

SBF Project Completion Note

Cambodia: National Restoration of Rural Productive Capacity Project

1. Project Information

Project ID:	P000446
Responsible department:	PSC1
Borrower:	Kingdom of Cambodia
Implementing Agency:	Ministry of Rural Development
Financing type:	Sovereign-Backed Financing
Instrument type:	Loan
Member:	Cambodia
Sector:	CRF-Economic Resilience/PBF
E&S category:	B
Overall rating:	Successful
Effectiveness Assessment:	Effective
Relevance Assessment:	Relevant
Efficiency Assessment:	Efficient
Sustainability Assessment:	Likely sustainable

2. Project Development Objectives

To help sustain the rural economy and livelihood of vulnerable rural population and returning migrants affected by the COVID-19 pandemic.

3. Key Dates

Approval:	12/10/20	Signing:	12/28/20
Effective:	02/16/21	Restructured (if any):	06/06/24
Orig. Closing:	06/30/24	More Restructured dates (if any)	
Rev. Closing:	12/31/25		

4. Financial Summary (US Dollar million)

Currency:	US Dollar		
Net Commitment:	60.00	Cancelled:	0.00
Disbursed:	58.11	Undisbursed:	1.89

5. Overall rating

Overall rating:	Successful
Executive summary of the completion note:	
(i) This standalone Project has been successful in achieving its objective of sustaining rural economy and livelihood of vulnerable rural population and returning migrants affected by the COVID-19 pandemic. The Project objective was achieved by accelerating rural infrastructure spending thereby creating employment and income generation opportunities for the local residents and returning migrants. The Project comprised investments in rehabilitating rural roads and community ponds in five provinces - Pailin, Kampong Chhnang, Tboung Khmum, Prey Veng and Koh Kong.	

(ii) The Project was implemented by the MRD through its Project Management Unit (PMU) comprising of MRD staff and other individual consultants hired under the Project. The PMU was supported by the Project Implementation Units (PIUs) in each province which were staffed from the Provincial Departments of Rural Development (PDRDs). The PIUs supported on ground supervision. The construction supervision and monitoring were further strengthened through the recruitment of two specialized consulting firms.

(iii) There were no significant changes to the project design during implementation. The extension of 18 months was necessary given procurement delays during initial period of implementation. Non-material changes were made to the results indicator to reflect implementation adjustments.

(iv) Overall, the project was successful, with ratings of Effective (Effectiveness), Relevant (Relevance), Efficient (Efficiency), and Likely Sustainable (Sustainability).

(v) The Project was Effective as the PDO indicators were achieved and the Project provided most of the intended benefits:

- The construction activities related to 19 road sub-projects and 8 community ponds sub-projects created new employment opportunities for 62,347 people (target 50,000) from vulnerable groups of the rural population affected by the COVID-19 outbreak living in the Project areas. Additionally, 50,886 people benefitted indirectly through improved economic activity along the roads developed under the Project.
- Project supported improved access to 138 schools, markets and health centers (target 100) by rehabilitating 270 kilometers (target: 280) of rural roads.
- Project supported improved access to WASH facilities, benefitting 128,498 (target 120,000) rural population through construction of 117 (target: 110) community ponds
- The Project supported capacity building training on quality rural infrastructure delivery and basic rural services delivery to 27 (target 25) national contractors which will help in delivering international quality rural infrastructure projects in the future.

(vi) The Project successfully delivered 270 kilometres (original target 235, revised target 280) of climate resilient rural roads and 117 (original target 150, revised target 110) community ponds in the five provinces of Cambodia. This result was delivered through execution of 27 works contracts. The Project institutionalized international environmental and social standards into the design and development of rural infrastructure assets by imparting trainings to all contractors involved in the Project. The Project, by embedding climate resilient design features, improved resilience of rural roads and community ponds being constructed in Cambodia. Overall, the Project is expected to have high demonstration effect. It is expected that the same standards will be replicated in future contracts awarded by MRD.

(vii) The Project was Relevant as it was directly aligned with AIIB's strategy and thematic priorities. It contributed directly to enhancing rural connectivity and strengthening climate resilience of rural infrastructure assets in Cambodia.

