor lacks the capacity of inputs management (equipment, labor, and material), exacerbating the delay, and (iv) the DDIS consultant (as the Engineer) has been failing to control the contractor's performance, to provide a proper analysis of the delay and recovery options, and to provide sufficient on-site inspection to ensure the quality of works and manage environmental impacts at the site. The Mission also recalls that in the most recent quarterly review meeting, the DDIS consultant was asked to ensure the Contractor was aware of its obligations under the civil works contract, and the consequences of non-compliance.

8. The Contractor submitted an action plan to recover the delay by committing a mobilization of 21 teams on 20 November 2018. However, the evaluation of the Contractor's action plan by the DDIS did not provide sufficient assurance that the action plan was achievable. The Mission notes that given the protracted period over which the contractor has been significantly behind schedule by 81%, a record of correspondence should exist between the MRD, DDIS consultant and the contractor documenting the possibility of non-compliance with the contractor's commitment and his contractual obligations. The Mission requested that the DDIS consultant submit a full record of correspondence with the contractor to the EA, the Borrower and project financiers. The Mission requested the DDIS consultants to submit their revised evaluation and the action plan to MRD, MEF, and development partners.

9. The Mission noted that ADB will accept an 8-month extension of the contract which is subject to achieving of every 15-day's progress milestones against the contractor's revised work program. The failure to meet any milestone would immediately trigger termination proceedings as per contractual provision. The Mission also advised that the DDIS consultant will mobilize one more expert with no cost implication to ensure timely completion of civil works including quality assurance and environmental compliance.

10. **CW7A.** For CW7A, the Mission observed that (i) the commitment by the contractor in the previous ADB mission in June 2018 to mobilize 3 additional team by June 2018 was complied with, (ii) culvert construction was successfully completed during the rainy season, and (iii) the reasons of delay caused by a flooded borrow pit due to heavy rain from June to

November 2018 are justifiable. The Mission requested MRD with the help of DDIS consultants to analyze the situation and develop a catch-up program for this contract, to monitor this every fifteen days, and update the Mission. While the Mission agreed with the DDIS consultant's view that the contractor's action plan of mobilizing 10 teams with 6-month extension of the contract period from the current contract expiration of 26 December 2018 would be workable, the Mission recommended the contractor to mobilize one more team for the base-course work to avoid the risk of further delay.

11. **CW3A.** For CW3A, there appear to have been flood-related road damage in KSP1 road in 5 locations. Most critical is the three-span bridge at Km 9+909, where the meandering river's flood-carried debris at a constricted part of the river body immediately downstream the bridge caused the abutment and part of the bridge deck slab to wash away. This needs urgent repairs to restore traffic access, now limited to motor cycles and pedestrians. The contractor has proposed to the DDIS consultants a contract variation for these related works, which the Mission has expressed support. In addition, the Mission requests MRD and the DDIS consultants to prepare a detailed analysis of the cause of the incident and provide recommendations/implications regarding the design parameters for the bridge hydrology.

12. Even so, the CW3A contract has been delayed by over 25%. The Mission proposed that the DDIS consultants analyze the following: the number of days that work was not possible due to rains and flooding; the % amount of works expected or that could have been achieved by the contractor during the days that the work was possible; as the Engineer, a determination of the proportion of delay attributable to rain/flooding and to the contractor's inability to mobilize personnel and equipment. This determination is necessary to assess if the contractor's proposed 11 works teams are adequate to catch up the 25% delay during the current dry season. This assurance needs to be obtained from the contractor before the above variation order is approved by the Employer.

13. The Mission also proposed that the DDIS consultants have the contractor prepare weekly schedules of equipment and personnel as well with the required % of achievement, in parallel. These weekly schedules need to be strictly monitored by the Engineer and Resident Engineers on a daily basis to avoid slippage. The Engineer must be firm with the contractor on performance with no tolerance for even slightest delay. The Engineer must also guide the contractor with strategies and tactics for avoiding delay and effective monitoring which are key requirements of ICB contracts.

14. **Additional financing portion.** The physical work of the packages under additional financing are basically on-track. Those contracts that were awarded after December 2017 will be completed in September 2019 or June 2020, The MTR mission noted the work should be accelerated during the dry season (December 2018 to June 2019).

