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Subject: **Approach Paper for a Sector Assistance Program Evaluation for the Agriculture and Rural Development Sector in Cambodia**

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I. INTRODUCTION

1. The Independent Evaluation Department (IED) of the Asian Development Bank is currently preparing a country assessment program evaluation (CAPE) for Cambodia as an input to a new Country Partnership Strategy planned by the Southeast Asia Department. This will be the second such exercise for the country. The first CAPE covered the period from the re-initiation of operations in Cambodia in 1992 to 2002. The currently planned CAPE will cover the overlapping period 1998 to 2008 to capture the impact of projects which were still under implementation when the previous CAPE was undertaken.

2. As inputs to the CAPE, this Sector Assistance Program Evaluation (SAPE) on agriculture and rural development (ARD) will be prepared. A focus on the ARD sector is of particular relevance in view of the importance of that sector to the country's economy, the livelihood of its population, and the Asian Development Bank's (ADB) overarching goal of poverty alleviation. The agriculture sector provides 30% of the country's gross domestic product (GDP) and is the single biggest contributing sector to GDP. Around 85% of the population lives in rural communities and over 60% depend directly on agriculture, forestry, and fisheries for their livelihoods. Around 34% of the country's population is considered poor and 90% of the poor live in rural areas.

3. Moreover, loans and grants in the agriculture and rural development sector have made up a significant part of ADB lending, accounting for \$275.7 million or 24% of overall lending since ADB recommenced operations in the country in 1992 [Figure A.1.1, Appendix 1]. The early investments in the sector were considered effective by an earlier CAPE completed in 2004 which indicated that significant impact in terms of improving food security and reducing poverty had been achieved through agriculture and rural development investments.

4. To provide an input into the planned CAPE, the ARD SAPE will evaluate projects completed since the 1998¹ as well as ongoing projects to evaluate their impact on economic growth and poverty reduction and their overall impact in achieving both the Government's and ADB's development goals in the country. In view of the special focus on the Tonle Sap region in

¹ While the 2005 CAPE assessed the first three ARD projects in the country since operations recommenced in 1992, only two, the Agriculture Sector Program and the Rural Infrastructure Improvement Project, had been completed at the time the CAPE was prepared. Both were still ongoing in 1998, the beginning of the current CAPE period, and, because they set the direction for future investment in the sector, both need to be reassessed by the current SAPE if it is to be considered complete and comprehensive.

the country strategy, an assessment will also be made on the relevance and effectiveness of ARD interventions to date and an assessment of the value of pursuing the strategy of a regional focus further, beyond 2010.

II. BACKGROUND

A. Agriculture and Rural Development in Cambodia

5. A relatively small country with a small population (around 15 million people) Cambodia has few economic resources except for its agriculture, fishery, and forestry resources. It has few mineral resources (barring recent indications of reserves of oil and gas), no major hydropower potential and little industrial base. Moreover, even its agriculture resources are limited. These primarily consist of about 2.8 million hectares of cultivated land of which 84% are devoted to rice, 9% to other food crops, and 6% to industrial crops, plus the fisheries resources of the Tonle Sap lake, one of the most productive fresh water fisheries of Southeast Asia and the Mekong River. However, due to water² and soil limitations most rice production is limited to a single, rain-fed crop annually, constraining most rice farming families (and thus the majority of the country's population) to a subsistence livelihood. Fisheries resources within the Tonle Sap lake, while abundant and the source of much of the protein consumed in the country, have probably reached their maximum production potential. Much of the rural population of the country is thus locked into a subsistence existence with only limited scope for improvement. Further constraints upon the sector are limited access to markets as a result of the poor rural infrastructure and the country's small urban population, limited access to rural credit, and (until the recent passage of the Land Law in 2001) uncertain land tenure. Under the circumstances it is not surprising that the agriculture and rural development sector in Cambodia has not achieved the vibrancy and market-orientation of either of its two larger neighbors, to the east and west—Viet Nam and Thailand, but is more akin to its northern neighbor the Lao People's Democratic Republic.