(viii) The Project was Efficient. While all planned activities were completed with no cost escalations, minor adjustments were necessitated in the scope and delivery timelines (extended by 18 months).

(ix) The Project is Likely Sustainable. The Project benefits are likely to continue over the life spans of the rural roads and community ponds respectively. The Project materially complied with safeguard and fiduciary standards. The sub-projects are likely to be maintained over the life of the asset as committed by MRD and PDRDs.

Section I. Effectiveness

Effectiveness Assessment: Effective

Overall assessment of effectiveness:

- 1) The Project was expected to benefit the rural population in the Project area particularly vulnerable groups adversely affected by the COVID-19 pandemic. The Project was effective in meeting this objective by accelerating rural infrastructure spending thereby creating employment and income generation opportunities for vulnerable local residents and returning migrants.
- The construction activities related to 27 sub-projects rehabilitated and climate proofed 270 kilometers (original target 235, revised target 280) of rural roads and 117 community ponds (original target 150, revised 110) creating new employment opportunities to 62,347 people (target 50,000), primarily vulnerable groups adversely affected by the COVID-19 pandemic in the Project area.
 - Better road connectivity improved business activities along the road and through improved connectivity to towns and bigger cities. 50,886 people benefitted through improved economic activity along the roads contributing to the increase of household income from USD250/month to USD436/month. This has been validated through baseline and end line household surveys in the selected Project areas.
 - The Project supported improved access to 138 (target 100) basic facilities such as schools, markets and health centers improving the quality of life of local population.
 - The Project supported improved access to WASH facilities through construction of 117 community ponds benefitting 128,498 (original target 150,000, revised target 110,000) rural population.
 - The Project provided WASH awareness training to 10,867 people supporting improvement in general hygiene and reducing transmission of communicable diseases in the targeted 113 villages.
 - The Project provided capacity building training on quality rural infrastructure delivery and basic rural services delivery to 27 (target 25) national contractors who were awarded civil contracts under the Project. This training will help the contractors in delivering international quality rural infrastructure projects.
 - Benefits were accessible to intended users through intensive stakeholder consultations, establishment of user groups for road and community pond maintenance and gender mainstreaming.

Project Objective Indicators**Monitoring end year: 2025**

Indicator Name	Unit of Measure	Baseline	Actual (Current)	End Target
No. of persons with increased employment benefits, income generation and capacity development of vulnerable groups of rural populations affected by CoVID-19 outbreak living in the project area.	Number	0	62347	50000
No. of national contractors trained in quality rural infrastructure delivery and basic rural service delivery, including CoVID-19 precaution measures.	Number	0	27	25
No. of facilities (markets, health centres and schools) with improved rural road access.	Number	0,0,0	34/35/69	25/25/50
No. of people with improved access to WASH services especially hand-washing measures as primary CoVID-19 mitigation.	Number	0	128498	120000

Comments:

Intermediate Result Indicators**Monitoring end year: 2025**

Indicator Name	Unit of Measure	Baseline	Actual (Current)	End Target
No. of km of existing rural roads upgraded and climate proofed with all unstable bridges and collapsed drainage systems adapted to improve access to markets, schools and health centres and sustain urban linkages within the provinces as well as with the national capital and with increased climate resilience	Number	0	270	280
No. of target villages with sanitation and hygiene promoted especially hand-washing practices to deliver basic CoVID-19 prevention measures.	Number	0	117	110

Comments:

Achievement of Project Results - Component {x}:

Section II. Relevance

Relevance Assessment: Relevant

Alignment with AIIB's Strategic Priorities:

- The Project activities were relevant and consistent with AIIB's strategies and thematic priorities. The Project enhanced rural connectivity and strengthened climate resilience of rural roads in Cambodia. The project was aligned with AIIB's thematic priorities - (i) Green Infrastructure; and (ii) Connectivity and Regional Cooperation. The Project improved climate resilience of rural roads and community ponds by embedding climate resilient design such as improved drainage, and concrete embankments and road sections to prevent damage from flooding. The community ponds maximized the use of indigenous materials for slope protection. Further, the use of renewable energy-based power sources was maximized for pond operations by using solar pumps. The Project improved connectivity to towns and bigger cities and also enhanced access to economic, health, and social facilities in the rural areas.
- Transport Sector Strategy. The Project contributed to rehabilitation of rural roads to restore year-round connectivity in the selected provinces reducing the travel cost and time and enhanced safety.