Table: Civil Works Contracts' Progress (Additional Financing Portion)

Progress as of 30 Nov 2018	CW2B	CW3B	CW4B	CW6B	CW7B	CW13	CW14	CW15	Total
Amount (\$ million)	4.10	4.49	7.79	6.43	6.58	0.49	2.14	1.71	33.73
Planned (%)	3.17	8.76	12.02	8.63	7.95	16.63	8.30	9.68	8.78
Actual (%)	3.07	8.33	10.28	8.33	7.97	30.62	10.58	9.37	8.59
+/-	-0.10	-0.43	-1.74	-0.30	0.02	13.99	2.28	-0.31	-0.19

Note: There are three green planting packages (\$0.54 m in total) in addition to above.

15. **CW4B.** MRD is proposing a contract variation/minor scope change in CW4B. Out of the total length of 19.5 km of KCH 11, a 7.5 km section was found to overlap with another road project under the Ministry of Public Works and Transport (MPWT). Given this situation, MRD proposed the minor scope change to (i) delete this overlapped section from the project, and (ii) include another high priority section in the same province (a 11.5 km part of road No. 153) to the project. MRD requested variation No.1 of CW4B contract: the contractor to adjust budget in the contract for the scope change with no cost change as indicated in MRD letter dated 27 November 2018.

16. The ADB loan review mission on 11-15 June 2018 provided advance consultation for the proposal from MRD. Although the mission found no specific technical issues nor apparent impacts on safeguards through site visits, the loan review mission requested MRD to conduct due diligence on technical aspects and safeguards. MRD has conducted technical and economic evaluation for the proposed change. The cost for improving 11.5 km of road No. 153 is estimated as \$940,964, which will be covered by the saving amount of \$504,778 from deletion of overlapped section of KCH 11 and by the contingency of \$436,186. Thus, there is no cost change in total, and the change is within 15% of the total contract amount of CW4B (\$7.79 million). Economic internal rate of return for the proposed improvement of the road is estimated as 40.7%. Completion of the proposed section will be in June 2020, which is within the current contract period of CW4B (September 2020).

17. MRD has conducted due diligence on the social safeguards for the proposed road section. It was clarified that, based on the detailed design, the existing width of the corridor of impact that includes 6-meter carriage way and 2-meter shoulders both sides is sufficiently wide to avoid any land acquisition and resettlement impacts. Hence, the due diligence report suggests that CW4B is classified as category C for IR impacts. Also, there are no IP impacts. The due diligence report on social safeguards was uploaded to the ADB website on 26 November 2018. MRD prepared the updated IEE (Additional Financing) and EMP for CW4B because environmental impact is classified as category B. It was confirmed that there are no significant impacts on the environment by the scope change. Updated IEE and EMP will be uploaded to the ADB website. ADB is in the internal review process against the MRD's proposal.

18. **Works Quality.** Based on spot checks on site testing reports and visual inspection for few packages, the Mission observed that the quality of completed works is acceptable so far. The Mission also remind that supervision consultants need to ensure the high quality of works through proper frequency of testing of materials based on the technical specifications in the contracts, and proper documentations are recorded and maintained. Meanwhile, site safety, particularly at each cross-drainage structure, and dust control mitigation measure need to be enforced.

19. **Output 2: Rural road asset management (RRAM).** Consulting services for the RRAM started in January 2018, with current progress 27% against the elapsed time 30.5% (3.5% slippage). An Assessment Report has evaluated : (i) the institutional capacity of the EA, (ii) RRAM system and GIS, (iii) private sector capacity, and (iv) facilities and legal arrangements on axle load controls. Draft recommended action plans for each activity were also presented, including key challenges to be addressed to reach the objective of the output.

20. The Mission reviewed the Assessment Report and proposed Action Plans and proposed that MRD and the RRAM consultants should focus on the most critical actions needed

to ensure that MRD has the capability to support improved budget submissions for the 2020 budget year. Most critical is the need for MRD to demonstrate its strong ownership and engagement at high management level, to address the selection of software as a matter of urgency, to engage with MEF on its expectations of RRAM functionality, and for MRD to procure axle load control equipment, while developing a strengthened policy, institutional and legal framework. These key signals are needed before the consultant can prioritize activities under the Action Plan. Accordingly, the Mission seeks MRD's assessment of the Action Plan and response on these matters by February 2019. It was agreed that DPs, MRD and consultant will conduct regularly quarterly meetings to monitor progress against the RRAM's objectives.

