

ASIAN DEVELOPMENT BANK

TAR:CAM 36608

TECHNICAL ASSISTANCE
(Cofinanced by the Government of Finland)

TO THE

KINGDOM OF CAMBODIA

FOR PREPARING THE

TONLE SAP SUSTAINABLE LIVELIHOODS PROJECT

October 2003

CURRENCY EQUIVALENTS

(as of 14 August 2003)

Currency Unit	–	riel (KR)
KR1.00	=	\$0.00026
\$1.00	=	KR3,815

ABBREVIATIONS

ADB	–	Asian Development Bank
LBAT	–	labor-based appropriate technologies
MRD	–	Ministry of Rural Development
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. In 2002, the Government of Cambodia requested technical assistance (TA) to prepare a project to reduce poverty in poor communities of the flooded area of the Tonle Sap, in the framework initiated by the Tonle Sap Environmental Management Project.¹ This framework recognizes that sustainable management and conservation of natural resources and biodiversity should be considered from the perspective of the watershed feeding the Tonle Sap. From 27 January to 7 February 2003, a fact-finding mission of the Asian Development Bank (ADB) visited Cambodia and formulated the TA, in line with the program of actions formalized in the poverty reduction partnership agreement between the Government and ADB.²

II. ISSUES

2. On the Human Development Index (2002), Cambodia is ranked 130th out of 173 countries: about 36% of the population live below the poverty line;³ half of the children under 5 are malnourished; for every 1,000 live births, 115 children die before they reach 5; health services cover barely half the population; safe drinking water and sanitation are available to only 36% and 14% of the population, respectively; education attainments and skill levels are low; and the rate of HIV/AIDS infection is the highest in the region.⁴ Still, at its current growth rate (2.5% in 2001), Cambodia's population will rise from 11.5 million to 14.0 million by 2005.

3. The incidence of poverty in rural areas is four times higher than that reported in Phnom Penh: notably, rural people have an average income that is less than one third of urban incomes; 31% of rural inhabitants have completed less than 1 year of formal schooling; 96% cook with firewood; and less than 1% have electricity for lighting. Despite high economic growth since 1990, agricultural productivity has not kept up with population growth.⁵ Fishing and foraging on common property such as lakes and forests regularly supplement the food supply. However, access to natural resources is becoming more difficult and many claim that the condition of the rural poor is deteriorating. Disturbingly, understanding of what can be done to help the rural poor is still low.

4. The challenge is to focus on the multiple aspects of their livelihood assets.⁶ Livelihoods draw from the resources accessed and the activities undertaken in order to live. However, in Cambodia, human capital was seriously affected by the extermination of a generation of leaders, levels of health and education are low, and women shoulder heavy responsibilities as a consequence of male deaths during the protracted civil war and genocide. Social capital has been severely diminished by the war and democratic processes have only recently been introduced. Natural capital, especially forests and fish, is under growing human exploitation.

¹ ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Cambodia for the Tonle Sap Environmental Management Project*. Manila.

² The TA first appeared in *ADB Business Opportunities* (Internet Edition) on 10 October 2002.

³ The poverty line is the per capita expenditure needed to secure an intake of 2,100 calories per day.

⁴ The acquired immuno deficiency syndrome (AIDS) is the late stage of the infection caused by the human immunodeficiency virus (HIV).

⁵ At 1.6–1.8 tons per hectare, rice yields are very low compared to over 3.6 tons in neighboring Viet Nam. In 1998, the World Food Programme supported 1.7 million people (15% of the population) for an average 45 days.

⁶ Livelihood assets can be divided into five core categories, or types, of capital (i) human capital, e.g., skills, knowledge, and ability to labor; (ii) social capital, e.g., networks and connectedness, formalized groups, and relationships of trust; (iii) natural capital, e.g., natural resource stocks from which resource flows and services useful for livelihoods are derived; (iv) physical capital, e.g., transport, shelter and building, water supply and sanitation, energy, and access to information (communications); and (v) financial capital, e.g., available stocks and inflows of money.