- **Water Sector Strategy.** The Project directly contributed to improving the year-round availability and sustainable management of water.

- **Crisis Recovery Facility (CRF).** The Project, by supporting post-pandemic recovery through investment in sustainable and resilient rural infrastructure, was also directly aligned with the objective of AIIB's COVID-19 Crisis Recovery Facility (CRF) of supporting members in alleviating and mitigating economic, financial and public health pressures from Covid-19.

Alignment with Member policies, subnational planning and stakeholder needs, including changes to project objective and design:

- The Project was directly aligned with Cambodia's national rural infrastructure program under its Rectangular Strategy (Phase IV: 2019 – 2023) and its overarching objectives of growth, employment and, equity. Large numbers of returning migrant workers, who had lost their jobs during the COVID-19 outbreak, had limited access to reliable infrastructure, basic services and employment opportunities in rural areas of Cambodia. The investments under the Project were identified as an immediate priority of Cambodia.

- There were no changes to the Project objectives and design during implementation. In June 2024, few non-material changes were implemented. This included (i) extension of loan closing date by 18 months to account for the delays occurred during the initial period of implementation; (ii) minor re-allocation of funds amongst disbursement categories; (iii) increase of the coverage of rural roads from 235 kilometer to 280 kilometer due to additional demand for extension of some sections of the roads; (iv) reduction of the community ponds from 150 to 110 due to difficulties in securing land parcels and adjusting for the increase of the size of ponds and design improvements. The allocation for civil works was reduced from USD55.7million to USD54.3 million while the allocation for services contracts was increased from USD4.0 million to USD5.0 million and for Incremental Operating cost (IOC) from USD0.3million to USD0.7 million. These adjustments were necessitated as the project's detailed feasibility and designs were not completed during preparation as it was prepared as an emergency project under CRF.

Section III. Efficiency

Efficiency Assessment:	Efficient
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Achievement of efficiency, including implementation delays, cost overruns and savings:

i. The Project is assessed as being efficient in utilization of resources to achieve desired outputs and intended results.

- Sub-component A1 is assessed as efficient as 270 kilometers of rural roads were rehabilitated against the revised target of 280 kilometers representing 96.4% achievement. It exceeded the original target of 235 kilometers substantially. The roads are climate resilient with improved drainage along the road and concrete road structure sections to prevent damage due to flooding to vulnerable sections. A section of road (about 10 kilometers) initially planned for rehabilitation under the Project was developed directly by the provincial Government.

- Sub-component A2 is assessed as efficient as 117 community ponds were constructed (comprising 77 existing ponds and 40 new ponds) against the revised target of 110 ponds representing 106.4% achievement; However, it represented only 78% of the original target of 150 community ponds. During implementation, total target for community ponds was reduced due to issues in identifying suitable land sites. The average cost per pond also increased due to increase in the average size of ponds and due to the inclusion of basic facilities to improve water access.

- Sub-component B1 is rated as efficient. The training imparted to contractors improved their understanding of

environment and social aspects and in enhancing their technical standards. Training to workers and local residents primarily raised awareness on Occupational Health and Safety (OHS), complaint handling mechanism, gender-based violence, and safe water and sanitation practices for community ponds. Road safety campaigns were carried out across rural road subprojects to promote safe use of upgraded infrastructure and reduce traffic-related risks. The training was delivered through PMU and external consulting firms. At the national level, the PMU delivered structured training on ESF requirements, safeguard screening, CESMP preparation and review, monitoring procedures, and grievance handling to the contractors. At the provincial level, PIUs and PDRDs received technical support to strengthen their capacity to oversee safeguard compliance and contractor performance.