21. **Output 3-1: Rural road safety (RRS).** The RRS program focuses on changing road users' behavior, which causes over 90% of crashes, in a sustainable manner. Consulting services for the RRS started in October 2017, with progress of 27% against the planned 25% (2% ahead). Outputs have included (i) an implementation plan and training curricula for road project beneficiaries, (ii) road safety campaigns at schools and communes, (iii) collection and analysis of data on road crash and fatalities, and (iv) reviewing road safety engineering at project roads. The Mission reviewed the results of these activities and provided guidance on the remaining training and campaigns. The Mission visited a site in Kampong Cham to identify the effects and issues of the safe school zones.

22. The Mission observed that although the RRS program is progressed on time, the program could have achieved more progress with more focused dedication of the consultants and Social and Environment Office (SEO) of MRD, which received extensive support from ADB Missions on road safety capacity building during the upstream project of Rural Roads Improvement Project (RRIP). The following areas need improvement: (i) data collection and analysis (though the road safety campaigns have targeted festive events that induce drink-driving and other risky road user behaviors, no crash data have been analyzed over the same events in the past to capture the time series changes and causes; also, road user behavior based educational movie clip library does not seem to have been updated); (ii) Safe School Zone (SSZ) planning has taken 10 months and is still considering pilot implementation, an activity that has already been completed under RRIP, (SSZ planning and training stakeholders does not take more than 2 months, given the previous experience under RRIP by SEO); and (iii) social enforcement in the absence of police enforcement has not sufficiently focused on impact stories through short movie clips, involvement of influential stakeholders like pagoda monks, village elders, village chiefs etc. Nor there have been activities, like social media appeal, to target most vulnerable age groups (15-29 years) in Cambodia. The Mission suggested more stakeholder participation (parents/teachers, etc.) for achieving the outcome in a sustainable manner.

23. During the site visits, it was disappointing to observe that the SSZs implemented under RRIP are no longer a daily activity. The capacity building is seemingly lost when SEO has not been monitoring the schools on a regular basis to support them and urge them to sustain the SSZ. The involvement of parents, a key to success of the SSZ, should have been maintained. Further, SSZ implementation in Kampong Cham school needed following areas for refresher training immediately:

- (i) Retractable hump needs closer to the zebra crossing so that vehicles do not accelerate after passing one hump to the second;
- (ii) Humps are not lengthy enough to cover the shoulders that motor cycles try to escape through thus needs training to volunteers managing the humps at both ends to close that gap to stop such motor cycles;

- (iii) Stop signs are missing now for the volunteers as they use only hands to stop vehicles during students crossing;
- (iv) Volunteers should stop traffic only when the containment area of students are full during a break of vehicles passing and should consider not to allow queuing of vehicles more than about 50 m while students crossing. The volunteers should stop students when this saturation point is met while guiding the vehicles to pass;
- (v) The crossing students have first priority for pedestrians, second cycles, third motor cycles. Currently the motor cycles happen to cross first, which is incorrect.
- (vi) The volunteers do not use whistles to warn road users which is not acceptable. They do not coordinate among different groups managing stopping and guiding.

24. **Output 3-2: Community awareness program.** Consulting service for HIV/AIDS and human trafficking prevention program, started in April 2016, is progressing on-track with 68% achievement against the planned 66% (2% ahead). The program is implemented by a firm consultant which comprise 8 (1 woman) consultants; 10 provincial coordinators with no woman staff; and 204 (99 women) outreach workers/ members of commune and district AIDS Committees. The program aimed at increasing awareness of general populations, members of commune and district AIDS committees and construction workers in HIV and Human Trafficking Prevention by scaled up of prevention measures along rural roads for improvement. Key strategy for program intervention focuses on the (i) implementing community-based risk mitigation package for HIV and human trafficking prevention (ii) focusing HIV initiatives in the work setting/construction sites; (iii) strengthening sexual and reproductive health services at district-level; and (iv) a rigorous monitoring and evaluation system on HIV and human trafficking prevention measured. At this stage of progress, it is important to provide attention to the impact of these activities, beyond the output. The MOU noted this in June 2018 and recommended that the MRD and consultants indicate sufficient/tangible interim outcome by the current mid-term review. While SBK is now providing some quotes on their reports with insights from people benefiting from training, more is needed. For instance, it would like to see more information from the consultants on how the impact of these trainings is being measured, including the human trafficking aspect. The mid-term review of this program will be conducted in December 2018, which will be a good time to provide this insight. The Mission note that the DMF target of participation rate for the HHTPP would not be achievable based on the current program planned by the consultants because the current achievement will be only 7% against the target of 40% in the DMF. Adjustment in the program would be needed.