Physical capital, particularly roads and water supply, is inadequate and there is poor coverage of schools and health posts. Access to financial capital is restricted: most loans are taken from relatives or neighbors and moneylenders charge interest rates of up to 100% per month. The structures and processes that underpin this asset pentagon are institutions, policies, legislation, culture, and power relations, which determine access, terms of exchange, and returns; shape the livelihood strategies of the poor; and govern their outcomes.

5. Tackling poverty in Cambodia means working with the rural poor, initially where livelihood assets are being fundamentally affected by unfavorable trends, e.g., overfishing, drought, pest outbreaks, floods, or deterioration of infrastructure. Such trends are obvious in the Tonle Sap region of Cambodia. Despite the vast natural wealth of the Tonle Sap, poverty is widespread. The proportion of the population in the five provinces surrounding it that falls under the official poverty line is the highest in the country. About 50% of villages have 40–60% of households living below the poverty line, with a peak of 80% in some rural areas of Siem Reap and Kompong Chhnang provinces. There is increasing concern over development and unsustainable exploitation of the Tonle Sap's natural richness and King Norodom Sihanouk has warned that Cambodia faces environmental disaster if the lake's fragile ecosystem is further degraded. In particular, its fisheries are characterized by inequity of distribution, fraudulent transactions, widespread corruption, environmental degradation from unsustainable patterns of exploitation, and escalating conflict. In parallel, the flooded forest is being cleared for cash cropping. Ability to tackle all these problems has been diminished at all levels of Cambodian society by 25 years of strife brought about by the Khmer Rouge. Moreover, many internally displaced persons, repatriated refugees, internal migrants, and demobilized soldiers are reestablishing their livelihoods in what remains a fractured society. (Areas northwest of the Tonle Sap, such as Siem Reap, have only enjoyed peace since 1998.)

6. The livelihoods approach is a way of thinking about the objectives, scope, and priorities for development. It seeks to develop an understanding of the factors that lie behind peoples' choice of livelihood strategy and then to reinforce the positive aspects and mitigate against the constraints or negative influences. Its core principles are that poverty-focused development activity should be people-centered, responsive and participatory, multi-level, conducted in partnership, sustainable, and dynamic. The livelihoods approach is a way of putting people at the center of development, thereby increasing the effectiveness of development assistance. To this end, the proposed TA will build a picture of rural livelihoods in the flooded area of the Tonle Sap and formulate options for enhancing and developing the asset base of the rural poor.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

7. The goal of the TA is sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. Its purpose is to prepare a project to sustain and improve livelihoods in the flooded area of the Tonle Sap. Its output is a feasibility study that builds on the community organization component of the Tonle Sap Environmental Management Project, covering the five provinces that adjoin the Tonle Sap. They are Battambang, Kompong Chhnang, Kompong Thom, Pursat, and Siem Reap. The project area will encompass the parts of the five provinces that are ultimately bounded by highways 5 and 6 and were designated in October 1997 as a biosphere reserve of the United Nations Educational, Scientific, and Cultural Organization (UNESCO). In 1998, 2.9 million people lived in the five provinces; 10% of them were wholly dependant on fishing; and 40% had fishing as a secondary occupation.

B. Methodology and Key Activities

8. The TA will be implemented in two phases. Using the livelihoods approach, it will first acquire a wider and better informed view of the opportunities, constraints, objectives, and interactions that characterize peoples' lives in the flooded area of the five provinces that adjoin the Tonle Sap. Then, the TA will design appropriate interventions with reference to the summary initial poverty and social analysis specified in Appendix 1.