- Sub-component B2 is assessed as highly efficient as project implementation was completed as per the contracted schedule, including extensions thereof and within the approved contract prices. Identified risks during Project preparation were well managed by the PMU. Technical risks arising from impact of climate change and natural disaster on Project assets were managed through performing climate risk assessments and incorporating disaster resilience features in the Project design. Risks arising from lack of technical capacity to ensure design and construction of quality roads was managed through deployment of technical experts in the PMU and supported by consulting firms for designing and supervising the works. Risk of inadequate financial resources during operation & maintenance was managed by the application of the Rural Road Asset Management (RRAM) system to ensure the provision of adequate O&M costs. Training of Water and Sanitation User Groups (WSUGs) for each community pond was undertaken to ensure adequate resources for the O&M of the pond. Risk on the project delivery arising from delay in disbursement of Government counterpart funds in a timely manner was managed by making proportionate payment to contractors with the loan first while the counterpart payment followed later after inter-ministerial approvals.

ii. Procurement management efficiency was initially less than efficient, leading to initial implementation delays. It was, however, constrained by: (i) restrictions due to Covid-19; and (ii) protracted implementation timelines of the consulting firms and civil work contractors to adhere to the limited implementation period of three years requiring undue contract extensions. Significant delays occurred in the process for procurement of Consulting Firms - 13 months for SP1 and 19 months for SP2 and SP3, primarily driven by limited PMU capacity leading to procedural delays in bid evaluation and inter-ministerial coordination. Delays were also observed in procuring contractors for Sub-components A1 and A2 primarily during bid evaluation. For Sub-component A1, the time taken from REoI to contract signing averaged 141 days, with minimum and maximum period ranging from 89 to 251 days. For Sub-component A2, this period averaged 119 days, with a range of 73 to 152 days, across procurement packages. This was partly addressed by hiring a procurement expert to support the PMU. However procedural delays in contract management, processing of variation orders, verification of IPCs, inspections and issuance of completion certifications persisted which led to significant delays in contract completion.

iii. The Financial Management (FM) arrangements including budgeting and planning, accounting, financial reporting, internal controls, external audits, funds flow, organization and staffing were efficient. A Financial Management Manual (FMM) was prepared in September 2021 that provided guidance to MRD/PMU planned, received, spent, recorded, reported, and audited the project funds under the AIIB loan and the Government counterpart. While the FM arrangements were largely implemented as planned, following practical issues were identified during implementation: (i) eligibility expenditure under Incremental Operating Costs (IOCs) was not clearly identified, making it ambiguous; (ii) bank cheque were used for payments ranging from USD501 - 19,999 which had inherent physical handling risks, delayed settlement, custody risk, and weak audit trails compared with electronic payments; (iii) segregation of responsibilities between execution and control activities were not adequately operationalized; and (iv) FM reporting such as IUFR, WA etc. were delayed. However, these were periodically assessed and fixed through several rounds of practical training and process improvements (direct system generated reports in lieu of manual reports, cross-checks with contract register, general ledger balances, payment vouchers and bank statements reconciliation). PMU's capacity was also enhanced to ensure quality of documentation.

Section IV. Sustainability

Sustainability Assessment:	Likely sustainable
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Implementation of project-specific Environmental and Social (E&S) instruments, such as the Environmental and Social Action Plan (ESAP), including the establishment and operation of a project-level Grievance Redress Mechanism:

i. Sustainability is assessed as likely sustainable. Preparation of instruments and its implementation under AIIB's Environment and Social Framework (ESF) including stakeholder engagement and Grievance Redress Mechanism (GRM) was largely followed.

ii. Prior to award of civil works contracts, key framework documents were developed - Environmental and Social Management Planning Framework (ESMPF); Resettlement Planning Framework (RPF); and Indigenous Peoples Planning Framework (IPPF). All safeguard framework documents were prepared in accordance with the AIIB Environmental and Social Framework (ESF). The RPF was developed with support from the General Department of Resettlement (GDR). All E&S instruments were promptly disclosed on MRD website. The ESMPF established procedures for environmental and social screening, mitigation measures, monitoring, and reporting across all sub-projects. The RPF provided due diligence procedures to ensure compliance with ESS2 in the event of land acquisition, and screening confirmed that no Resettlement Plan was required and no involuntary resettlement impacts occurred. The IPPF established procedures for identifying and addressing risks related to Indigenous Peoples, leading to the preparation and implementation of an Indigenous Peoples Plan where required. Collectively, these framework instruments provided a consistent safeguard foundation and strengthened institutional capacity within MRD and PDRDs.