6. Despite these constraints, there have been some notable improvements in sector performance and in rural livelihoods during the CAPE period. Agriculture productivity, while fluctuating considerably due to the weather dependent nature of production, has tended to increase over the past decade, with paddy production during the period 1998 to 2007 almost doubling, from 3.5 million tons to 6.7 million tons, allowing an exportable surplus after increased domestic consumption of about 2.0 million tons. This increase came mostly from increases in paddy yield, which now averages around 2.5 tons per hectare as opposed to 1.0 to 1.5 tons per hectare in the mid-1990s. There have been improvements in crop diversification and livestock production, but precise and dependable figures are hard to find. As a result of these productivity gains, agriculture's contribution to the GDP grew at an annual average of 4.5% over the past decade with a surprisingly steep growth in the past 3 years. Rural incomes have also been boosted by an increase in non-farm activities and through small-scale livelihood ventures, both made possible by significant improvements in the peace and order situation in the country in the past few years, improved rural roads and enhanced access to credit. Partly as a result of these improvements, the percentage of Cambodians living below the poverty line fell from an estimated 47% in 1994 to about 30% in 2007. Thus, despite the constraints imposed by limited natural resources, a heavy dependency on the vagaries of the weather and continuing limited

² As a low-lying country with flat terrain and with few mountains or catchment areas, there are few areas in Cambodia where irrigation water can be stored. The country also has only limited groundwater resources. Dry season irrigation is limited to about 7% of the total cultivated area.

market access, there is hope and room for improvements in the livelihood of the rural population and a further reduction of poverty levels.

7. In terms of the current situation, there may be room for a degree of hope within the sector. It is quite possible that recent gains in productivity are a reflection of recent policy and structural improvements, especially the passage of the Land Law in 2001 which will, as it is progressively implemented throughout the country, provide the rural population with secure land tenure. Moreover, the fact that the country is a net exporter of two agriculture commodities (rice and rubber) which continue to have a high world market demand does provide the room for some optimism. However, this needs to be tempered with a realistic view of the limitations imposed on productivity expansion in the sector by its generally poor soils and limited water resources.

B. Agriculture and Rural Development in the Government's Development Plans

8. Throughout the 1990s and into the current decade, improvements in the ARD sector have always been at the forefront of the Government's development plans. This was reflected in the planning documents of the Socioeconomic Development Plan (SEDP) (1996–2000), the Second SEDP (2001–2005), the National Poverty Reduction Strategy and the 2004 Rectangular Strategy for Growth, Employment, Equity and Efficiency (Rectangular Strategy). Under the Rectangular Strategy agriculture productivity diversification and competitiveness was the first growth priority along with the complementary priority of the rehabilitation and construction of physical infrastructure (including rural roads and water resources infrastructure).

9. The latest national strategy, the National Strategic Development Plan 2006–2010 identified the enhancement of the agriculture sector as the key to poverty reduction. The focus within the sector was to be on intensifying crop production to increase yields and rural incomes, diversification of crops, improving fisheries management, sustainable management of forestry through reforms, environment conservation and the carrying out of land reforms, particularly to ensure land tenure to the poor. To further advance rural development, the Plan emphasized building rural infrastructure—roads, markets, drinking water facilities, sanitation facilities, minor irrigation, school and health buildings, etc.—much of it through devolution of funds through the commune councils. Efforts will also continue to enhance access to rural credit and to bring down the prevalent high interest rates.

C. ADB's Strategy for the Agriculture and Rural Development Sector

10. The ADB's strategy for the ARD sector is spelled out in a series of country operational strategy and country partnership strategy papers as well as in the Tonle Sap strategy produced in 2005. In view of its importance to the economy and its close link with poverty reduction, the ARD sector has always been given prominence both as part of the ADB's overall strategy and as a focus of investment and operations. Within the time period covered by the SAPE, the 1995 country operational strategy (COS) identified steady poverty reduction as the overriding objective with a focus on agriculture and rural development to achieve this goal. The 2000 COS also identified poverty reduction as the overriding objective to be achieved through three priority areas: (i) sustainable economic growth through labor-intensive agriculture and rural development, (ii) human resources and social development, and (iii) creating an enabling environment for private sector development.