25. **Output 4: Project Management Support.** The project has already achieved the target of increasing the number of PMU staff to 22 (14 males and 8 females) from 12 (7 males and 5 females) in 2013. Training on social and gender issues were conducted in March and April 2018.

26. **Output 5: Connectivity improvements for the Mekong River islands.** The implementation period of the consulting service has been extended until 2019. A civil work package (CW12: \$0.9 million) and some equipment packages will be awarded by Q1 2019. Achievement of each of six activities are as follows: (i) income diversification for climate resilience: 97%, (ii) improving water access and reducing vulnerability of agriculture to climate change: 90%, (iii) income through renewable energy: 92%, (iv) improved health and safety during climate extremes: 99%, (v) inclusive-growth strategy for rural roads: 71%, and (vi) micro-finance scheme development: 75%.

27. **KEXIM-financed DDIS Consulting Services Contract and Civil Works Contract CW5.** This consulting services contract (CS-1B) was awarded in March 2015, and the

corresponding civil works contract CW5 was awarded in August 2016, with construction starting in October 2016. Overall progress of CW5 is 74.73%, and is 1.52% ahead of the planned progress at the end of November 2018.

28. **Design and Monitoring Framework (DMF).** Edit will be made for the outputs indicated in the DMF in the ADB project monitoring system (eOps) to match with the approved DMF. The Mission note that there is inconsistency between the DMF target and the loan covenant regarding one indicator of share of women hired of the required unskilled labor days in output 1 (20% in DMF; 25% in loan agreement), which will be adjusted. (**Annex-2**)

B. Project Administration Manual (PAM)

29. The PAM will be updated to reflect changes in the project implementation schedule, financing percentage, CAD projections, procurement plan, DMF among others by the end of January 2019.

C. Implementation Schedule

30. The overall progress including civil works contracts and consulting services contracts was 57.32% against the planned 62.82%, with a delay of 5.50% at the end of November 2018. Although there are some delayed civil works, it is expected to catch up with the negative slippage in Q2 2019 (end of dry season). See **Annex-3** for the S-curve.

D. Project Risk and Forecast Cost to Completion

31. The risk of further delay in civil works will be mitigated by Q2 2019. Due to SDR fluctuation (\$4 million), increase in financing percentage of ADB, and expected variation in civil works, ADB funding would be insufficient to cover the expected cost. Reallocation and/or securing budget from SCF loan should be considered. The project performance in ADB project monitoring system (eOps) is rated “on track” at present.

E. Contract Awards and Disbursements

32. Out of 23 civil works contracts, 22 has been awarded; out of 12 goods contracts, 5 has been completed and 7 is to be awarded. All of 6 consulting service contracts have been awarded. The Mission reviewed loan disbursement performance and discussed the disbursement projections for 2018 and noted that the cumulative contract award was achieved as \$112.35 million against projection of \$115.754 million as per base line projection, and disbursement of \$32.57 million was achieved against a target of \$30.146 million for the project. The projections for the current year (January - December 2018) are (i) \$23.949 million as contract award, and (ii) \$21.119 million as disbursement. The cumulative contract award and disbursement ratio is 97%, and 108%, respectively; and elapsed loan period 67%, which is rated as satisfactory. Therefore, the project is rated as ‘on track’ in ADB eOPs rating system.. The Mission requested EA to accelerate physical implementation and improve disbursement performance through immediate processing of claims of the contractor. ADB will process revision of the baseline projection and minor change in implementation arrangement, if require, to maintain the project performance consistently ‘on track’. Contract awards and disbursements projections are indicated in **Annex-4**.