iii. At the subproject level, Environmental and Social Management Plans (ESMPs) and Contractor Environmental and Social Management Plans (CESMPs) were prepared and implemented for all rural road and community pond activities. Contractors were required to develop site-specific CESMPs prior to commencing works, and these were reviewed, revised where necessary, and approved by the Project Management Unit (PMU). Agreed mitigation measures were closely monitored for occupational health and safety, environmental protection, drainage management, worker conduct, and community health and safety. Safeguard monitoring was conducted through regular field supervision and documentation review. Several minor non-conformities were identified during supervision and were addressed through agreed corrective actions. No significant environmental or social incident was recorded during implementation except a deviation in a road sub-project in Koh Kong province. This subproject falls within/is in proximity to a protected area and a key biodiversity area. AIIB ESF has specific requirements on biodiversity impact assessment, stakeholder engagement, and biodiversity management plans and monitoring, among others. However, these were not done for this road subproject as the PMU believed that the scope of the sub-project was out of the protected area.

iv. Intensive stakeholder engagement was done throughout the implementation of the Project. Regular information disseminations on key project components and GRM establishment were conducted with stakeholders to ensure the following: (i) dissemination of the project objectives and approach through orientation meetings; (ii) raising awareness of climate resilience features incorporated into the design of all rural infrastructure; (iii) agreeing on the criteria for the selection of subproject sites; (iv) ensuring representation from vulnerable households in training and supporting their engagement as laborers during the construction; and (v) ensuring meaningful participation in all meetings. Overall, the stakeholder participation strategies worked in a highly satisfactory manner and ensured all stakeholders remained updated with the Project and its progress. Multiple communication channels were also utilized to ensure project affected persons and other stakeholders received adequate advanced notice of discussions and meetings. Regular workshops with the participation of provincial and district officials from Department of Rural Development and service provider representatives reviewed the progress and plan for activities. These efforts improved understanding of safeguard obligations and embedded ESF-aligned procedures

into routine project implementation practices, thereby contributing to institutional sustainability beyond the life of the Project.

v. A multi-tier GRM was established aligned with ESF requirements, operated at commune, district, provincial, and national levels. GRM contact details were publicly disclosed at commune offices and contractor site camps, and grievance logbooks were maintained at construction sites. A comprehensive GRM Note was prepared to document the safeguard due diligence process specifically focused on the recorded grievances that were recorded for each subproject and the remedial actions that were taken. Grievances received during implementation were primarily related to construction disturbances, road safety, and labour working conditions which were resolved through coordination among the PMU, contractors, and local authorities. No grievances remained pending at project completion, and no cases were escalated to AIIB's Project-affected People's Mechanism (PPM). The effective operation of the GRM reduced the risk of unresolved safeguard liabilities and contributed to sustained community acceptance of the Project.

vi. An external audit of the safeguard compliance was conducted by an independent consultant during 2024 and 2025. The audit provided additional review of safeguard compliance in the Project. The recommendations primarily focused on systematizing good practice and closing the procedural gaps such as : (i) establishing a centralized digital safeguard data repository to standardize recordkeeping across provinces; (ii) institutionalizing annual safeguards training for MRD, PDRDs and contractors; (iii) strengthening OHS compliance monitoring during construction through standardized checklists and digital reporting tools; (iv) continuing engagement with Indigenous Peoples/ethnic minorities and other vulnerable groups through post-implementation monitoring.

vii. Gender Action Plan (GAP) was developed to advance gender equality and social inclusion. The GAP ensured that women and disadvantaged groups participated in all stages of Project design and implementation. It mandated inclusive processes, gender-responsive design and expanded access to jobs through training, fair hiring, equal pay, and equitable conditions.