1. Sustainable Livelihoods Framework

9. **Livelihoods Analysis.** In the first phase, a livelihoods analysis will explore the relationships between the five categories of livelihood assets. The analysis will identify and prioritize, with beneficiaries and partners such as nongovernment organizations, entry points that will have a significant impact on the livelihoods of the poor. Specifically, the analysis will be used to (i) identify links across sectors, between field and policy levels, and between urban and rural areas; (ii) suggest a range of high-yielding, priority entry points; and (iii) provide a basis for the design of project activities that are appropriately sequenced and accommodate intercommunity relations and potentially conflicting interests. The tools that will be used are not discrete and overlap internally. They will include environmental checklists, gender analysis, governance assessment, institutional appraisal, macroeconomic analysis, market analysis, participatory poverty assessment techniques, risk assessment, social analysis, stakeholder analysis, conflict assessment, and environmental assessment. Rapid and participatory methods and sample surveys will complement these tools.

10. **Policies, Institutions, and Processes for Sustainable Livelihoods.** Given the number of institutions that impinge on the lives of poor people, poverty reduction projects will make only modest contributions if institutional frameworks are not reformed or created in ways that provide equity and opportunity for the poor. The livelihoods approach recognizes the importance of policies, institutions, and processes in governing poor peoples' access to livelihood assets and influencing their livelihood strategies and their vulnerability to shocks. In the first phase, policies, institutions, and processes for sustainable livelihoods will be analyzed to determine how they relate to one another and how they influence livelihoods. The outcome of policy analysis might illustrate the need for interventions that highlight and address important policy areas, or policy linkages previously underdeveloped; enrich policy making processes, e.g., by increasing opportunities for poor people to be heard; improve the mechanisms through which policies are implemented; or strengthen organizational capacity for policy implementation.

11. **Project Design.** In the second phase, building on the community organization component of the Tonle Sap Environmental Management Project, the TA will design a package of interventions for financing by ADB and other sources, comprising activities that will sustain rural livelihoods in the flooded area of the Tonle Sap.⁷ The package will comprise a feasibility study, including preliminary designs; preliminary engineering; cost estimates; technical, financial, economic, and socioeconomic analyses; environmental analysis; social impact assessment; and a study for initial benchmark indicators.

⁷ The desired livelihood outcomes could comprise more diversified and productive farming systems, including rice field fishing; better management of natural resources, including fish sanctuaries; improved access to education, training, technologies, information, and health services; better access to basic and facilitating infrastructure; more secure access to financial resources; a policy and institutional environment that supports multiple livelihood strategies and promotes equitable access to competitive markets for all; and a more supportive and cohesive social environment.

2. Other Considerations

12. **Positive Outlook.** The TA will build on tested approaches, including integrated rural accessibility planning and the use of labor-based appropriate technologies (LBAT) developed by the International Labour Organization, and will be congruent with the Mekong River Commission's basin development plan.⁸ At the institutional level, the TA will explore effective mechanisms that focus on local government and ways of empowering local people, such as the Government's ongoing Seila program.⁹

C. Cost and Financing

13. The total cost of the TA is estimated at \$1.485 million equivalent, comprising a foreign exchange cost of \$1.039 million and a local currency cost of \$446,000 equivalent. The Government has requested financing on a grant basis of (i) \$700,000 equivalent from the ADB-funded TA Special Fund; and (ii) \$560,000 equivalent, cofinanced by the Government of Finland, to jointly finance the entire foreign exchange and local currency cost of \$221,000 equivalent. The Government will finance the remaining local currency cost, equivalent to \$225,000, largely through the provision of office accommodation and remuneration and per diem of counterpart staff. Details of the cost estimates and financing plan are in Appendix 2. The Government has been advised that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

14. The TA is expected to commence in August 2003 and to be completed by May 2004. A team of international consultants associated with domestic consultants will implement the TA in two phases over 9 months. Implementation will require an estimated 48 person-months of international and 30 person-months of domestic services with core expertise in sustainable livelihoods; participatory rural appraisal; policies, institutions, and processes; rural infrastructure; and project economics. Unallocated expertise may relate to community fisheries development, agrarian development, natural resource management, gender, rural roads, small business development, nongovernment organization coordination, and community mobilization. The consultants will be recruited through a firm in accordance with ADB's *Guidelines on the Use of Consultants* using the quality and cost-based selection method and full technical proposals. The sustainable livelihoods specialist will lead the team. The consultants will be based in Phnom Penh and will travel frequently to the five provinces. Equipment will be procured in accordance with ADB's *Guidelines for Procurement*. An indicative staffing schedule is shown in Appendix 3 and outline terms of reference are given in Appendix 4.

