

**ASIAN DEVELOPMENT BANK  
Independent Evaluation Department**

**SECTOR ASSISTANCE PROGRAM EVALUATION  
FOR THE AGRICULTURE AND RURAL DEVELOPMENT SECTOR  
IN CAMBODIA**

In this electronic file, the report is followed by Management's response and the Board of Directors' Development Effectiveness Committee (DEC) Chair's summary of a discussion of the report by DEC.



## Evaluation Study

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Sector Assistance Program Evaluation  
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# Agriculture and Rural Development Sector in Cambodia

Independent Evaluation Department

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 31 March 2009)

Currency Unit	–	riels (KR)
KR1.00	=	\$.000241
\$1.00	=	KR4,141

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AFD	–	Agence Française de Développement (French Development Bank)
ARD	–	agriculture and rural development
CAPE	–	country assistance program evaluation
COBP	–	country operations business plan
COS	–	country operational strategy
CPS	–	country partnership strategy
CSP	–	country strategy and program
GDP	–	gross domestic product
GTZ	–	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
MAFF	–	Ministry of Agriculture, Fisheries and Forestry
MOI	–	Ministry of the Interior
MOWRAM	–	Ministry of Water Resources and Meteorology
MRD	–	Ministry of Rural Development
PCR	–	project completion report
PPER	–	project performance evaluation report
PPR	–	project progress report
SAPE	–	sector assistance program evaluation
SOE	–	state-owned enterprise
TA	–	technical assistance
TSBS	–	Tonle Sap Basin Strategy
TSI	–	Tonle Sap Initiative

## NOTE

In this report, "\$" refers to US dollars.

### Key Words

asian development bank, adb, agriculture and rural development, ard, cambodia, evaluation, ied, independent evaluation department, program, sape, sector assistance program evaluation, sector reform, strategy, tonle sap basin strategy, tonle sap initiative

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The guidelines formally adopted by the Independent Evaluation Department on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. Edward Ted Breckner, Agriculture Specialist, was the consultant. To the knowledge of the management of the Independent Evaluation Department, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

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## EXECUTIVE SUMMARY

This sector assistance program evaluation (SAPE) of the Asian Development Bank's (ADB) activities in the agriculture and rural development (ARD) sector in Cambodia has been designed as an independent review of ADB's assistance to that sector and as an input into the country assistance program evaluation (CAPE). The CAPE itself is, in turn, intended as input into a new country partnership strategy planned by ADB's Southeast Asia Department in 2010.

A focus on the ARD sector as an input to the CAPE is of particular relevance, as its activities in the sector are closely linked to the country's economy, the livelihood of its population, and ADB's overarching goal of poverty alleviation. It is also one of the few sectors in which future growth is possible, since the country has limited natural resources, limited hydropower potential, and limited prospects for industrial growth other than for light industries such as garment production. The ARD sector is thus important from the demand side (as a basis to alleviate the country's poverty) and the supply side (since few other sources of growth are available).

The SAPE evaluates all investment projects and associated technical assistance (TA) in the sector, starting with the Rural Infrastructure Improvement Project, approved in 1995. The objective of the evaluation is to assess the contribution of ADB's activities in the sector to economic growth and poverty reduction, and the overall impact of these activities in achieving the development goals of both the Government and ADB in Cambodia. An assessment has also been made on the relevance and effectiveness of ARD interventions under the Tonle Sap Basin Strategy (TSBS) to date, and of the value of pursuing the TSBS further (beyond 2010).

Cambodia is a relatively small country with a small population (around 14 million people). It has emerged from three decades of turmoil—including civil and political instability—which has left it as one of the poorest and most devastated countries in Southeast Asia. It has only recently attained a degree of political stability and begun a rather rapid period of economic growth, with gross domestic product (GDP) growing at an average of 10% per year from 2004 to 2008. Its prospects are still, however, severely constrained by the low level of education of its population, the scarcity of technical and professional skills, and a general lack of investment, due in part to a high perceived risk. Moreover, the country has few economic resources except for its agriculture, fishery, and forestry resources. It has few mineral resources (excluding recent indications of offshore reserves of oil and gas), no major hydropower potential, and a small industrial base. Even its agriculture resources are limited; these primarily consist of about 2.8 million hectares (ha) of cultivated land, of which 91% is devoted to rice and the rest to other food crops and industrial crops (primarily rubber). There are also fisheries resources in the Mekong River and Tonle Sap Great Lake, which is one of the most productive freshwater fisheries in the world. The bulk of the population have been, and remain, rice farmers who supplement their income from fishing, or fishers who supplement their income from rice farming. Further constraints upon the sector are limited access to markets as a result of poor rural infrastructure, limited market demand due to 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.

Despite these constraints, there have been some notable improvements in sector performance and in rural livelihoods during the SAPE period (1995–2008). Agriculture productivity has increased steadily, with paddy production during 1998–2007 almost doubling, from 3.4 million tons (t) to 6.7 million t, commercial fish production rising from 122,000 t to 3.5 million t, and the number of cattle in the country increasing from 2.7 million to 3.5 million. As a

result of these productivity gains, agriculture's contribution to GDP grew at an annual average of 4.5% over the past decade. Rural incomes have also been boosted by an increase in small-scale livelihood ventures and by off-farm activities, made possible by significant improvements in the peace and order situation, improved rural roads, and enhanced access to credit. Largely 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.

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 following planning documents: the Socioeconomic Development Plan (1996–2000); the Second Socioeconomic Development Plan (2001–2005); the National Poverty Reduction Strategy; and the 2004 Rectangular Strategy for Growth, Employment, Equity and Efficiency (Rectangular Strategy). Similarly, the ARD sector has always been given prominence both as part of ADB's overall strategy and as a focus of investment and operations. One particular aspect of ADB's strategy was the decision in 2005 to increasingly focus a number of its interventions on the Tonle Sap Basin, one of the poorest and environmentally most sensitive regions of the country.

Within this approach, the overarching goal of all country assistance programs has been poverty reduction along with economic growth (based to a large extent on expected increases in agriculture production) and human resources capacity improvement. Enhanced environmental management was a further stated goal. To achieve these goals between 1995 and 2008, ADB approved 12 projects (including grants) in the ARD sector with a total value of \$240.7 million and 31 associated TA projects with a total value of \$21.2 million. Based on their design and intended outcomes, the investment projects and associated TA fall roughly into four categories: (i) ARD policy and sector management programs and/or projects, (ii) rural infrastructure projects, (iii) irrigation projects, and (iv) targeted rural development projects. The SAPE's analysis was based on these four categories. The Rural Credit and Savings Project, is covered in the rapid sector assessment for the finance sector and was thus not covered by the ARD SAPE.

Of the 11 investment projects (excluding the Rural Credit and Savings Project) covered by the SAPE, only five have been completed (three of these were only completed in 2008). Most of the TA projects have already been completed, since their implementation periods tend to be considerably shorter. An examination of the approvals of the various projects showed that the ARD program was generally implemented in accordance with the targets set out in the various country programs, although there was some falling behind; indeed, between 1996 and 2000 no projects were approved in the sector. In assessing the consistency between planned and actual approvals in the sector, it must be noted that, at the beginning of the SAPE period, capacity in the sector was very weak and not much was known of its characteristics. Several parts of the country were still under the control of the Khmer Rouge and it was difficult (and often dangerous) to travel outside of Phnom Penh. It was risky because not much was known about the type of projects that would succeed. The first two projects in the sector were to be implemented by executing agencies with few trained staff in a country which had just come through 30 years of violence, civil war, and disarray. It thus took some years before it was clear what direction lending for the sector should take. Therefore, a degree of caution was felt about embarking upon a large program in the sector.