viii. Gender-related Results and Achievement: The GAP consisted of 18 actions and 6 targets. At project completion, all 18 actions were completed. Four out of the six targets were also achieved. The remaining two targets were substantially achieved, reaching 84% and 95% of their intended results, respectively:

- Promote women's employment and gender-equitable labor practices by setting minimum targets for women's participation in construction and maintenance (at least 25% of unskilled labor in civil works and 50% in community-based maintenance), integrating gender equality provisions into bidding documents (including labor and working conditions), and requiring contractors to comply with core labor standards. Women constituted over 27% of the unskilled labor force, thereby surpassing the GAP target of 25%.
- Enhance women's participation in operation, maintenance, and community infrastructure management by creating inclusive opportunities for women in road and pond maintenance and by ensuring safe, equitable and supportive working conditions. Although the project did not fully meet the target for women's participation in maintenance activities, it achieved substantial progress in strengthening participation of women and disadvantaged groups in community governance and infrastructure management. Water, Sanitation, and Hygiene User Groups (WSUGs) were established for all 117 community ponds, comprising 1,797 members, including 748 women (42%).
- Integrate gender-responsive infrastructure design and safety measures by incorporating features such as sealed road shoulders to reduce women's time and physical burden in water transport and installing rumble strips and clear road signage to improve safety for pedestrians, especially women and children. Women represented 38% of the 9,918 local stakeholders consulted, resulting in more comprehensive and responsive infrastructure planning.
- Promote inclusive community engagement, awareness, and data systems by ensuring women's active participation in road safety campaigns (at least 50%), implementing awareness programs on prevention of COVID-19, gender-based violence and harassment, including human trafficking risk prevention, and collecting and using gender-disaggregated baseline socio-economic data to inform planning, implementation, and monitoring.

- Strengthen institutional capacity and systems for gender-responsive project implementation by assigning gender focal points within the PMU and PIUs, ensuring gender expertise in the recruitment of design and supervision firms, providing GAP orientation and gender mainstreaming training to project staff, allocating adequate resources for GAP implementation, and integrating gender-disaggregated data into the Project Performance Monitoring System (PPMS) to support effective monitoring and reporting.
- Promote women's participation, safety, and inclusion in project activities and capacity development by ensuring at least 40% women's participation in safeguard consultations and providing OHS training to women employed as unskilled workers. The Project achieved nearly 40% women participation (of the 5,570 participants) in community and OHS awareness activities; more than 50% (of the 4,691 participants) in road safety campaigns; and 43.28% (of 1,770) community focal points under WASH awareness activities.

Investment Sustainability (operational, financial/commercial, institutional):

- **Financial:** The Project is expected to deliver economic returns as it created new employment opportunities for local population, and is expected to reduce travel time, road accidents, vehicle operating cost, emissions and transmission of communicable diseases. The WASH practices introduced through the Project helped in reducing the negative impacts of COVID19 and in mitigating the social and economic effects of the pandemic. The Project is expected to be operationally sustainable through O&M commitments from MRD and PDRDs. MRD has confirmed that all sub-projects have been handed over to the local Government in line with the institutional practice. MRD has also committed to prioritize these sub-projects for allocation of maintenance budget.
- **Institutional:** The Project has improved institutional arrangements and capacity to prepare and implement similar rural infrastructure projects with high technical, safeguard and fiduciary standards. The Project has strengthened safeguard management systems within MRD and PDRDs by embedding E&S screening, monitoring, and reporting procedures into routine implementation practice. Institutional sustainability, however, remains moderately dependent on retention of trained safeguard personnel and continued budget allocation for environmental and social oversight at local level.
- **Operational:** Infrastructure assets created under Sub-components A1 and A2 were completed and handed over to local authorities. MRD's PMU and PIUs gained operational experience during the project, thus strengthening capacity in five provinces. Climate-resilient design has increased infrastructure durability. Community participation during design and training during implementation supports ongoing asset ownership, use and protection. However, long-term performance of the assets relies on regular maintenance and oversight by provincial and district authorities.