15. The Executing Agency for the TA will be the Ministry of Rural Development (MRD). MRD is responsible for the policy and regulatory framework for rural development in general and for

⁸ Access is the opportunity to reach, use, or visit. In the rural context, it pertains to drinking water, energy, employment, and basic services, including education, health care, and markets. Integrated rural accessibility planning is a local level planning tool that evaluates community assets and prioritizes investments according to maximum need and impact. A participatory process is used to determine access to basic needs such as clean water, schools, and health centers. Accessibility rankings are assigned to communities and used as an indication of the overall standards of living and to highlight areas of need. An investment framework is then developed to either make it easier for people to access goods and services by improving rural roads.

⁹ Seila is a Khmer word meaning foundation stone and is the name given to the Government's approach to decentralized development, planning, financing, and implementation. The TA would need to propose ways to ensure sustainability of development and recurrent fund flow to the local level and clarify local responsibility for user charges, cost recovery, et cetera.

community development and the development of rural drinking water supplies and tertiary roads in particular. Its policy is to promote a people-oriented and integrated approach to rural development. MRD will assign experienced staff to serve full-time as counterparts to the consultants. These counterparts will work actively to smooth the progress of TA activities. To guarantee the close involvement of relevant agencies such as the Ministry of Agriculture, Forestry, and Fisheries, the Council for Agriculture and Rural Development will be requested to cochair the tripartite meetings and workshops that will be held at regular intervals during implementation. The council is a high-level council established to coordinate ministries, facilitate policy formulation and implementation, and harmonize external assistance. MRD will also be responsible for interagency coordination at the provincial levels, including the nomination of technical personnel to assist the consultants in the five provinces. To facilitate implementation, MRD will provide logistical support to the experts engaged, including adequately furnished office space and access to communications facilities. In addition, MRD will provide copies of relevant laws, regulations, policies, and reports. ADB will field TA review missions to review and discuss overall progress on implementation, and conduct output-to-purpose missions to verify output accomplishment and to improve activities.

16. The consultants will produce (i) an inception report; (ii) a midterm report, in a form suitable for publication as an ADB document; (iii) a draft final report; and (iv) a final report. MRD will complete a TA completion questionnaire to evaluate the TA's inputs and outputs, identify lessons learned, and suggest follow-up actions.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$560,000 to be financed on a grant basis by the Government of Finland, and (ii) ADB providing the balance not exceeding the equivalent of \$700,000 on a grant basis, to the Government of Cambodia for preparing the Tonle Sap Sustainable Livelihoods Project, and hereby reports this action to the Board.

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Sector Identified as a National Priority in Country Poverty Analysis?	Yes	Sector Identified as a National Priority in Country Poverty Partnership Agreement?	Yes
Contribution of the sector/subsector to reduce poverty in Cambodia: Agriculture, forestry, and fisheries are vital to Cambodia's population. Poverty is pervasive and the poor depend on natural resources for subsistence. The Government has recognized the need to engage communities in natural resource management. Provided management systems and capacity for natural resource management are built at national, provincial, and community levels, the sector can contribute substantially to poverty reduction.			

B. Poverty Analysis

Proposed Classification: Core Poverty Intervention	Thematic: Environment Protection
What Type of Poverty Analysis is Needed?	
Poverty around the Tonle Sap is widespread. About 50% of villages have 40–60% of households living below the poverty line. Poverty is related to lack of livelihood assets (including both material and social resources) and limited access to human, social, natural, physical, and financial capital. A poverty analysis will be needed using the sustainable livelihoods framework.	