11. The 2005 Country Strategy and Program (CSP)³ fostered broad-based private-sector-led, economic growth, inclusive social development and improved governance for development. The CSP also made an effort to sharpen the focus of ADB's development efforts and indicated that ADB will take the lead role in four priority sectors: (i) agriculture and water resources; (ii) education; (iii) finance; and (iv) transport. ADB's strategy for the agriculture sector was to be built around its past and ongoing agriculture sector projects, and to focus on (i) improving farmers' ability to raise productivity, diversify towards higher-value products, and connect to markets; (ii) enhancing the market environment for private agriculture-based enterprise growth; and (iii) strengthening institutional capacity for competitive agriculture commercialization. This was to include strengthening extension support to farmers' groups, advisory support and export promotion for agriculture-based enterprises, quality and safety standards for agriculture produce, price information, and implementation of land concessions. ADB's support for irrigation development will be integral to its support for agriculture and to emphasize improved water management for high and stable crop yields and incomes. Within this context, the strategy was to promote an integrated basin-oriented approach to irrigation design, and encourage water-using farming communities to manage small and medium-sized irrigation schemes sustainably.

12. The CSP also indicated that to improve the development impact of its assistance program, ADB would increasingly focus some of its interventions on the Tonle Sap basin, to enable greater synergies among different interventions, and to focus support for poverty reduction and environmental management on one of the poorest and environmentally most sensitive regions of the country. The Tonle Sap basin includes all or part of 8 of Cambodia's 24 provinces and covers 80,000 square kilometers (44% of Cambodia's total area) with a combined population of 3.6 million, one third of Cambodia's total population and is one of the poorest parts of the country. In conjunction with this strategic decision, the ADB published the Tonle Sap Basin Strategy in 2005⁴. Under the strategy, specific interventions may include (i) public investment in irrigation and research and extension, (ii) enhancing fish stocks in the lake and rice fields, (iii) improving rural and primary road network to connect villages to markets, (iv) providing affordable rural electric supplies, (v) developing alternative livelihoods, (vi) promoting small and medium enterprises, (vii) strengthening the legal environment, including land titles and equitable access to common property resources, (viii) promoting the status of women in the agriculture sector, (ix) increasing the efficiency of both input and output markets for farmers and providing credit facilities, and (x) reducing the vulnerability of communities to natural disasters.

13. With specific reference to rural development, under the Tonle Sap Basin Strategy, the focus was to continue on promoting management and conservation of natural resources, with a view to promoting sustainable livelihoods within the basin area. Specifically, interventions will focus on protecting and supplementing the assets of the poor (physical, social, and natural) through community-based natural resource management, the provision of small-scale community infrastructure (e.g., rural access roads, foot bridges, small irrigation pumps, community wells for safe water), skills development training, and institutional development and capacity building, to promote alternative livelihood activities.

14. A mid-term review of the 2005 CSP was undertaken in 2007⁵. Besides recommending a continuation of the strategy for a further year to 2010 to coincide with the Government's planning cycle, the Review indicated that there needs to be a sharper focus on agriculture and rural development to respond to Government priorities. ADB's assistance for the remainder of

³ ADB. 2004. *Country Assistance Program Evaluation for Cambodia*. Manila.

⁴ ADB. 2005. *Tonle Sap Basin Strategy*. Manila.

⁵ ADB. 2007. *Country Strategy and Program Mid-Term Review, Cambodia 2005–2009*. Manila.

the CSP period should increasingly have an agricultural and rural focus, including rural development projects, fostering rural finance, enhancing access to credit and decentralized registration of businesses in rural areas, increasing knowledge inputs (e.g., vocational and technical training) for farmers and rural industries, and the Tonle Sap Initiative to improve the living standards of the people living in the Tonle Sap area.

D. ADB Assistance to the Agriculture and Rural Development Sector

15. As of 31 December 2008, Cambodia had received \$993.1 million for 45 loans (34 project loans and 11 program loans), \$171.4 million for 27 grant projects, and \$99.4 million for 155 technical assistance (TA) projects, since joining the ADB in 1966. The majority of this assistance was provided since operations resumed in 1992.⁶ Sectoral distribution of ADB approved loans from 1992 to 2008 and the lending levels of ARD on an annual basis are shown in Figures A1.1 and A1.2. For the agriculture and rural development sector, ADB has extended to Cambodia a total of \$275.7 million for 11 loans and grant projects (inclusive of three program loans and 8 project loans), \$71.2 million for nine grant projects⁷, and \$23.2 million for 35 TA projects (inclusive of 22 advisory TAs and 13 project preparatory TAs (Tables A1.1-A1.4, Appendix 1) since operations recommenced in 1992.^{8,9} Table 1 and Table A1.2 shows the comparative lending for ARD through the various COS/CPS period, averaging to almost 23.2 of total lending per period. This indicates that environment, irrigation and rural infrastructure have also gained importance in the last CPS periods similar to the traditional agriculture sector operations. The SAPE will review the effectiveness of these initiatives with a view to draw lessons for the future. The loan and ADF grant projects focused on major sector policy initiatives through the two program loans, rural infrastructure improvement, water resources infrastructure rehabilitation and, to a lesser extent, rural credit. To date only three of the loan and grant projects have been completed and the balance are still ongoing, although some are near completion. Up to now, there have been no major project investments in the sector under the GMS initiatives although Cambodia is a member of the GMS Working Group on Agriculture and has actively participated in a number of the GMS technical assistance studies.