Despite these constraints, the track record of projects has generally been positive. All completed projects have been, or are likely to be, assessed *successful*, except for the Stung Chinit Irrigation and Rural Infrastructure Project. The latter suffered long delays and will not

achieve its output targets; and it is likely to be rated *partly successful*. All ongoing projects have been assessed as satisfactory in terms of both expected impact and outcome and implementation progress, although a closer examination raises some questions which are not reflected in the ratings. Almost all TA projects which were rated in TA completion reports were rated *successful* or even, in some cases, *highly successful*, and the SAPE Mission agrees with these ratings.

A closer examination of project results shows a degree of variation in the achievement of outputs, clearly delineated by the type of project. In essence all of the expected outputs for ARD policy and sector management programs and projects (mainly in the form of program loans and sector development programs) have been achieved, completely restructuring the policy and institutional framework of the sector and providing it with a market-based orientation. In addition, outputs for the rural infrastructure projects were also basically fully achieved, providing a network of rural roads and greatly enhanced rural water supply to the country. On the other hand, the outputs for irrigation projects have been disappointing. Under the Stung Chinit Irrigation and Rural Infrastructure Project, only 3,000 ha of land were provided with irrigation facilities, against an original target of 7,000 ha, and under the Northwest Irrigation Sector Project (after 5 years of implementation) the total expected irrigation coverage at the end of the project in 2010 is expected to be only 10,000 ha against an original target of 16,000 ha. The situation for the targeted rural development projects is not much different from the irrigation projects. There have been no outputs to date from the Tonle Sap Lowlands Rural Development Project since the project was only recently approved and consultants have yet to be recruited. The Tonle Sap Sustainable Livelihoods Project is currently under physical implementation, but progress so far has been slow. This variation in the achievement of outputs among different types of projects also reflects a declining trend in the quality of project design over time. As project designs shifted from the initial program loans and straightforward rural infrastructure projects to complex multicomponent targeted rural development projects and technically complex irrigation projects, there appears to have been a declining ability to achieve projected outputs. This reflects a lack of recognition of the project implementation capacity limitations of the Government and an overambitious and unrealistic focus on targeted poverty alleviation.

After an assessment of outputs and outcomes, the SAPE team conducted a performance evaluation based on a bottom-up assessment and a top-down assessment. The bottom-up assessment looked at relevance, effectiveness, efficiency, sustainability, and impact, and made the following findings:

- (i) ARD policy and sector management programs and projects have been highly relevant, effective, mostly less efficient, are likely sustainable, and have contributed substantially to countrywide impacts.
- (ii) Rural infrastructure projects have also been highly relevant, effective, efficient, and are likely sustainable, with potential resolution of maintenance issues. They have also contributed significantly to countrywide impacts.
- (iii) Large irrigation projects have been less relevant, are likely to be considered less effective when evaluated, have generally been less efficient, and are likely to be sustainable, but only if special efforts and inputs are provided. They will make little contribution to countrywide impacts.
- (iv) Targeted rural development projects were relevant in concept but not in design. As a result they are likely to be less effective, less efficient, and of uncertain sustainability. They are not likely to contribute significantly to either regionwide or countrywide impacts.

Outcomes and impacts resulting, at least in part, from ADB's ARD sector investments included:

- (i) enhanced access to productive assets and security of land tenure resulting from the provision of 1 million land titles to rural residents with a further 2 million targeted;
- (ii) an increase in rice yields from 1.8 t/ha in 1998 to 2.6 t/ha in 2007;
- (iii) a near doubling of rice production from 3.5 million t in 1998 to 6.7 million t in 2007 due to a combination of increased yields and an expanded area under production (partly due to improved rural access). As a result, Cambodia is now self-sufficient in rice and produces a 2 million t exportable surplus;
- (iv) an increase in maize production from 55,000 t in 1998 to 380,000 t in 2007;
- (v) an increase in cassava production from 82,000 t in 1998 to 2.0 million t in 2007;
- (vi) the fact that surplus agriculture produce can be readily marketed as a result of improved access;
- (vii) because of reduced travel times, rural residents can now find permanent and temporary employment in urban or semi-urban areas to supplement their income without migrating to major cities;
- (viii) as a result of the above impacts, rural incomes have increased substantially over the CAPE period; an indicator of this is World Bank's finding (Poverty Profile and Trends in Cambodia, 2000) that, in 2004, only 65% of the poorest quintile of the population had enough food during the past 12 months, while in 2007 this had risen to 90%; and
- (ix) an additional 500,000 people in the Tonle Sap Basin now have access to dependable and safe water supplies.

The top-down analysis looked at country positioning, contributions to intended development outputs and impact, and ADB performance, and made the following findings:

- (i) In terms of country positioning, the ARD sector program as a whole may be considered relevant but somewhat deficient in responsiveness. ADB has displayed an acceptable level of operational flexibility in implementing the program, has managed its portfolio reasonably well, and has formed useful and productive partnerships with other development partners, although perhaps not as many as it might have. The SAPE finds, however, that ADB has done little to build on or consolidate past successes in the sector and that there has been a drift away from ADB's core competencies.
- (ii) Nevertheless, ADB and its ARD sector program have made significant contributions to intended development outputs, outcomes, and impacts, including notable increases in agriculture production, overall economic growth, reduced levels of poverty, and improved human resources (and institutional) capacity.
- (iii) ADB's overall performance has been generally satisfactory, with strong efforts made by the Cambodia Resident Mission and headquarters staff to implement projects in difficult circumstances. There does, however, seem to have been some failure in recent years to be able to identify new projects which are relevant and feasible. More worrying is the fact that projects with obvious design shortcomings have slipped through ADB's internal review mechanism.

As part of the bottom-up and top-down analyses, a numerical rating was given to each of the above criteria in line with the CAPE guidelines. With a total performance rating of 35 (18 for

the bottom-up assessment and 17 for the top-down assessment) out of a total of 48; ADB's performance in the ARD sector in Cambodia is assessed *successful*.