F. Procurement Plan

33. The Mission suggested MRD to update procurement plan for ADB approval and disclosure in the ADB website by the end of January 2019.

G. Implementation Arrangements

34. **Overall implementation arrangements.** Coordination among financiers is important in the Project given the participation by four development partners. Joint missions and video conferences among the development partners have provided opportunities of good coordination.

35. **Capacity Building.** Through RRIP and RRIP II, significant capacity building has been provided for MRD, especially for PMU, SEO, and PDRDs. In the following project (RRIP III), PDRDs need to maintain the project roads to the required quality with their own expertise, and SEO will use own staff resources with some support from recruited facilitators and minimum help by DDIS consultants to implement road safety and social programs. The Mission noted enhanced capacity of SEO through the presentation provided by SEO at the kickoff meeting. During the rest period of implementation of RRIP II, knowledge transfer from the consultants to MRD including PMU, SEO and PDRDs should be accelerated.

H. Performance of Consultants/Contractors

36. Strict monitoring is needed for three largely delayed civil work packages (3A, 6A and 7A). Contractors are requested to comply with the recovery plan for the delay in those packages under DDIS consultants' strong supervision and timely monitoring. MRD should provide DDIS consultants and contractors with more control on those packages.

I. Environmental Safeguards

37. The Project has been classified as category B for environmental safeguard. An environmental assessment review framework (EARF) was prepared in June 2013. An initial environmental examination (IEE) covering the rehabilitation of 729km of rural roads and connectivity improvements for Mekong River Islands was prepared in June 2014. An updated IEE was prepared in 2015 covering additional co-financing for rehabilitation of a further 475km of rural roads. There will be a total of 1204 Km (71 roads) for the original RRIP-II and additional financing, located in 47 districts, 154 communes, and 10 provinces of Cambodia. In addition, one IEE has been prepared for construction and rehabilitation of two health posts (one may be cancelled) and one IEE for rehabilitation of 15 existing ponds for water storage, these subprojects are located on Mekong River Islands. These IEEs are under review by ADB. An environmental management plan (EMP) has been attached to the bidding document and contracts for all packages. In addition, an Environmental Code of Conduct for the Supply and Installation of 40 Solar Pump Systems (classified as category C for environmental safeguards) under the Mekong River Island Component, has been developed and attached to bidding/contract document to be implemented by contractor. The updated IEE for the additional financing and EMPs for contract packages have been disclosed on ADB website. The MRD's Social and Environmental Office (SEO), supported by the project implementation consultants, has been responsible for monitoring on resettlement, environment, and gender. The SEO has 7 staff (2 for gender, 2 for resettlement, and 3 for environment).

38. The Mission visited five roads sections of CW14 (KSP4 and KSP6); CW3A (KSP1 and KSP2), and CW3B (KSP9) located in Kampong Speu province and found no significant environmental issues, with the exception of CW14, (KSP4 and KSP6). The Mission observed that: (i) some properties of people/community located on both sites of the roads section have been temporarily affected by construction works; and (ii) a big borrow site/area is in farming/productive land along the KSP6 road section. The contractor of CW14 has reported that people agreed to forgo compensation for minor impacts to properties. The Contractor has prepared and sent a list of 'donations' to the project implementation consultant (Mr. Pen Thai). ADB has requested a due diligence report for review and will advise further actions. For the issue of borrow pit, MRD/SEO reported that the contractor excavated land from existing pond. The Mission recommends MRD/SEO and the project implementation consultant to advise and facilitate the contractor to take immediate corrective actions in respect of these two issues as per the EMP requirements² and report to ADB through the next semi-annual environmental monitoring report July-December 2018, which is due on 15 January 2019. The Mission recommends MRD/SEO and project implementation consultants to closely monitor on contractors to ensure corrective actions are implemented as soon as possible and that there is strict implementation of the environmental management plan (EMP) for all roads of the Project.

J. Social Safeguards

39. The project has been classified as category C for involuntary resettlement and indigenous peoples. The resettlement framework had been prepared as a matter of precaution and shall be followed if any unexpected resettlement activity take place during the implementation.