C. Participation Process

Stakeholder Analysis:	Yes
Stakeholders include the rural poor, ethnic minorities such as the Vietnamese and Muslim Cham; local government authorities; commune councils; nongovernment organizations; and Government agencies such as the Ministry of Rural Development; the Ministry of Agriculture, Forestry, and Fisheries; the Ministry of Environment; and the Council for Agriculture and Rural Development. Their roles, responsibilities, and interests will be examined in detail during the technical assistance.	
Participation Strategy Required:	Yes
The participation strategy for the technical assistance will involve putting the poor at the center of development.	

D. Social Issues

Subject	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
Resettlement	None		None
Gender	Significant	Households headed by females and widows will be targeted.	Yes
Affordability	None		No
Labor	Significant	Labor-based appropriate technologies will be used.	Yes
Indigenous Peoples	None		No
Other Risks/ Vulnerabilities	None		No

COST ESTIMATES AND FINANCING PLAN (\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	768	0	768
ii. Domestic Consultants	0	30	30
iii. Per Diem	150	18	168
b. International and Local Travel	52	9	61
c. Reports and Communications	0	5	5
2. Transport and Vehicles ^b	15	2	17
3. Equipment ^c	10	2	12
4. Workshops			
a. Facilitators	0	5	5
b. Workshops	0	30	30
5. Surveys	0	100	100
6. Miscellaneous Administration and Support Costs	0	10	10
7. Representative for Contract Negotiations ^d	4	0	4
8. Contingencies	40	10	50
Subtotal (A)	1,039	221	1,260
B. Government Financing			
1. Office Accommodation and Transport	0	70	70
2. Remuneration and Per Diem of Counterpart Staff	0	20	20
3. Surveys and Investigations	0	50	50
4. Supply of Data, Maps, and Reports	0	20	20
5. Administrative Support	0	25	25
6. Others	0	10	10
Subtotal (B)	0	225	225
Total	1,039	446	1,485

^a Cofinanced by the Government of Finland.

^b Includes vehicle rental.

^c Includes computers, printers, copying machines, et cetera.

^d Includes cost of travel and per diem for a Government observer invited for contract negotiations.

Source: Asian Development Bank estimates.

INDICATIVE STAFFING SCHEDULE FOR CONSULTANTS

Position	Project Month										Person-Months	
	1	2	3	4	5	6	7	8	9			
International Consultants												
1 Sustainable Livelihoods Specialist-Team Leader											9.00	
2 Participatory Rural Appraisal Specialist											4.00	
3 Policies, Institutions, and Processes Specialist											6.00	
4 Rural Infrastructure Engineer											3.00	
5 Project Economist											2.00	
6 Community Fisheries Development Specialist												
7 Agrarian Development Specialist												
8 Natural Resource Management Specialist												
9 Gender Specialist											24.00	
10 Rural Roads Engineer												
11 Small Business Development Specialist												
12 Other Unallocated Specialists												
Domestic Consultants												
13 Participatory Rural Appraisal Specialist											4.00	
14 Cost Estimator/Contracts Engineer											2.00	
15 Nongovernment Organization Coordinator												
16 Community Mobilization Specialist											24.00	
17 Other Unallocated Specialists												
Total											48.00	30.00
Reports												
Inception Report												
Midterm Report												
Draft Final Report												
Final Report												
Tripartite Meetings												
Output to Purpose Reviews												
Workshops												

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Livelihoods Analysis

1. The consultants will analyze livelihoods to improve the design and implementation of poverty reduction efforts. The analysis will be conducted in two parts: a preliminary review (2 weeks) followed by fieldwork in the five provinces that adjoin the Tonle Sap. The consultants will use their discretion in developing appropriate field tools. The tools are likely to include exercises such as wealth and well-being ranking, livelihood problem trees, seasonal calendars, institutional Venn diagrams, ranking matrixes, and trend diagrams.