The SAPE team identified the following lessons from a review of past operations in the ARD sector in Cambodia:

- (i) Even in the difficult circumstances faced in Cambodia in the mid-1990s, it has been possible to identify, design, and implement projects which have a strong positive impact on economic growth and poverty reduction.
- (ii) A precursor to any investment in a new and unknown situation should be a comprehensive situational analysis, such as the Agriculture Development Options Review undertaken at the beginning of operations in Cambodia.
- (iii) Successful and meaningful impacts are most often achieved through the provision of simple interventions across a broad geographic area using simple implementation arrangements. The Agriculture Sector Program had 14 conditions for the release of the second tranche, but they were strategically important conditions. Similarly, the main component of the successful rural infrastructure project was the simple, low-cost upgrade of rural roads using a laterite surface.
- (iv) A new approach is needed to supporting water resources management in Cambodia. The scope for identifying conventional large irrigation projects is limited and the low level of past success indicates a range of problems. Other more innovative approaches which more carefully fit the characteristics of the country need to be developed, including smaller scale simple water resource management projects that are easier to implement under the evolving institutional capacity of the country.
- (v) Programs and initiatives such as the TSBS, started with the best of intentions, need to be backed up by strong viable projects prepared on the basis of a comprehensive vision and strategy. The targeted rural development projects so far designed for the TSBS are piecemeal interventions hampered by poor implementation arrangements and limited geographic impact.
- (vi) Without a broad and comprehensive vision of the directions to take in the development of a sector consistently in view, important components such as the need for rural credit may be neglected.
- (vii) In the final analysis, the success of the program in a particular sector or a lending program overall depends on the selection and design of appropriate and meaningful projects. Implementation problems can, eventually, be overcome but poorly selected or designed projects are unlikely to have the outcomes intended or to have meaningful impacts on the development of the country as a whole.

Recommendations for future activities in the ARD sector are based on the SAPE's key findings, the lessons indicated above, and in the long-term development framework of ADB, Strategy 2020, which notes in para. 52 that:

In the past, agriculture drove growth for much of the region through a rural-based cycle of improving productivity, employment, and consumption.... the majority of the poor still live in rural areas, and agriculture remains a source of productivity improvement, seasonal employment, and income growth—especially when connected to urban, industrial, and export markets. Support for agriculture and rural areas is therefore an underlying component of the inclusive growth strategy. ADB will support ARD mainly through infrastructure for rural transport, irrigation and water systems, and microfinance.

On this basis, the following recommendations are made for consideration by the Southeast Asia Department:

<b>Recommendation</b>	<b>Timing</b>
1. ADB should build on and consolidate past successes within the sector, upscaling similar designs and implementation arrangements to other parts of the country particularly in terms of expanding rural infrastructure, firming up maintenance, and building institutional capacity (para. 144).	2011 CPS or earlier
2. Once outcomes and impacts become more evident, ADB should take stock of the effectiveness of the TSBS to verify whether to continue to focus on TSBS. If continuing, future projects devoted to the TSBS should be pragmatic in design, focusing on rural infrastructure, rural water supply and sanitation, and land tenure (para. 145).	Immediately with regard to the proposed Tonle Sap Smallholder Improvement Project as well as during the preparation of the 2011 CPS
3. ADB should look for ways to support the continuing and unfulfilled demand for rural credit particularly building synergies with financial sector operations, identifying needs, and partnering with other institutions with experience in successful microfinance programs (para. 146).	To be considered under the Second Financial Sector Program Loan Cluster
4. Greater use should be made of the sector development program modality particularly undertaking rural infrastructure, water resource management, and strengthening related institutional arrangements (para. 147).	To be considered during preparation of the proposed Water Resources Sector Project and during preparation of the 2011 CPS

ADB = Asian Development Bank, CPS = country partnership strategy, TSBS = Tonle Sap Basin Strategy.

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## I. INTRODUCTION

### A. Goals and Objectives of the Sector Assistance Program Evaluation

1. This sector assistance program evaluation (SAPE) of the Asian Development Bank's (ADB's) activities in the agriculture and rural development (ARD) sector in Cambodia has been designed as both an independent review of ADB's assistance to that sector and as an input into the country assistance program evaluation (CAPE) which is currently under preparation.<sup>1</sup> This is the first SAPE for the ARD sector in the country, while the preparation of the CAPE will be the second such exercise. The first CAPE<sup>2</sup> covered the period from the recommencement of operations in Cambodia in 1992 to 2002. The current CAPE will cover the overlapping period 1998 to 2008 to capture the impact of projects which were still under implementation or only just completed when the previous CAPE was undertaken.

2. A focus on the ARD sector as an input to the CAPE is of particular relevance, as the activities in the sector are closely linked to the country's economy, the livelihood of its population, and ADB's overarching goal of poverty alleviation. Agriculture production provides 30% of the country's gross domestic product (GDP) in 2008 and is the single biggest contributing sector to GDP. Around 85% of the population lives in rural communities and about 60% depend directly on agriculture, forestry, and fisheries for their livelihoods. Around 27% of the country's population is considered poor, and 90% of poor people live in rural areas. The ARD sector is also one of the few sectors in which growth is possible since the country has a limited natural resource base, limited hydropower potential, and limited prospects for industrial growth other than for light industries such as garment production. The ARD sector is thus important from the demand side (as a basis to alleviate the country's poverty), and from the supply side (since few other sources of growth are available).

3. Loans and Asian Development Fund (ADF) grants in the ARD sector have made up a significant part of ADB operations, accounting for \$240.7 million, or 21% of overall loans and ADF grants<sup>3</sup> since ADB recommenced operations in the country in 1992. Two ARD sector projects, the Agriculture Sector Program<sup>4</sup> and the Rural Infrastructure Improvement Project, had already been completed at the time of the 2005 CAPE.<sup>5</sup> These were ongoing in 1998 (the beginning of the current CAPE period) and, because they set the direction for future investment in the sector, they have been covered by the current SAPE to ensure that the evaluation of the sector is comprehensive. The SAPE thus evaluates all investment projects and associated technical assistance (TA) in the sector, starting with the Rural Infrastructure Improvement Project, approved in 1995. The objective of the evaluation is to assess the contribution of the projects to, and 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

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<sup>1</sup> The CAPE itself is, in turn, intended as an input to a new country partnership strategy (CPS) planned by the Southeast Asia Department in 2010.

<sup>2</sup> ADB. 2004. *Country Assistance Program Evaluation for Cambodia*. Manila.

<sup>3</sup> The term "lending" in this report includes the provision of loans and grants from the ADF and is used to distinguish project and program loan activities from TA activities undertaken on a grant basis with resources from ADB's Technical Assistance Special Fund, the Japan Special Fund, and other similar sources. The total given for ARD sector projects is for investment projects, program loans, and sector development programs and does not include emergency projects or components of emergency projects.

<sup>4</sup> Please see Appendix 1 for key details regarding loans and technical assistance (TA). Details of loans and TAs are not footnoted in the text.

<sup>5</sup> A third related project, the Rural Credit and Savings Project, had also been completed but this project, while discussed where relevant in this SAPE, is covered in detail in the finance sector rapid sector assessment, concurrently being prepared as an input into the CAPE.

special focus of a number of projects on the Tonle Sap region, and a special emphasis on this region of the country through the Tonle Sap Basin Strategy (TSBS)<sup>6</sup> and in the 2005 CPS,<sup>7</sup> an assessment has also been made on the relevance and effectiveness of ARD interventions under the TSBS to date and of the value of pursuing the Tonle Sap Initiative (TSI) further (beyond 2010).

## **B. Methodology**

4. The SAPE has been prepared by closely following the methodology laid out in the *Guidelines for the Preparation of Country Assistance Program Evaluations* of 2006,<sup>8</sup> with appropriate adaptations for the preparation of a SAPE rather than a CAPE.