Any Outstanding issues and Follow-up actions, if applicable:

- At the time of project completion, there were no outstanding issues. All sub-projects have been handed over to the provincial authorities who would be responsible for future operation and maintenance of the assets.
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Lessons Learned**Lesson 1.**

Category	Project Design
What had AIIB planned would happen?	Drainage structures as planned would be adequate for road safety and sustainability.
What happened during implementation?	Existing drainage at site was poorly maintained and site conditions needed improved drainage.

Why was there a difference between what was planned and what happened?	Site conditions changed from feasibility study stage and design phase.
What can AIIB do differently in the next project?	Include field data collection and preliminary engineering designs during feasibility stage in the Terms of Reference (ToR) for preparation of feasibility report. Validation of preliminary engineering designs after completion of field surveys such as topography, geotechnical etc. should be incorporated as a critical task in the ToR during detailed engineering design phase.

Lesson 2.

Category	Environmental and Social
What had AIIB planned would happen?	E & S risk management and compliance would be effectively managed during and post-construction through robust E&S instruments.
What happened during implementation?	While instruments were generally in place, execution gaps were identified, including CESMP compliance issues (e.g., labor camp conditions, hazardous waste documentation, unsafe excavations).
Why was there a difference between what was planned and what happened?	Implementation required stronger contractor-level capability, routine compliance behaviors, and more systematic supervision.
What can AIIB do differently in the next project?	Adequate capacity at contractor level for E&S compliance and at PMU/PIU level for supervision including robust ES provisions in procurement documents.

Lesson 3.

Category	Procurement
What had AIIB planned would happen?	Procurement would proceed on schedule with timely preparation of tender documents, bid evaluation and on-time onboarding of the three service-provider support packages.
What happened during implementation?	Delays in contract award due to extensive time involved in bid evaluation and approval by the Procurement Review Committee (PRC).
Why was there a difference between what was planned and what happened?	PMU's capacity to review and evaluate bids was inadequate and there were issues in scheduling PRC meetings in the context of Covid-19 related restrictions which led to delays in procurement.
What can AIIB do differently in the next project?	Thoroughly evaluate PMU's capacity and take advance actions to strengthen the capacity during project preparation. Ensure dedicated resources for the project to avoid capacity constraints.

Lesson 4.

Category	Construction and Preparations
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What had AIIB planned would happen?	Physical progress and financial progress would remain broadly aligned.
What happened during implementation?	The gap between physical and financial progress peaked to about 60%, driven by delays in scheduling and performing joint inspection, approving IPCs, issuance of certificate of completion and defect liability certificate.
Why was there a difference between what was planned and what happened?	Inspection, IPC certification, and payment workflows lacked clear timelines and accountability.
What can AIIB do differently in the next project?	Better coordination amongst all teams of MRD involved in payments to the contractors including establishing clear timelines and escalation mechanism.

Lesson 5.

Category	Environmental and Social
What had AIIB planned would happen?	Infrastructure benefits would be equitable and inclusive, with gender targets and vulnerable household considerations integrated into design and delivery.
What happened during implementation?	During implementation, impacts on poor/vulnerable households (e.g., poor/vulnerable households were not able to afford construction of culverts across drains for safe access to their property) and under-representation of women in water user groups were observed.
Why was there a difference between what was planned and what happened?	Site conditions were not fully integrated in the design which required corrective measures during implementation.
What can AIIB do differently in the next project?	Thorough review of exact site conditions including socio-economic conditions and beneficiary affordability to ensure equitable access to all sections.

Lesson 6.

Category	Procurement
What had AIIB planned would happen?	Variation Order (VOs) as required would be submitted proactively by the contractor and reviewed/processed promptly by PMU.
What happened during implementation?	VOs were not processed before expiry of the original contract.
Why was there a difference between what was planned and what happened?	VO processing and contract extensions required several internal approvals in MRD which delayed the entire process.
What can AIIB do differently in the next project?	Strengthen contract management and explore delegation of contract Variation /contract extension approvals at Project Director level to avoid administrative delays.



Project Completion Note

Prepared on 07/17/26

6. Client feedback

Annex: Client Feedback on the Project

Procurement was protracted (bid evaluations, PRC meetings, delayed service provider recruitment).