2. For the preliminary review, tasks will relate to

- (i) collection, review, and synthesis of key background information and data from nongovernment organizations, Government sources, and external funding agencies on poverty and livelihoods in the Tonle Sap region, paying particular attention to the vulnerability context, disaster preparedness, and social issues (including group formation, access to services, and governance issues);
- (ii) identification of the key institutions involved within and outside Government to map current, previous, and future areas of interest and involvement in the Tonle Sap; and
- (iii) synthesis of lessons learned from previous investments, which will allow for the identification of areas, stakeholder interest groups, and most suitable approach and methodology for the field study.

3. For the field study, the sample will be structured by stakeholder interest group, e.g., small businesses, fisher folk, ethnic group, households with female heads, service providers, local governments, et cetera. Examples of data on livelihood attributes are given in Table A4.1. Participatory techniques and interviews will relate to

- (i) livelihood patterns in terms of asset profiles, activities, and seasonality;
- (ii) social, political, and economic relations of association and inequality (including local elites, patronage, group organizations, gender relations, and informal credit) that influence livelihood security;
- (iii) relations between communities and formal institutions (including government and nongovernment organizations) and the strength of institutions and role scope of control: key issues will include regulation, oversight, protection, resource allocation, and service providers;
- (iv) conflict over resources; and
- (v) patterns, causes, and consequences of migration.

Table A4.1: Examples of Data on Livelihood Attributes

Economic Information	Assets	Livelihood Strategies	Access to Services
<ul style="list-style-type: none"> • Productive levels • Income (cash, in-kind) • Consumption levels • Cash costs of production • Noncash costs • Seasonal prices • Seasonal wages for different tasks 	<ul style="list-style-type: none"> • Productive assets • Quality of shelter • Access to infrastructure • Access to training and education • Household labor availability • Nutrition • Financial services and conditions 	<ul style="list-style-type: none"> • Remittances received • Migration patterns • Income by source (cash, in-kind) for various household members • Access to rural resources for urban dwellers (and vice versa) • Seasonal variation in strategies 	<ul style="list-style-type: none"> • Service providers • Standards of delivery • Fees and charges

B. Policies, Institutions, and Processes for Sustainable Livelihoods

4. The analysis will focus on policies, institutions, and processes to examine how they relate to one another and how they influence livelihoods, in order to make policy and institutions more pro-poor. The analysis will relate to

- (i) identification of the entry points for policy and institutional change;
- (ii) processes by which policies and institutions are made;
- (iii) implications for reform processes;
- (iv) conditions that support policy and institutional change (including managing stakeholder interest and building ownership and participation); and
- (v) implications for project design.

C. Project Design

5. The challenge will be for the proposed ensuing project to really make a difference to poor peoples' lives. Therefore, in a spirit of appreciative inquiry, the consultants will identify entry points that build on tested project interventions and policies, institutions, and processes that enhance assets. Examples of support to asset accumulation are given in Table A4.2. An important consideration will be examining lending modality options with an eye to their comparative advantages, and cofinancing opportunities. The consultants will also formulate any accompanying technical assistance (TA) necessary to assist in (i) the implementation, operation, and management of the proposed ensuing project; or (ii) financing institution-building; plan-formulation; or sector, policy, or issues-oriented studies.