5. This entailed literature review,<sup>9</sup> the SAPE Mission's perception (from interviews with key stakeholders and beneficiaries at all levels), and data analysis (using national and provincial data, field visits, and the results of special surveys).

6. Sector program assistance was then analyzed on a bottom-up and top-down basis. The bottom-up analysis was based on the individual and cumulative outcomes of specific projects and TA initiatives analyzed for relevance, effectiveness, efficiency, sustainability, and impact.

7. To provide a basis for this analysis among different types of investment, projects were divided into four categories based on similar characteristics in terms of project design and intended outcomes. These were:

- (i) ARD policy and sector management programs and projects,
- (ii) rural infrastructure improvement projects,
- (iii) irrigation projects, and
- (iv) targeted rural development projects.

8. Projects in each of these categories were assessed for the five standard core criteria. Appendix 1 indicates the individual investment projects and TA grants which were included in each category, along with salient information about them.

9. The top-down analysis looked at the strategic positioning of ARD investments within the overall country program and the broader impact of sector involvement over and above the specific project investments themselves. This included an assessment of outcomes and impacts within and beyond the sector, an analysis of their attribution to ADB's involvement, and an assessment of ADB's performance in providing assistance to the sector. All of the bottom-up and top-down criteria were rated on a qualitative and numerical basis in order to come up with an overall rating.

10. The results of the SAPE analysis are presented in a similar format to that recommended in the CAPE guidelines. The following are the main differences in presentation:

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<sup>6</sup> ADB. 2005. *Tonle Sap Basin Strategy*. Manila.

<sup>7</sup> ADB. 2005. *Cambodia: Country Strategy and Program 2005–2009*. Manila.

<sup>8</sup> ADB. 2006. *Guidelines for the Preparation of Country Assistance Program Evaluations*. Manila.

<sup>9</sup> Including, among other things, reports and recommendations of the President, project completion reports (PCRs), project progress reports (PPRs), project performance evaluation reports (PPERs), midterm reviews, sector analyses, and back-to-office reports.

- (i) Section V of the standard CAPE report template (Results Achieved and Factors Affecting Performance) has been included as part of the top-down analysis.
- (ii) Section VI of the standard CAPE report template (Performance Assessment and Rating) has been expanded to include the full performance assessment as outlined in Appendix 2 of the CAPE guidelines, including bottom-up and top-down analyses.
- (iii) Section VII of the standard CAPE template (Key Findings, Conclusions and Recommendations) has been replaced by two sections: Key Findings and Future Challenges, and Lessons and Recommendations.

## II. THE DEVELOPMENT CONTEXT AND GOVERNMENT PRIORITIES

### A. The Evolving Political, Economic, and Social Setting

11. Cambodia is a relatively small country with a small population (around 14 million people).<sup>10</sup> It has emerged from three decades of turmoil including civil war, and political instability. This has left it as one of the world's poorest countries. It has only recently attained a degree of political stability and begun a rather rapid period of economic growth, with GDP growing at an average of around 10.3% per year since 2004. Its prospects are still, however, severely constrained by the low level of education of its general population, the scarcity of technical and professional skills, and a lack of investment, due, in part to a high perceived risk.

12. Moreover, the country has few economic resources except for its agriculture, fishery, and forestry resources. It has few mineral resources (excluding recent indications of offshore reserves of oil and gas), no major hydropower potential, and a small industrial base. Even its agriculture resources are limited; these primarily consist of about 2.8 million hectares (ha) of cultivated land, of which 91% is devoted to rice,<sup>11</sup> and 9% to other food, and industrial crops (primarily rubber). There are also the fisheries resources of the Mekong River and Tonle Sap Great Lake, which is one of the most productive freshwater fisheries in the world. The bulk of the population have been, and remain, rice farmers who supplement their income from fishing, or fishers who supplement their income from rice farming. In addition, in some parts of the country (such as the Tonle Sap Basin) cattle-raising is another major component of the household budget and a major component of household assets.

13. The country's limited resources suffer still further limitations. Soils in many areas tend to be infertile. Moreover access to water for irrigation is hampered by limited water availability. 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. As a consequence, rice production is generally 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. The main potential for overcoming this constraint is through small scale water management activities such as catchment structures, small scale pumping from rivers or other water bodies or precision field leveling accompanied with improved technology and inputs. 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

<sup>10</sup> Basic data on Cambodia and the ARD sector is shown in Appendix 2.

<sup>11</sup> Of which only 16% is irrigated at any time of year and only 7% is irrigated in the dry season.

limited scope for improvement. External assistance coupled with new techniques, though, can enhance the fresh water fishery harvest while conserving the resources.

14. Further constraints on the sector are limited access to markets as a result of the poor rural infrastructure, limited market demand due to the country's small urban population, limited access to rural credit (until the recent passage of the Land Law in 2001) uncertain land tenure and weak institutions. Under the circumstances it is not surprising that the ARD sector in Cambodia has not achieved the vibrancy and market orientation of either of its larger neighbors to the east (Viet Nam) and west (Thailand), but is more like its northern neighbor, the Lao People's Democratic Republic.

15. Despite these constraints, there have been some notable improvements in sector performance and in rural livelihoods during the SAPE period. Agriculture productivity, while fluctuating considerably due to the weather-dependent nature of production, has shown a continually increasing trend, with paddy production during 1998–2007 almost doubling, from 3.5 million tons (t) to 6.7 million t. This has allowed domestic consumption to increase, thereby improving rural livelihoods, and has also resulted in an exportable surplus of about 2.0 million t. This increase came mostly from increases in paddy yield, which now averages around 2.4 t/ha as opposed to 1.0–1.5 t/ha in the mid-1990s. Commercial fish production has also increased remarkably, rising from 122,000 t in 1998 to 3.5 million t in 2007, while the number of cattle in the country has, reportedly, increased from 2.7 million in 1998 to 3.5 million in 2007. There have also been improvements in crop diversification and small-livestock production (goats, pigs, chickens, and ducks).

16. As a result of these productivity gains, agriculture's contribution to GDP grew at an annual average of around 4.5% from 1998 to 2007. Rural incomes have also been boosted by an increase in small-scale livelihood ventures and by off-farm activities, both of which have been made possible by significant improvements in the peace and order situation, improved rural roads, and enhanced access to credit. Largely because 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 market access, there is room for improvement in the livelihood of the rural population and a further reduction in poverty levels.

17. In terms of a prognosis, there is room for further growth 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, which is a known factor in improving productivity. 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 some optimism for the future.

## **B. Regional and International Issues**

18. Cambodia is a member of the Greater Mekong Subregion grouping and has participated in a number of ADB-sponsored subregional activities, primarily related to the transport and power sectors. However, Cambodia's status as a small country of 14 million people squeezed between two dynamic, medium-sized regional powers<sup>12</sup> means that its agriculture sector is subsumed by the economies of its neighbors. Both of these neighbors have been growing and

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<sup>12</sup> Thailand, with a population of around 67 million, and Viet Nam, with a population of over 80 million.

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. All the rubber produced in Cambodia is marketed through Viet Nam (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 Viet Nam (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 price.<sup>13</sup>

19. The country's accession to the World Trade Organization in 2004 as a least-developed country 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 rightly (aiming for long-term efficiency gains) chose not to exercise its right to use agricultural export subsidies—as under the World Trade Organization Agreement on Agriculture, least-developed country members are able to use this instrument.