40. The Mission has visited proposed sites to be covered under CW8 and CW12, discussed with MRD's Social and Environment Office (SEO) staff, consultants as well as met local communities and commune and village chiefs. This included visits to seven natural long ponds proposed for dredging/deepening, and one health center proposed under CW12. The Mission has been informed that one health center in Kaoh Pir has been cancelled because it's construction will be financed by the Ministry of Health. DDR for the CW12 will be submitted to ADB CARM for review and further disclosure on ADB website by January 2019.

41. The long ponds visited are natural water reservoirs traditionally maintained by the communities to irrigate their farms during the dry season. Deep back in the day, now their capacity has been reduced due to siltation. The Mission found that the proposed natural long ponds have been selected in a participatory manner and the farmers met confirmed that there is an immense need for the irrigation water during the dry season as crop production is the major income source for the islands. The seven visited ponds enable around 2,200 families to irrigate their farmlands. The Mission observed that no land acquisition is required, neither involuntary resettlement impacts are expected to result from rehabilitation of the ponds as the dredging works are planned in the center of the ponds with soils to be dumped along the ponds, and/or given to the local farmers to backfill their homestead plots.

42. The Mission visited health center site in Kaoh Thmei island that will reportedly benefit around 415 households in the islands. Currently the residents have to cross the river on ferry to

² EMP Table VIII-1 states that *"the contractor shall immediately repair any damage caused by the Project to community facilities such as water supply, power supply, irrigation canals....Adequate compensation shall be paid to affected parties, as necessary"; and "borrow area/site shall not be located in productive land, in case the project will involve new borrow site, necessary approval...shall be obtained prior to operation of such site...and such site shall be located over 500 m away from residential, school, hospital, and other sensitive receptors"*.

be able to access healthcare services. In some case travel to Kampong Cham is needed. The local residents met confirmed that the health center site is an idle state-owned land that has been recently officially registered in the cadastral office and designated for the commune healthcare facility. The Mission has been informed that provincial Health Department committed to mobilize doctors once the health center is constructed and equipped.

43. The Mission has consulted around 120 residents, including 50 women during the site visits. In addition to expressing their satisfaction with the selected projects, villagers also requested to speed up commencement of construction activities during the current dry season to be able to use the ponds early. Grievance Redress Mechanism, including traditional grievance redress channels have been discussed during the consultations. It has been reported that during the consultations the project grievance redress mechanism has been discussed. Communities use village heads as an entry point to raise complaints and grievances if any. The next level used is commune heads.

44. The Mission found that the project is currently in compliance with the social safeguards requirements as reflected in the loan covenants, and recommended SEO to strictly monitor implementation of the civil works and include social safeguards summary in every integrated environmental and social safeguards report.

K. Gender

45. **Labor and Gender Action Plan (LGAP) Implementation:** The project is categorized as effective gender mainstreaming (EGM). The GAP includes 14 activities and 9 targets. The LGAP results and achievements will be assessed as successful at the project's completion, when, at the minimum, 70% of the LGAP activities have been completed, and 75% of the LGAP targets have been achieved. Key basic criteria for successful GAP implementation are set in place including (i) translation of GAP in local language, (ii) engagement of gender specialist, (iii) GAP orientation conducted, and (v) sex-disaggregated data being collected and updated in PPMS and (v) GAP progress report submitted regular.

46. As of December 2018, 106,149 labor day (or 28%) of 381,670 unskilled labor days claimed by women, exceeding the target 8%. SEO conducted trainings on "Ready for Road" in 100% of the communes along the RRIP II with 5,582 women (46%) of total 12,227 people participated. There are 4,580 (or 48%) women of 9,601 registered in the registry of labor forced which was provided to contractors. However, the Mission observed some targets and actions in GAP and DMF are unlikely to be achieved due to (i) demographic changes, (ii) some targets are too ambitious and (iii) some targets are no longer relevant with current context. Output 1-Target 2, the physical progress of civil work is 37%, yet it achieved 28% of women participation in green planting against 70%. The discussion with PMU and SEO, target 3 and action 10 under output 2, the road maintenance is under OPBC's contract for 2 years defect liability. Lesson learned from RRIP, there was no maintenance happened during project period. Output 3 –target 5, HIV program's physical progress is 68% and achievement is around 3% against the target 40% of residents and 50% of women. Output 5-target 9, the physical progress is almost complete, while the project achieved only 29% of women participation in unskilled work against the target 40%.