Table 1: Portion of ADB's Loan and Grant Portfolio Dedicated to Agriculture and Rural Development During Various Country Operational Strategy/Country Partnership Strategy Periods (% of Total Lending)

Sector/Subsector	1992 – 1995	1996 – 2000	2000 – 2004	2005 – 2008	1992 – 2008
Agriculture and Natural Resources	-	8.7	15.8	18.8	10.8
a) Agriculture Production/Processing/ Sector Development	-	8.7	8.2	11.8	
b) Environment/Fishery	-	-	2.9	7.3	
c) Irrigation and Drainage	-	-	4.7	-	
Rural Infrastructure/Development	17.8	10.5	7.6	13.3	12.3
Total	17.8	19.2	23.4	32.2	23.2

⁶ Based on ADB *Loan, TA, Grant and Equity Approvals* database.

⁷ Including four exclusively-funded ADF grant project.

⁸ See Appendix 1 for further details.

⁹ During the CAPE period—1998 to 2008—nine loans/ADF grant projects were approved in the amount of \$149.5 million and 31 TAs were approved in the amount of \$19.6 million. All of the grant projects were approved after 1998.

16. To date, PCRs have been produced for three completed projects all of which are rated successful. A further four ongoing projects have also just been physically completed or are nearing completion. The project performance reports for all these projects indicate that their achievement of objectives and implementation progress are satisfactory. From a bottom up point of view, past investments in the sector thus appears to have been successful. However, the overall impact of the sector program has wider implications which will be looked into during the SAPE implementation. The SAPE will also review the progress achieved by ongoing projects.

E. Findings of the 2004 CAPE

17. At the time of the 2004 CAPE two projects within the sector had been completed (the Agriculture Sector Program¹⁰ and the Rural Infrastructure Improvement Project¹¹) as well as a third project which had an agriculture and rural development component (the Special Rehabilitation Project¹²). A further project, the Rural Credit and Savings Project¹³ was also advanced enough in terms of implementation to be assessed. The other projects ongoing at the time were not sufficiently advanced for the CAPE to be able to assess any outcomes.

18. Of the projects it assessed, the CAPE concluded that the Agriculture Sector Program contributed to the food security outcome and that, considering the fact that it was formulated during a very difficult time, with severe shortages of capable government staff and about one third of the country still inaccessible, the delivery of outputs in terms of the implementation of various reform measures, including the revised Land Law, is regarded as satisfactory. The loan also assisted Cambodia in its transition to a market-based economy. Subsequent implementation of the revised Land Law, together with the continued assistance through follow-up program and project loans, was expected to further facilitate agriculture growth. In terms of the Rural Infrastructure Improvement Project, a number of outputs were generated (e.g., rehabilitation of 1,172 km of rural roads, 144 school buildings, and 15 rural markets) which led to the achievement of expected outcomes in terms of economic growth.

19. With regard to poverty reduction, the CAPE considered the Rural Infrastructure Improvement Project to have a pro-poor design which had increased people's access to rural roads and markets and contributed to poverty reduction in the project areas (e.g., increased household incomes of the rural poor by about 30%). The revised Land Law under the Agriculture Sector Program was also expected to provide land tenure and ownership to millions of poor people after its implementation. Thus, the CAPE concluded that the country assistance program's lending and nonlending programs under the agriculture growth objective had the potential to contribute significantly to poverty reduction in the future.

20. The CAPE thus recommended that to enhance the likelihood of these outcomes, the ADB should: (i) facilitate the implementation of the revised Land Law; and (ii) rigorously address

¹⁰ ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to Cambodia for the Agriculture Sector Program Loan*. Manila (Loan 1445, for \$30.0 million, approved on 20 June).

¹¹ ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to Cambodia for the Rural Infrastructure Improvement Sector Project*. Manila (Loan 1385, for \$25.1 million, approved on 28 September).