20. A new phenomenon in the last 2 years in the agriculture sector is the signing of foreign direct investment 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 northeastern and northwestern parts of the country. However, contract farming is an issue of political risk. The legal situation for foreign direct investment is uncertain. In addition, because relations with Cambodia's two larger neighbors have sometimes been strained, there has been a reluctance on the part of nationals of those countries to invest directly in land and agriculture production in Cambodia as opposed to trading in agricultural commodities.

### **C. Government Development Priorities and Strategies**

21. 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 following planning documents: the Socioeconomic Development Plan (1996–2000); the Second Socioeconomic Development Plan (2001–2005); the National Poverty Reduction Strategy; and the 2004 Rectangular Strategy for Growth, Employment, Equity and Efficiency. Under the Rectangular Strategy, agriculture productivity diversification and competitiveness was the first growth priority along with the rehabilitation and construction of physical infrastructure (including rural roads and water resources infrastructure).

22. 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, diversifying crops, improving fisheries management, sustainable management of forestry through reforms, environment conservation, and carrying out land reforms, particularly to ensure land tenure to the poor. To further advance rural development, the plan emphasized building

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<sup>13</sup> 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 when required.

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 and to add value to primary production by promoting private sector provision of processing facilities such as rice mills.

### III. ADB'S COUNTRY STRATEGY AND PROGRAM

#### A. The Role of Agriculture and Rural Development in ADB's Country Strategies and Assistance Program

23. ADB's strategy for the ARD sector is described in a series of country operational strategy (COS) and CPS papers starting in 1995, as well as in the TSBS produced in 2005 (footnote 6). 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 ADB's overall strategy and as a focus of investment and operations. Within the time period covered by the SAPE, the 1995 COS<sup>14</sup> identified steady poverty reduction as the overriding objective with a focus on ARD to achieve this goal. The 2000 COS<sup>15</sup> also identified poverty reduction as the overriding objective to be achieved through three priority areas: (i) sustainable economic growth through labor-intensive ARD, (ii) human resources and social development, and (iii) creating an enabling environment for private sector development.

24. The 2005 country strategy and program<sup>16</sup> (CSP) promoted broad-based economic growth led by the private sector, 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 ARD sector was to be built around its past and ongoing agriculture sector projects, and would 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 the implementation of land concessions. ADB's support for irrigation development was to be integral to its support for agriculture and 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.

25. The CSP also indicated that, to improve the development impact of its assistance program, ADB would increasingly focus a number 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 (km<sup>2</sup>), or 44% of Cambodia's total area. The area has a combined population of about 4.3 million, about one-third of Cambodia's total

<sup>14</sup> ADB. 1995. *Country Operational Strategy Study for Cambodia for Developing the Capacity for Reconstruction and Development*. Manila.

<sup>15</sup> ADB. 2000. *Country Operational Strategy Study for Cambodia for Enabling a Socioeconomic Renaissance*. Manila.

<sup>16</sup> ADB. 2005. *Country Strategy and Program (2005–2009): Cambodia*. Manila.

population, and is one of the poorest parts of the country. In the center of the basin is the Tonle Sap Great Lake, the largest freshwater lake in Southeast Asia. It covers 2,500–3,000 km<sup>2</sup> in the dry season, but expands to cover 10,000–16,000 km<sup>2</sup> in the rainy season. It is a productive source of fish and a critical habitat for a range of fish, birds, and reptiles. The area around Tonle Sap has been declared a special United Nations Educational, Scientific and Cultural Organization (UNESCO)-sponsored biosphere reserve with designated core zones of particularly critical ecological importance, a buffer zone around the core zones, and a transitional zone leading out to farm and forestry areas along the edges of the Tonle Sap Basin itself. Apart from its ecological importance, the lake is particularly productive, with an estimated \$400 million of fish caught annually. It is also of critical ecological importance from a regional point of view as many species of fish spawn in the lake and then migrate into the Mekong River, providing a resource in neighboring Lao People's Democratic Republic, Thailand, and Viet Nam. Nonetheless, about 1 million people live within the biosphere reserve and a further 3 million live outside the reserve but still within the Tonle Sap Basin, which is formed by mountains and hills surrounding the lake on its eastern, western, and northern sides. There is thus a high degree of actual and potential stress on the region's unique and productive biological resources which, while intensified by high levels of current poverty, may not necessarily be alleviated with economic development and poverty reduction efforts.

26. In conjunction with this strategic decision, ADB launched the TSBS in 2005. 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 networks to connect villages to markets; (iv) providing affordable rural electric supplies; (v) developing alternative livelihoods; (vi) promoting small and medium-sized 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.

27. With specific reference to rural development under the TSBS, the focus was to continue 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 (physical, social, and natural) of poor people through community-based natural resource management, the provision of small-scale community infrastructure (e.g., rural access roads, footbridges, small irrigation pumps, and community wells for safe water), skills development training, and institutional development and capacity building, to promote alternative livelihood activities.

28. A midterm review of the 2005 CSP was undertaken in 2007.<sup>17</sup> In addition to 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 ARD to respond to Government priorities. It considered that ADB's assistance for the remainder of the CSP period should increasingly have an agriculture 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 continuing the TSI to improve the living standards of the people living in the Tonle Sap area.

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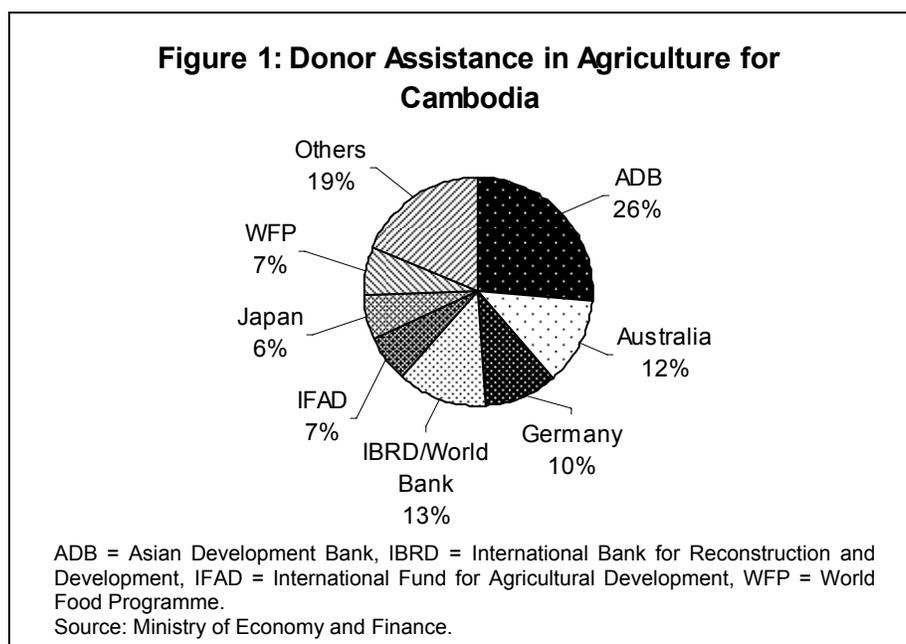
<sup>17</sup> ADB. 2007. *Country Strategy and Program Midterm Review (2005–2009): Cambodia*. Manila.