Table A4.2: Examples of Support to Asset Accumulation

Direct Support to Asset Accumulation	Indirect Support Through Transforming Structures and Processes	Feedback from Achievement of Livelihood Outcomes
Human Capital <ul style="list-style-type: none"> • Support to health, education, and training infrastructure • Support to health, education, and training personnel • Support for the development of relevant knowledge and skills 	<ul style="list-style-type: none"> • Reform of health, education, and training policies • Reform of health, education, and training organizations • Changes in local institutions, culture, and norms that limit access to health, education, and training 	<ul style="list-style-type: none"> • Reduced vulnerability can moderate the birth rate • Health is directly related to income and food security • Higher income is often reinvested in education
Social Capital <ul style="list-style-type: none"> • Support to improve the internal functioning of groups in terms of leadership and management • Support to extend the external links of local groups 	<ul style="list-style-type: none"> • Improvements to group and network formation and structure • Development of a more open and reliable policy environment • Development of systems for external consultation with civil society 	<ul style="list-style-type: none"> • Greater household income may extend the scope for participation in external activities • Success strengthens the managing group through self-reinforcing relationships
Natural Capital <ul style="list-style-type: none"> • Support to conserve natural resources and biodiversity • Support to the provision of services and inputs for agriculture, forestry, and fisheries 	<ul style="list-style-type: none"> • Reform of organizations that supply services to those involved in agriculture, forestry, and fisheries • Changes in institutions that manage and govern access to natural resources • Improvements in environmental legislation and enforcement mechanisms • Support to market development to increase the value of agriculture, forestry, and fisheries products 	<ul style="list-style-type: none"> • There is a positive correlation between higher income and investment in natural capital • More sustainable use of natural resources has a direct impact on stocks of natural capital
Physical Capital <ul style="list-style-type: none"> • Support to service provision • Support to infrastructure provision 	<ul style="list-style-type: none"> • Reform of managing ministries • Support to sector strategies and regulatory frameworks • Support to the development of private sector alternatives • Capacity building for community-based construction and management 	<ul style="list-style-type: none"> • Better domestic infrastructure is often a core component of well-being • Increased income is often spent on shelter, water, and power supplies
Financial Capital <ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Support to the development of financial services organizations • Extension in access to financial services organizations • Reform of financial sector legislation and regulation • Support to develop marketing 	<ul style="list-style-type: none"> • More sustainable resource management prolongs financial flows from natural capital • Increased income increases the scope for saving

6. The proposed ensuing project has been classified as Environment Category A, for which an environmental impact assessment (EIA) is required. The EIA will be carried out in accordance with the Government's current regulations, ADB's *Environmental Guidelines for Selected Agricultural and Natural Resources Development Projects* (1991), and the

Environmental Assessment Requirements of the Asian Development Bank (1998). During project design, the consultants will also follow such ADB guidelines, requirements, and handbooks as may be relevant. These may include ADB's *Policy on Gender and Development*, and ADB's *Handbook for Integrating Poverty Impacts in Economic Analysis*. Physical infrastructure development requiring land acquisition or land clearing would trigger ADB's *Policy on Involuntary Resettlement*.

D. Reporting and Review

7. The consultants will produce (i) an inception report within 3 weeks of the commencement of the TA; (ii) a midterm report within 14 weeks, in a form suitable for publication as an Asian Development Bank (ADB) document; (iii) a draft final report within 32 weeks; and (iv) a final report. The Ministry of Rural Development will complete a TA completion questionnaire to evaluate the TA's inputs and outputs, identify lessons learned, and suggest follow-up actions.

8. The inception report, to be discussed at the first tripartite meeting, will confirm the approach and methodology for the livelihoods analysis, propose representative areas for rural appraisal, and identify key issues for discussion.

9. The midterm report, to be discussed at the second tripartite meeting, will present the results of the livelihoods analysis conducted and the findings of review of the policies, institutions, and processes impacting livelihoods, and will recommend livelihood strategies. Based on the livelihoods strategies suggested, the report will propose specific interventions and identify the expertise required for project design in the second phase of the TA, including terms of reference for hitherto unallocated specialists. A stakeholder workshop will be held 1 week before the tripartite meeting to broaden perspectives.

10. The draft final report, to be discussed at the third tripartite meeting, will spell out the lending modality and salient features of a project proposed for ADB-assistance, including technical, financial, economic, legal, institutional, social, environmental, and other aspects. The report will also specify implementation arrangements. A stakeholder workshop will be held 1 week before the final tripartite meeting to seek broad endorsement. The final report will include a logical framework and will be structured in accordance with ADB's format for the report and recommendation of the President.