¹² ADB. 1992. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to Cambodia for the Special Rehabilitation Assistance Project*. Manila (Loan 1199, for \$67.7 million, approved on 26 November). This loan will not be included in the SAPE.

¹³ ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Cambodia for the Rural Credit and Savings Project*. Manila (Loan 1741, for \$20.0 million, approved on 27 April).

the various structural constraints to enhanced agriculture productivity and competitiveness, while, at the same time, focusing on pro-poor sustainable development through improved natural resources and environmental management for sustainable rural livelihoods.

F. Other Donors' Assistance to the Sector

21. Besides the ADB the main donors to the sector have been the World Bank, IFAD and the UNDP. The World Bank has funded a wide cross section of projects including the Agriculture Productivity Improvement Project, the Northeast Village Improvement Project, the Rural Investment and Local Governance Project, the Provincial and Rural Infrastructure Project and the Land Management and Administration Project. IFAD has been active in the rural development and livestock sectors through a series of five grass-roots community-based projects, while the UNDP coordinated the Seila program¹⁴, a major rural development and recovery effort funded by a number of bilateral donors and UN agencies. The Seila program included small scale rural infrastructure and the provision of credit for livelihood activities. Another donor active in the sector has been the Agence Francaise de Developpement (AFD) of France which has co-financed a number of projects with ADB.

22. In terms of program size, the only other donor to provide anything in the way of the \$204.5 million provided by ADB has been the World Bank with a contribution to the sector of about \$150.0 million (depending which of its projects are considered to be within the ARD sector).

G. Regional Aspects

23. Cambodia's status as a small country of 15 million people squeezed between two dynamic, medium-sized regional Mekong powers (Thailand with a population of about 70 million and Vietnam with a population of over 80 million) means that its agriculture sector is subsumed by the economies of its neighbors. Both of these neighbors have been growing and exporting similar agricultural commodities and they do so more efficiently and effectively. Cambodian agriculture sector products which are not consumed for subsistence purposes form part of the agriculture economy of its neighbors. One hundred percent of Cambodian rubber is marketed through Vietnam (at a 20% quality discount below international market prices), while much of the country's surplus rice production is marketed directly either in Thailand (from the northern provinces) or Vietnam (from the southern provinces). This had serious negative consequences during the recent peak in commodity prices since much of the surplus production had been sold to Thai or Vietnamese dealers at harvest time and consumers then had to buy back rice at prices much in excess of the normal market price¹⁵. The country's accession to the World Trade Organization (WTO) in 2004 as a Least Developed Country (LDC), means that Cambodia is able to maintain import tariffs on agricultural products at higher levels through accession negotiations but has not done so. However in terms of exports, Cambodia made a commitment to bind export subsidies in agriculture at zero and not to apply such subsidies in the future. This meant that Cambodia chose not to exercise its right to use agricultural export subsidies, as under the WTO Agreement on Agriculture LDC members are able to use this instrument.

¹⁴ The Seila program came to a close in December 2006. The activities carried out by Seila are now under the mandate of the National Committee for Management of the Decentralization and Deconcentration Reform (NCDD).

¹⁵ Selling the whole rice crop at harvest time (often to repay debts incurred to purchase food prior to the harvest) is a common practice in Cambodia. Traditionally, rice for consumption is then bought from traders as and when required.

24. A new phenomenon in the agriculture sector is the signing of foreign direct investment (FDI) and contract farming agreements with private sector entities from Mekong regional countries. These two modalities could potentially provide direct access to inputs, capital and markets for the Cambodian agriculture sector but also raise issues of land rights and market dominance. To date this type of investment seems to be most prevalent in the more isolated, sparsely populated north-eastern and northwestern part of the country. However, contract farming is an issue of political risk. The legal situation for FDI is uncertain. In addition, because of strained political and ethnic relations with its two larger neighbors there is reluctance on the part of their nationals to invest directly in land and agriculture production as opposed to trading in agricultural commodities.

III. PROPOSED METHODOLOGY

A. Objectives

25. As an input to the overall CAPE exercise, the proposed SAPE will assess the level of achievement of the goals set for ADB's activities in the agriculture and rural development sector during the CAPE period. This will include the sector's contribution to national economic growth and the contribution to poverty reduction in the rural areas of the country. The achievements to date will be assessed within the context of the Government's overall development plans and initiatives and within the context of the operations of other development partners in the sector. The evaluation will include an assessment of the effectiveness of the Tonle Sap strategy and its achievements to date.