## B. Expected Results of Key Sector Program Thrusts

29. The overarching goal of all country assistance programs has been poverty reduction along with economic growth (based to a large extent on expected increases in agriculture production) and human resources capacity improvement. Enhanced environmental management was a stated goal. Investments and structural improvements in the ARD sector were expected to be the main vehicle through which these goals were to be attained. The first priority area of the 2000 COS, for example, was development of the rural economy based on support for pro-poor, sustainable economic growth through interventions to relieve key constraints to broad-based agricultural growth. This was to be achieved by improving water resource management and encouraging agriculture sector development, rural development, and improved management of critical wetlands. Similarly, the 2002 and 2003 CSP updates<sup>18</sup> listed rural economic growth as the first of three development priorities for the country program. In the same vein, one of the three priority pillars of the 2005 CSP was broad-based economic growth, through, among other things, investments in physical infrastructure, sustainable development of small and medium-sized enterprises, and investments in agriculture and irrigation. Finally, the 2008 country operations business plan<sup>19</sup> (COBP) targets the key objective of enhancing rural development to foster more pro-poor growth and accelerate poverty reduction, “especially around the Tonle Sap basin where most of Cambodia’s poorest live.” Associated sector outputs for 2010 mentioned in the COBP agriculture sector road map include agriculture growth of 3.8% per annum, an increase in rice yields to 2.4 t/ha, 25% of land under irrigation, the distribution of 1 million land titles, and the substantial completion of institutional reforms in the sector.

## C. Positioning of ADB Sector Assistance with Regard to Other Development Partners

30. Figure 1 shows the relative contribution of major development partners to the ARD sector during the CAPE period.



<sup>18</sup> ADB. 2000. *Country Strategy and Program Update (2003–2005): Cambodia*. Manila; ADB. 2003. *Country Strategy and Program Update (2004–2006): Cambodia*. Manila.

<sup>19</sup> ADB. 2008. *Country Operational and Business Plan (2008–2010): Cambodia*. Manila.

31. Apart from ADB, the main development partners assisting the ARD sector have been the International Fund for Agricultural Development, the World Bank, the World Food Programme, Australia, Germany, and Japan. The World Bank has funded a wide range 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. These have had more of a focus on rural development than agriculture productivity or the structural reform of the sector. The International Fund for Agricultural Development has been active in the rural development and livestock sectors through a series of five grassroots community-based projects. Germany's main contribution has been through the provision of rural roads under the Tertiary Road Improvement Program, a number of rural development projects, and through its cofinancing of the Land Management and Administration Project with the World Bank. Australia has, in the past, been very active in building up an agriculture extension and research service, in improving the agriculture marketing structure, and in providing assistance on phytosanitary regulation. Among other donors, France has mainly been active in rural credit, rubber production, and water resources, and has cofinanced two projects with ADB, while the United Nations Development Programme coordinated the Seila program,<sup>20</sup> a major rural development and recovery effort funded by a number of bilateral donors and United Nations agencies. Finland has also made contributions as a cofinancier with ADB.

32. In terms of investment resources, the only other donor to provide funding comparable with ADB's program has been the World Bank, with a contribution to the sector of about \$150.0 million. However, ADB has taken a high-profile position in innovation and improved management of the sector. ADB's Agriculture Sector Program (approved in 1996) provided a legal and institutional structure for sector development and set the stage and direction for all subsequent investments in the sector. In addition, the Rural Infrastructure Improvement Project, approved a year earlier, provided a model for rural infrastructure provision which was subsequently followed by a number of other donors. A further major initiative led by ADB has been the TSBS initiative focusing attention on a backward part of the country with high poverty levels and valuable but endangered natural resources within a unique, internationally important ecosystem. Through the Rural Credit and Savings Project,<sup>21</sup> ADB also initiated action on improving accessibility to rural credit. As ADB continues to be involved in the ARD sector, it is clear that ADB has been and continues to be the lead donor in the sector. This has been acknowledged by the Government and the other development partners in the country.

#### **IV. PROGRAM IMPLEMENTATION**

##### **A. Overview of the Sector Assistance Program**

33. Table A1.1 in Appendix 1 lists the projects, program loans, grants, and sector development programs in the ARD sector funded by ADB and their basic features, while Table A1.2 lists the TA projects. These have been divided into four categories based on similarities of project design and intended output:

- (i) ARD policy and sector management programs and projects, including the Agriculture Sector Program, the Tonle Sap Environmental Management Project,

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<sup>20</sup> 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.

<sup>21</sup> This project is discussed within the SAPE where relevant, but is covered in detail in the rapid sector assessment for the finance sector.

the Agriculture Sector Development Program, and the Public Financial Management for Rural Development Program.

- (ii) Rural infrastructure projects, including the Rural Infrastructure Improvement Project, the Northwestern Rural Development Project, and the Tonle Sap Rural Water Supply and Sanitation Project.
- (iii) Irrigation projects, including the Stung Chinit Irrigation and Rural Infrastructure Project<sup>22</sup> and the Northwest Irrigation Sector Project.
- (iv) Targeted rural development projects, including the Tonle Sap Sustainable Livelihoods Project and the Tonle Sap Lowlands Rural Development Project.

34. Beginning with the first loan to the ARD sector in 1995 (the Rural Infrastructure Improvement Project), up to the end of 2008 ADB had provided \$240.7 million in loans and ADF grants for 12 ARD investment projects. This accounts for 21% of the total lending program of \$1,155.2 million. In addition, 31 grant-funded TA projects totaling \$21.1 million have been provided, which is equivalent to about 20% of the total TA program during that period. Eighteen of these projects, totaling \$11.8 million in funding, have been advisory or capacity building TA projects, usually in support of the implementation of a specific investment project, while the balance has been project preparatory TA.

35. Of the 11 remaining projects, program loans, and sector development programs covered by the SAPE,<sup>23</sup> only five have been completed (three of them were only completed in 2008). The remaining projects are in various stages of implementation, some are advanced enough to be assessed, while others are only in the preliminary implementation stage. Most of the TA projects have been completed as their implementation period tends to be considerably shorter; indeed, only one capacity development TA project and one project preparatory TA are currently ongoing.

## **B. Consistency Between the Planned and Realized Program**

36. Appendix 3 shows the assistance program for ARD sector investment projects as indicated in various country assistance programs, CSP updates, and COBPs during the SAPE period. Nonlending products (TA projects) followed a similar pattern, since project preparatory TA normally preceded the investment projects while advisory and capacity building TA projects were generally approved in conjunction with particular loans and/or ADF grants.

37. While the program was generally implemented in accordance with the planned program, there were shortfalls. The first two investment projects were appraised and approved as planned. But subsequently there was then a 3-year gap without any projects being approved at all. On analysis it turns out that this can be attributed to (i) small (\$100,000) project preparatory TA for Community Irrigation Rehabilitation being undertaken in 1996 but not resulting in a project as programmed for 1997; (ii) the project preparatory TA for a sustainable forest management project approved in 1998 failing to produce a project proposal; and (iii) the feasibility study for the Stung Chinit Irrigation Project, approved in 1996, indicating that the project as designed was not economically viable. As a result a second feasibility study was undertaken in 1999, and only after this was a project approved in 2000. The original feasibility study appears to have been more accurate in its predictions than the second one.