47. The field visit to output 5: climate change adaption confirms that it is very relevant to gender, while GAP does not cover it. The mission suggests GAP shall capture achievement of climate change adaptation. There is an inconsistency between set target of unskilled labor in GAP (20%) and schedule 5 of loan covenant (25%). The mission recommends that target in

GAP shall be consistent with covenant to ensure it is achievable. Based on the above reasons and discussion with EA, the GAP will be revised or adjusted within a month after the MTR with proper process and consultation with HQ to ensure its relevance, feasibility and measurement.

48. EA and the mission agreed on (i) appoint additional 3 staff including at least a woman for SEO, (ii) ensure collection of sex-disaggregated data for output 5: climate change adaptation framework for Mekong Islands, (iii) the road safety program will train at least 30% of mother community members to be road safety facilitators. Follow up on agreed actions from last review mission, EA shall submit ADB (i) gender training report conducted in April 2018 and (ii) human interest stories/case studies related to gender equity and women's empowerment results by 31 December 2018.

49. The mission recommends the DDIS gender consultants to strengthen capacity and work closely with SEO staff to ensure they will be more independently to implement the future project. ADB CARM will provide GAP refresher training/orientation to SEO and relevant PMU staff, service providers, contractors in Q1 2019. It is important for the DDIS social consultant continue to build the capacity of the SEO on monitoring, particularly going beyond how to monitor progress of outputs (such as % of female employed) but on how to monitor the impact of the training (such as contractor's views on employing women, or how women are benefiting from employment).

50. MRD's Gender Mainstreaming Strategic Plan (2012-2016) is supposed to be revised to align with the new government mandate. The mission recommends that SEO/PMU to ensure the revision of the gender mainstreaming strategy reflecting GAP features.

L. Compliance with Loan covenants

51. The Mission reviewed the status of compliance with the loan covenants; **Annex-5** shows the results.

52. Although the audited project financial statement (APFS) FY2017 was submitted in a timely manner, additional auditor's opinion was missing to fully comply with the loan/grant covenant. The Mission requested MRD and MEF to revisit ADB's fax on 12 July 2018, and facilitate the discussion between MEF and ADB Headquarters to mitigate the issue.

53. The updated good governance framework (GGF) is in **Annex-6**.

M. Reporting

54. The PMU needs to sustain the level of reporting during the remainder of the project, and should ensure that all reports are sent promptly to all development partners.

IV. Conclusions and Recommendations

55. All 21 civil work packages for road improvement have been awarded, and the rest one civil work package for climate change adaptation framework will be awarded in Q1 2019. Contact awards for equipment is on track. Large delay for three packages is identified but the Mission confirmed relevant catchup action plans during the coming dry season (December 2018 to June 2019) with strong control and monitoring by MRD and DDIS consultants, which will mitigate the risk of further delay.

56. The Mission confirmed capacity enhancement of SEO, while requesting MRD and consultants to accelerate knowledge transfer from the consultants to MRD including PMU, SEO and PDRDs, especially on RRAM, RRS and gender mainstreaming as indicated in the MOU.

57. The next loan/grant review mission is tentatively scheduled for June 2019, but all co-financiers will communicate monthly to monitor the progress in the meantime, to help MRD to resolve any emerging implementation issues which encounter target progress of the project. A special review mission might be fielded between January and June 2019 to assess the progress of critical packages.

58. The project will be delegated to the ADB's Cambodia Resident Mission (CARM) after this mid-term review mission to ensure closer coordination, and team work, which will eventually reduce the risk of further delay in project implementation. ADB will send the official notice of the delegation effective date.

V. Acknowledgement

59. The Mission expresses its appreciation to MRD, MEF, the consultants, and the contractors for their generous assistance and hospitality.