B. Approach

26. The SAPE will be undertaken in accordance with the 2006 *Guidelines on the Preparation of Country Assistance Program Evaluations*. It will use a top-down assessment at the strategic level (including assessment of ADB strategy and positioning, contribution to development result and ADB performance) and a bottom-up assessment at the operational (program) level to determine the relevance, effectiveness, efficiency, sustainability and impact of ADB's interventions in the sector. Key questions to be answered are given in the evaluation framework (Appendix 2).

27. The study will be done through: (i) a thorough document and literature review; (ii) a series of interviews with key stakeholders plus field observations; (iii) a thorough analysis of the findings of the above and (iv) a synthesis of conclusions based on feedback discussions of the preliminary findings among key stakeholders in the country.

28. Since most of the projects to be analyzed are still ongoing, a lot of emphasis will need to be placed on field work within the project areas of these projects and interviews with ADB officers, project staff, implementation consultants and intended beneficiaries. Given the additional focus of the SAPE on the outcomes to date of the Tonle Sap Basin Initiative, much of this will be undertaken through visits to project sites within the Tonle Sap Basin.

C. Scope

29. The SAPE study will cover 11 loans and five ADB grant projects undertaken in the sector since the recommencement of ADB operations in 1992. The inclusion of the Rural Infrastructure Improvement Project and the Agriculture Sector Program, both of which were completed at the time of the 2004 CAPE but ongoing during the current CAPE period of 1998-2008, is considered

necessary in view of their role in setting the basic policy framework for subsequent sector investments, providing initial capacity building and in providing a model for future project and program design. Moreover, although they are discussed in the 2004 CAPE, the discussion is based on preliminary information and the impacts of both projects had yet to be fully realized at the time the CAPE was undertaken. (To accommodate the needs of the current CAPE a separate section will be provided in the SAPE report covering only the current CAPE period). The SAPE will also cover all TAs and grants approved since the start of the proposed CAPE period (1998). The SAPE, to the extent feasible will separately assess the relative impact of different types of investments in the sectors.

30. The analysis of relevance, effectivity, efficiency, sustainability and impact will be undertaken within the context of the roadmap for the sector presented in the 2005 CSP and the indicators identified in the results framework. This envisages an annual sector GDP growth of 3.5% per annum, an increase in paddy yields from 1.7 ton per hectare to 2.5 tons per hectare, a decline in the incidence of rural poverty from 40% to 32% and significant progress towards the establishment of a market-oriented enabling environment. It also envisages the provision of one million land use titles to farmers and an increase in the area under irrigation to 25% of the country's farmland.

31. To the extent feasible, the top down sector contribution to development result (value added) will examine the contribution of ADB's lending and TA program to the overall goals of poverty reduction and economic growth. In view of the importance of the sector in the economy, the link between the bulk of the country's population and agriculture production and the fact that the majority of the poor live in rural areas and depend on agriculture for their livelihood, it should be possible to indicate some degree of attribution, especially in view of the fact that ADB has been the largest donor to the sector. In addition, the fact that the Agriculture Sector Program set the stage for future development activities, especially in the context of the Land Law, irrigation policy and inputs privatization should provide a basis for a meaningful, if not air-tight, impact analysis. In addition, specific instances/programs that show ADB's value added will be examined as case studies (e.g. support for Land Law) The bottom impact assessment will identify and assess the impact of particular investments which have enhanced inclusiveness for vulnerable groups such as women, the destitute and the disabled (a large portion of the Cambodian rural population, as a result of two decades of war and civil unrest between the mid-1970s and the mid-1990s).

32. Equally, the study will assess ADB operations within the context of those of other donors in the sector, assessing the degree of complementarity, cooperation and synergy, especially in the context of the Paris Declaration. The link with the SEILA program will be looked at as well as the impact of the World Bank loans aimed at implementing the Land Law.

33. Besides a review of past investments and their impact, the study will also provide a future prognosis for the sector based on the current prevailing situation, taking into account, in particular, current trends in commodity prices and the global financial situation. A further subject of analysis for the study will be the relationship of the sector to the agriculture and rural development sectors in other GMS member countries, the potential degree of synergy between national and regional program as well as the value of further cooperation to achieve regional benefits compared to national benefits.