<sup>22</sup> Although this project contains both irrigation and rural infrastructure elements, the main intent was rehabilitation of the Stung Chinit Irrigation Project. In the output and outcome analysis, the different elements are analyzed separately.

<sup>23</sup> As mentioned, the Rural Credit and Savings project is covered by the rapid sector assessment for the finance sector.

38. Since 2001 the actual program has been much more closely aligned with the planned program. However, there has been some slippage. The Tonle Sap Rural Water Supply and Sanitation Project was only approved in 2005, rather than 2004 as originally planned, and the Water Resources Management Project has been delayed from 2008 to 2010. There is, however, some justification for the latter delay in view of the poor performance of irrigation projects to date.

39. In assessing the consistency between planned and actual approvals in the sector, it must be noted that, at the beginning of the SAPE period, capacity in the sector was very weak and not much was known of its characteristics. Several parts of the country were still under the control of the Khmer Rouge and it was difficult (and often dangerous) to travel outside of Phnom Penh. It was not known at the time which kinds of projects would succeed and which would not. The first two projects in the sector were to be implemented by executing agencies with few trained staff in a country which had just come through 30 years of, civil war. At the time it was not clear whether the projects would or could be implemented, given the major assumptions that had to be made and risk involved in a post-conflict country. It thus took some years before it became clear what direction the lending for the sector should take. Therefore, a degree of caution was experienced in embarking upon a large program in the sector.

### C. Trends in Lending and Nonlending Program Performance

40. Appendix 4 shows the documented success rating of completed investment projects, as documented in PCRs and PPERs, the current assessment of implementation progress and outcomes of ongoing projects reported in PPRs, and the SAPE Mission's assessment. The SAPE's assessment of recently completed projects and programs for which PCRs have yet to be prepared, as well as the ongoing projects, are based on PPRs, back-to-office reports, and other document reviews, interviews, and observations in the field. The general tenor is positive, although with a declining trend. According to the PPRs, only one ongoing project is considered at risk—the Agriculture Sector Program, which was rated *partly satisfactory* for implementation progress as of 31 December 2008 due to delays in compliance with conditions for release of the second tranche.<sup>24</sup> This is an improvement over the ratings shown in the 2008 Cambodia Portfolio Performance Review<sup>25</sup> which shows two projects at risk. PPR ratings, however, need to be treated with caution.

41. In terms of overall success, all three completed projects which have been evaluated through PCRs and/or PPERs have been rated *successful*. Moreover, the SAPE team assessed the two completed projects for which PCRs have not yet been undertaken and considered that one (the Tonle Sap Environmental Management Project) is also likely to be rated *successful*, while the other (the Stung Chinit Irrigation and Rural Infrastructure Project) will probably be rated *partly successful* due to implementation delays and the fact that the irrigation component achieved only about 40% of its original target. Of the six ongoing projects, it was considered too early to determine a likely rating of the two targeted rural development projects since they have only recently started and, although their progress to date is slow, there is still time for improvements to be made. Their assessed rating was thus considered *undetermined*. Among the four others, the SAPE team assessed that three are likely to be rated *successful*, and the fourth *partly successful*.

<sup>24</sup> These conditions have since been complied with.

<sup>25</sup> ADB. 2008. *Cambodia: Portfolio Performance Review*. Manila.

42. This reflects an overall expected success rate of seven projects out of nine, or 78%. By contrast, overall ADB-wide statistics for ARD projects approved during the SAPE period (1995–2008) indicate an overall success rate (projects rated *highly successful* and *successful*) of 68% according to PCRs and 67% according to PPERs.<sup>26</sup> The Cambodia Portfolio Performance Review, however, indicates that disbursements for ARD sector projects have been especially low since 2007, raising some concerns about success rates in the future. Indeed, if the two targeted rural development projects continue to show implementation difficulties, future overall success ratings for the sector may decline.

43. The main project performance issue for all projects appears to have been delays in consultant recruitment, delays in procurement, and, for policy-based projects (program loans and sector development programs), delays in compliance with policy and institutional covenants and tranche release conditions—although in the end they were all complied with. Appendix 5 illustrates the extent of delays in the implementation of completed and ongoing projects in the sector. Implementation delays are most serious for the irrigation projects and targeted rural development projects.

44. Almost all TA projects which were rated in TA completion reports were rated *successful*.<sup>27</sup> TA accompanying rural infrastructure projects and ARD policy and sector management programs and projects<sup>28</sup> have been particularly successful and useful, in assisting capacity building and restructuring the sector.

## **D. Achievement of Intended Outputs and Outcomes**

### **1. Outputs**

45. Appendix 6 shows, among other things, the achievement of outputs for investment projects in the ARD sector. In essence, all of the expected outputs for ARD policy and sector management programs and projects have been achieved. These included

- (i) the passage of fundamental legislations governing the sector including the Land Law, the Water Law, the Fisheries Law, and the Law on Seed Management, along with associated implementing decrees;
- (ii) the preparation and adoption of policies and medium-to-long-term strategies for agriculture extension, agriculture research, rural credit, and the operation and maintenance of irrigation infrastructure and rural roads;
- (iii) the allocation of the responsibility of agriculture inputs supply to the private sector along with the establishment of quality standards and an inspection function;
- (iv) the dissemination of improved agriculture technology and market information through mass media;
- (v) the divestment of state-owned enterprises involved in rubber production and marketing, agriculture inputs marketing, and fisheries marketing;
- (vi) the establishment of an institutional and administrative structure for the development and environmental protection of the Tonle Sap Basin;
- (vii) the formation of pilot water user associations in 11 provinces;
- (viii) the demarcation of community fisheries areas and the formation of community fisheries organizations around Tonle Sap Great Lake; and

<sup>26</sup> As opposed to a success rate for all sectors of 74% based on PCRs and 76% based on PPERs for the same period.

<sup>27</sup> These rates were confirmed by SAPE mission during field visit.

<sup>28</sup> Although some were not rated in their TA completion reports.

- (ix) the training of a large number of farmers in six of the most agriculturally productive provinces in expanded agriculture activities and improved agriculture techniques.

46. The Agriculture Sector Program and Agriculture Sector Development Program were particularly effective in achieving this wide range of outputs through a coherent and sequential set of policy measures over time (Box 1).