Acknowledgement	It is agreed that procurement timelines were longer than planned, particularly during early implementation and internal review steps and PRC scheduling did create bottlenecks.
Clarifications/mitigation factors	Implementation during first year was disrupted by COVID-era administrative disruptions and staff turnover affected evaluation continuity and availability of PRC members. The high workload across multiple externally financed projects limited the ability of the core procurement team to run parallel processes. For SP2/SP3 the packages required additional scoping/clarifications and iterations to align with MEF SOPs and AIIB requirements.
Commitments/next steps	Strengthen the procurement unit with additional staff and a standing evaluation panel. Establish a fixed PRC calendar and introduce internal deadlines for evaluation report submission/QA. Adopt standardized evaluation templates and tracking tools to monitor cycle times.

Road/community pond contracts were awarded at sub-optimal times

Acknowledgement	It is agreed that the award timing did contribute to delayed civil works.
Clarifications/mitigation factors	Budget-year and approval sequencing meant awards could not always be aligned to the start of the dry-season. Delays in procurement compressed the window and forced award decisions to avoid losing the construction season entirely. In Koh Kong province, rainfall patterns are unusually severe/unpredictable, compounding the normal wet-season effect
Commitments/next steps	Improve procurement planning so mobilization begins before the dry season. Build seasonality into work programs and adopt more realistic scheduling buffers for high-rainfall provinces.

Contractor capacity and widespread subcontracting created quality and CESMP/OHS compliance issues

Acknowledgement	This is agreed, particularly regarding the supervision burden created by subcontractors and uneven CESMP compliance.
Clarifications/mitigation factors	Local market structure: many contractors rely on subcontractors for specialized tasks and equipment mobilization. Supervision teams issued corrective instructions and compliance improved over time. Some non-compliance reflected limited contractor familiarity with AIIB-aligned CESMP requirements.
Commitments/next steps	Tighten bidding requirements by requiring a subcontracting plan and clearer accountability of the prime contractor. ES provisions in procurement documents should be strengthened for non-compliance of main contractor and subcontractors (i.e., penalties, stop-work, etc.) to avoid repeat issues. Increase enforcement: non-compliance linked to payment certification, cure notices, and penalties. Deliver targeted contractor training on CESMP/OHS and site controls (waste, excavations, traffic safety).

Extension processing lag and “contract validity risk” (contracts lapsed before variations/time extensions were issued)

Acknowledgement	It is agreed that some extensions were processed late, and internal approvals did take longer than desirable.
Clarifications/mitigation factors	Extensions required multiple layers: technical verification, variation justification, internal clearance, and sometimes AIIB no-objection; these steps were not always synchronized. Civil works were supervised and the intent was not to operate outside contractual controls, but administrative processing lagged behind site realities.
Commitments/next steps	Establish a contract register with expiry alerts (T-90/T-60/T-30) and assign a contract administration focal point. Standardize variation/time extension documentation packs and implement internal service standards for approvals. Agree early protocols for DLP/retention and closing arrangements so contract tails are managed properly.

Delays in final inspection and completion certificates due to restructuring of senior management approval mechanisms

Acknowledgement	It is agreed that the final sign off procedures were a bottleneck.
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Clarifications/mitigation factors	Senior management signoff was introduced by MRD with the aim of ensuring increased accountability and quality assurance on public investments. Travel and scheduling constraints, particularly for remote provinces, caused unavoidable lag.
Commitments/next steps	Delegate authority to a standing completion committee with clear terms of reference. Adopt a punch-list closeout process with timelines and remote verification options where appropriate.

Long contract tails beyond project closing/defect liability management

Acknowledgement	It is agreed that this created administrative complexity.
Clarifications/mitigation factors	Retention and defect liability period are contractual safeguards, and these protections were needed to ensure defects are corrected. The 18-month extension was intended to allow completion and proper close-out, but defect liability period timing inevitably ran beyond the completion date.
Commitments/next steps	Define a defect liability period protocol early in future projects covering supervision responsibilities, retention/guarantee handling, and certification steps after closing.