34. In addition the study will take a close look at two particular aspects of investment in the sector to date: (i) the impact of structural adjustments particularly relating to the effectiveness of the program loans and (ii) the impact of the Tonle Sap Initiative.

35. ADB has, in the past, through one program loan and a sector development program, taken a lead among donors in addressing priority policy issues within the sector. These have included, among others, land legislation, the maintenance of a market orientation in terms of the sales of inputs and outputs, the divestment of state-owned enterprises operating in the sector and the formulation of an institutional framework for the management of water resources infrastructure. The impact of these initiatives has been positive, resulting, not least, in the passage of the 2001 Land Law which provides for the security of tenure for agriculture lands, establishing, for the first time, a stable environment within which agricultural producers can operate and the basis upon which further structural improvements in the sector can be built. In view of the potential positive impacts such policy measures can have, it is considered important for ADB to maintain its earlier initiative in assisting with major structural adjustments to the sector. The study will review the impact of sector adjustments under the program loan now that the initial adjustments have been in place for some time, as well as the likely impact of adjustments being put in place by the ongoing sector development program, and determine the scope for further such interventions.

36. The Tonle Sap Initiative, which calls for a focus on the Tonle Sap region in terms of investment in all sectors, but particularly the agriculture and rural development sector because of the high level of poverty in the region and the critical environmental issues facing Tonle Sap lake was formulated in 2005. It became an integral part of the 2005 CSP in order to ensure that key issues of poverty reduction, environmental sustainability and economic growth within one of the poorest regions of the country were addressed in a coordinated and integrated manner. The SAPE study will assess to what the extent the Tonle Sap Initiative has been followed since it was articulated in 2005 and what the consequences, outcomes and implications been to date.

D. Activities

37. The SAPE study will be undertaken in four phases. The activities within these phases will be as follows.

1. Literature Review

38. This will consist of a review, as relevant and available, of (i) internal reports produced by the operational department such as back-to-office reports of review missions, mid-term review reports, project progress reports, and project completion reports; (ii) internal reports of other departments such as the Central Operations Services Office, IED (e.g., project performance evaluation reports) and the Regional and Sustainable Development Department and (iii) reports and analyses produced by other agencies including reports by the Government, the Asian Development Bank Institute, other aid agencies and general development literature.

2. Consultations and Field Investigations

39. This phase will cover a series of interviews (based on the findings of the literature review) with key ADB staff within headquarters and the Cambodia resident mission; key executing agency and project staff and consultants; personnel of the Government's planning and finance agencies; representatives of other development partners (mainly in Cambodia); intended project beneficiaries and other knowledgeable persons or stakeholders. In addition, it will encompass field visits to project sites and observations of the progress of implementation work to date through random spot checking. This latter step will be important in view of the number of ongoing projects to be covered.

3. Preliminary Analysis of Findings

40. The preliminary analysis will be based on the findings of the literature review and the field investigation and findings. A preliminary report will be produced based on the table of contents outlined in the 2006 CAPE Guidelines. This will then be sent to key stakeholders for their review and comments.

4. Synthesis and Finalization

41. Based on the comments provided by the stakeholders consulted, the SAPE analysis will be revised and a final SAPE report prepared. This will then be subject to the standard internal reviews, i.e., peer review, interdepartmental review, etc..

E. Key Issues

42. Key issues to be addressed during the SAPE study to provide guidance for future interventions into the sector will be:

1. Rural Credit

43. One of the most effective ways of providing a stimulus to agriculture production and rural enterprises, and this alleviating poverty and promoting economic growth is through the provision of rural credit. The effective provision of rural credit has had a major impact on economic growth and poverty reduction in Cambodia's neighboring country of Viet Nam which has a strong and vibrant rural credit system. However, in Cambodia, despite the fact that the provision of rural credit is a major component of the strategies of both the Government and the ADB, a strong policy and institutional framework for rural credit provision does not exist. Moreover, there has been only one direct investment by ADB in this sub-sector. The SAPE team will thus investigate the reasons that interventions in this key sub-sector have not fully succeeded and are not being further pursued, assess whether further attempts to invest in the sub-sector would be meaningful and determine how they could be made more effective, taking gender aspect into consideration.