Signed in Phnom Penh on 7 December 2018

H.E. Suos Kong
Secretary of State, MRD

Takeshi Fukayama
Transport Specialist/Mission Leader
Transport and Communications Division
Southeast Asia Department
Asian Development Bank

Attachments:

Annex-1	Key persons met by the Mission
Annex-2	Updated DMF
Annex-3	S-curve and implementation schedule
Annex-4	Updated CAD
Annex-5	Compliance with loan covenants
Annex-6	Updated GGF

cc: H.E. Dr. Ouk Rabun, Minister, Ministry of Rural Development
H.E. Vongsey Vissoth, Secretary of State, MEF
Mr. David van der Zwaag, Second Secretary, Australian Embassy in Phnom Penh
Mr. Philippe Steinmetz, Country Director, AFD Cambodia
Ms. Yang Hye-young, Director of Southeast Asia Team 2, EDCF OD1, KEXIM
Mr. Chang Youn Soo, Country Director, KEXIM
Ms. Leena Klossner, Vice President, NDF
Country Director, J. Hakim, G. O'Farrell, R. Nazrieva, N. Ouk, S. Sok, S. Ouk, C.
Chea, R. Sann/CARM
T. Sakai, N. Islam, M. Ortega, M. Balawitan/SETC

Key Persons met by the Mission

Ministry of Rural Development (MRD)

H.E. Dr. Ouk Rabun	Minister
H.E. Suos Kong	Secretary of State
H.E. Dr. Chan Darong	Secretary of State, Project Director, PMU
H.E. Ouk Punhea	Director of Minister Cabinet
Mr. Song Sophal	Project Manager, PMU
Mr. Meng Saopheakkun	Assistant to Project Manager, PMU
Mr. An Sina	Director, PDRD Tboung Khmum
Mr. Ing Visoth	Director, PDRD Kampong Cham
Mr. Mom Chem	Director, PDRD, Kampong Thom
Mr. Hheng Nhel	Director, PDRD, Siem Reap
Mr. Ieng Dam	Director, PDRD, Kampong Speu
Mr. Yam Menghuoth	Deputy Director, PDRD Banteay Meanchey
Mr. Hem Sovann	Deputy Director, PDRD Battambang
Mr. Nin Sinath	Deputy Director, PDRD Pursat
Mr. Men Sam ath	Deputy Director, PDRD Kg Chhnang
Mr. Nov Limsreng	Technical Officer, PDRD Kg Cham
Mr. Kuong Kea	Technical Officer, PDRD Kg Thom
Mr. Leng Kim Heang	Technical Officer, PDRD Siem Reap
Mr. Um Savoeun	Technical Officer, PDRD Kg Speu
Mr. Chap Samphors	Technical Officer, PDRD Takeo

Ministry of Economy and Finance (MEF)

Ms. Bin Bunheng	Chief, OAP, DGA, GDICDM, MEF
Mr. Sok Roath	Deputy Chief, OAP, DGA, GDICDM, MEF

The Consultants

Mr. Jong Shin LEE	DDIS Team Leader for ADB financing, PEC
Mr. Kim Il Hwan	DDIS Team Leader for EDCF Financing, KCI
Mr. Ho Yeun Moon	DDIS Team Leader for Additional Financing, PEC
Mr. Philippe BECU	CCAF Team Leader, SOFRECO
Mr. Kong Sopheap	HHTAPP Team Leader, SBK
Mr. Masato Koto	CBRSP Team Leader, PEC

The Contractors

Mr. Koet Veasna

Mr. Ith Someth

Mr. Prom Sovichea

Mr. Chan Thy

Mr. Song Joo Myoung

Mr. Ket Veasna

Mr. Bin Soeung

Mr. Rim Phearum

CW1 Project Manager, Xinjiang Beixin Road & Bridge Group Co.,Ltd. And Beng Meng Group Co.,Ltd

CW2A , Site Manager, Ung Simsia Construction Co., Ltd

CW3A, Project Manager, SBPH Engineering C. Ltd

CW4A, Director, Ung Simsia Construction Co., Ltd

CW5 Project Manager, Hanshin E & C

CW6A, Project Director, Banteay Srei Engineering & Construction Co., Ltd,

CW7A, Project Manager, Tan Kim Eng Co., Ltd

CW8, Project Manager, Henan Water Construction Group Co., Ltd and Heng Sambat Co.,Ltd