2. The Operation and Maintenance of Rural Infrastructure

44. Much of the physical investment in the sector has been focused on the provision of rural infrastructure, in particular rural roads and markets as well as water resources control infrastructure. One of the major issues concerning such investments is their sustainability through the provision of adequate funding for operation and maintenance. Measures have been taken and legislation has been passed defining the responsibility for rural infrastructure maintenance funding and guaranteeing a minimal amount of funds. However, there is still, reportedly some doubt about the adequacy of these provisions both in theory and in actual practice. The SAPE will look into the question of sustainability and determine whether it continues to be a major issue, how it has affected past investments and how critical it needs to be addressed in the context of future investments.

3. Institutional Capacity in Key Executing Agencies

45. The institutional capacity of executing and implementing agencies in the sector has been notoriously weak as is and has been the case for most of the public sector agencies in

Cambodia. Past investments have contributed to a considerable extent to improving institutional capacity, especially for the Ministry of Rural Development under the Rural Infrastructure Improvement Project and the Northwest Rural Development Project, but implementation capacity in sector agencies still needs considerable improvement. This is especially so at the provincial level in view of the country's decentralization and deconcentration policy which aims to devolve implementation responsibilities to the provincial governments or even lower levels.

46. In this context, the SAPE will determine the extent of success in capacity building to date, assess the extent to which weak capacities have hampered and are hampering development efforts and assess to what extent future investments should balance between institutional capacity building and actual physical investments.

4. Subsectoral Focus/Selectivity and Comparative Advantage

47. Within the goal of rural development as a means to poverty reduction and economic growth increased agriculture production is seen as the engine of growth. However agriculture is a complex sector consisting of a number of subsectors—crop production, livestock production, fisheries and forestry. To date most investments in the sector have been aimed either at structural adjustments or the provision of rural infrastructure. There have been no specific investments in the livestock, fisheries or forestry subsectors. While this may be in keeping with the ADB's Second Medium Term Strategy and Long Term Strategic Framework to 2020 it does not necessarily mean that this bias has not missed some key development opportunities. This question can be especially raised in the fisheries subsector, given the extent and importance of the fisheries resource in the country, its importance in the Tonle Sap region and the potential for high value exports to neighboring countries. It can also be raised in the context of the provision of rural credit, a strategically important means of providing direct support to rural producers but which has not to date, comprised a major part of the ARD program.

48. In this context, the SAPE will look at the subsectoral focus and selectivity of the program to date as well as ADB's comparative advantage in various sub-sectors and assess whether the emphasis has been appropriate, given the country's priorities as well as ADB's policies and its core competence. The SAPE will also make recommendations on any change in the balance among sub-sectors which may be desirable in the future to tap as yet, unexploited potentials.

5. Regional Issues

49. As discussed in paras. 23–26, Cambodia ARD sector faces regional issues such as those related to (i) taking advantage of WTO accession, (ii) FDI and contract farming and (iii) understanding how to accentuate regional benefits by building synergies with the national program. These issues will be discussed in the SAPE in relation to Cambodia's future direction in the sector.

IV. RESOURCE REQUIREMENTS, IMPLEMENTATION SCHEDULE, AND OTHERS

50. **IED Management and Staffing.** The SAPE report will be prepared by a team of IED staff and consultants. The IED staff will include a senior evaluation specialist (team leader), an evaluation officer, an international consultant with knowledge of the agriculture and rural development sector in Cambodia and two national consultants to provide in-country support. The international consultant will be recruited for a period of 60 days and the national consultants for 45 days and 30 days respectively. One mission to Cambodia will be required for the interviews, field investigations and for the consultative review. Their terms of reference of the

consultants are attached as Appendix 3. The consultants will be recruited individually following *ADB's Guidelines on the Use of Consultants (2007)*.

51. **Implementation Schedule.** The literature review and interviews with ADB Headquarters staff will start in mid-February on an intermittent basis and be followed by a field visit to Cambodia in mid March. About 2 weeks will be needed in the country in view of the need to visit a number of project sites and carry out field interviews. This will be followed by a month synthesis period at Headquarters. Finalization of the draft report for circulation will then take a further 2 weeks.

Approval of Position Paper	II March 2009
Field Mission	III–IV March 2009
Draft for Peer Review	IV April 2009
Draft for Interdepartmental/Government	III May 2009
Review: Draft to Editor	II June 2009
Approval by Director General, IED	IV June 2009

52. **Knowledge Dissemination Plan.** The reports will be available to the public after IED management has approved them. The reports will be uploaded on the ADB external and internal websites, and will provide inputs to ADB's evaluation information system.