<b>Box 1: Major Achievements in Agriculture Policy Reform</b>			
<b>Policy Theme</b>	<b>Access to Productive Resources and Inputs</b>	<b>Improved Environment for Private Agro-Based Enterprise Growth</b>	<b>Institutional Strengthening for Agricultural Commercialization</b>
<b>I. Achieved under the Agriculture Sector Program (1996–2001)</b>	<p>A revised Land Law was enacted on 30 August 2001.</p> <p>A strategy for rural road maintenance was prepared under the ADB-financed loan, Rural Infrastructure Improvement Project (1385-CAM) and is being implemented.</p> <p>A new policy for sustainable financing of operation and maintenance of irrigation schemes was issued on 11 January 1999.</p> <p>The Government adopted a new policy statement for rural credit and savings operations on 8 January 1998.</p>	<p>Mass-media programs on improved agricultural technologies and market information is now being broadcast throughout the country.</p> <p>A subdecree, which provides a regulatory framework for establishing input quality standards, was approved on 28 October 1998.</p> <p>Subdecrees were issued on 15 March 1999 to initiate the divestment of state-owned rubber estates by converting them into autonomous public enterprises for eventual privatization.</p>	<p>A new policy and strategy for agricultural research and extension was approved in 1998.</p> <p>The Cambodian Agricultural Research and Development Institute was established in August 1999.</p> <p>MAFF established the Bureau of Agricultural Materials Standards in January 1999.</p> <p>Inspection and control systems for agricultural chemicals strengthened.</p>
<b>II. Achieved under the Agriculture Sector Development Program (2003–2009)</b>	<p>A subdecree for the reduction of unused or excessive land concessions was issued on 27 December 2005.</p>	<p>Seed Law was approved on 8 April 2008.</p> <p>New rubber marketing policy announced in June 2005.</p> <p>All state-owned rubber estates had been divested by March 2009.</p> <p>Agriculture Inputs and Fisheries SOEs liquidated in 2007.</p> <p>Strategy document to improve agriculture marketing information services approved in 2006 and is being implemented.</p>	<p>Human resource development strategy prepared in 2007.</p> <p>Plan and budget formulation unit established within MAFF in 2008.</p> <p>Master plan for agriculture research approved on 22 May 2006.</p> <p>Sectorwide framework for gender mainstreaming approved in 2006 and is being implemented.</p> <p>Manuals for accounting, finance, planning, monitoring, and evaluation within the context of the Government's MTEF formulated and being used by MAFF.</p>

MAFF = Ministry of Agriculture, Fisheries and Forestry, MTEF = Medium-Term Expenditure Framework, SOE = state-owned enterprise.

Source: SAPE team.

47. Outputs for the completed rural infrastructure projects<sup>29</sup> were also basically fully achieved. These consisted primarily of the upgrading of 1,410 kilometers (km) of rural roads to all-weather laterite surfaces along with the provision of associated bridges and culverts. In the process, over 5 million labor days were generated, providing cash income to the rural population at a time when there were few other income sources. In addition, a variety of smaller village infrastructure was provided. This included health units, classrooms, markets, and bridges and culverts on otherwise travelable roads. A further notable capacity building output was the training of 162 private sector contractors in labor-intensive rural road construction and maintenance techniques. Outputs for the ongoing Tonle Sap Rural Water Supply and Sanitation Project are also well on the way to being fully achieved. About halfway through the project period more than half of the water supply and sanitation targets have been met. About 4,156 wells out of a planned 7,700 had been successfully completed and 37,000 household latrines had been constructed.

48. On the other hand, the outputs for irrigation projects have been disappointing. Under the Stung Chinit Irrigation and Rural Infrastructure Project, only 3,000 ha of land were provided with irrigation facilities against an original target of 7,000 ha. Construction has only just started on the irrigation schemes under the Northwest Irrigation Sector Project, with 10% of expected works completed as of March 2009 (after 5 years of implementation), but the total expected irrigation coverage at the end of the project in 2010 is expected to be only 10,000 ha against an original target of 16,000 ha. However, one important output from a policy point of view has been the passage of the Water Law and associated decrees with assistance from TA provided along with the Stung Chinit Irrigation and Rural Infrastructure Project loan, although some implementing decrees are yet to be issued. Other outputs include the preparation of four river basin water use and feasibility studies covering key areas within the Tonle Sap Basin, under the Northwest Irrigation Sector Project.

49. The situation for the targeted rural development projects is not much different from the irrigation projects. There have been no outputs to date from the Tonle Sap Lowlands Rural Development Project since the project was only recently approved and consultants have yet to be recruited. The Tonle Sap Sustainable Livelihoods Project is currently under physical implementation, but so far progress has been slow. By the end of 2008, a total of 493 community livelihood fund projects had been identified. Among these, 85 were social infrastructure projects, 223 were income-generation projects, and 107 were community fishery support projects. Most of these were very small interventions; the income-generation projects, for example, were limited to a maximum of \$5,000 each. In total, about \$2.7 million has been provided to the community livelihood fund to support these activities. Since questions have been raised about investment identification methods, design quality, financial viability, and sustainability, it is not certain what the eventual outputs from this project will be upon completion but, based on progress to date, they are likely to be modest.<sup>30</sup>

50. This variation in the achievement of outputs among different types of projects also reflects a declining trend in the quality of project design over time. As project designs shifted from the initial program loans and straightforward rural infrastructure projects to complex

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<sup>29</sup> Including the rural infrastructure component of the Stung Chinit Irrigation and Rural Infrastructure Project.

<sup>30</sup> Notably, two Japan Fund for Poverty Reduction grants have had a higher degree of success. Both the Community-Based Livelihood Enhancement for the Rural Poor in Northwest Cambodia Grant (approved in 2002 for \$1.8 million) and the Grant for Improving the Access of Poor Floating Communities on the Tonle Sap to Social Infrastructure and Livelihoods Activities (approved in 2005 for \$1.0 million) achieved their planned outputs, were assessed *successful*, and improved the livelihoods of the targeted families. However, both projects were modest in cost and scope and both entailed a higher degree of supervision than could be achieved under a loan project.

multicomponent targeted rural development projects and technically complex irrigation projects, there appears to have been a declining ability to achieve projected outputs. This reflects a lack of recognition of the project implementation capacity limitations of the Government and an overambitious and unrealistic focus on targeted poverty alleviation.

## 2. Outcomes

51. A series of positive and impressive outcomes has resulted from the achievement of outputs for the agriculture policy and sector management programs and projects and from the rural infrastructure projects. As shown in Appendix 6, for the agriculture policy and sector management programs and projects these outcomes include

- (i) the fact that rural residents nationwide now have or soon will have secure tenure to their land resources as a result of the passage of the Land Law and its implementation under a World Bank project (over 1 million titles have so far been distributed out of an estimated 3 million total);
- (ii) the establishment of a legal basis for sustainable agriculture sector and natural resource management;
- (iii) the establishment of an institutional basis for sustainable agriculture sector and natural resource management;
- (iv) the fact that the agriculture sector now functions on a market (rather than centrally planned) basis;
- (v) the fact that farmers have ready access to improved seeds, fertilizers, and pesticides supplied by the private sector;
- (vi) the fact that farmers have ready access to updated technical and market information;
- (vii) the fact that farmers and rural entrepreneurs have improved access to credit;
- (viii) continuous improvements in the efficiency and effectiveness of government agencies at national and provincial levels responsible for sector development;
- (ix) the removal of unprofitable and market distorting state-owned enterprises such as the state-owned rubber estates, the Agriculture Inputs Corporation, and the state-owned fisheries enterprise from the government budget and the subsequent increase in funds for development purposes;
- (x) the provision of more funds to sector agencies and the use of funds on a more strategic basis through the use of a medium-term expenditure framework; and
- (xi) the establishment of a basis for the sustained management of the aquatic and biotic resources of Tonle Sap Great Lake through the Tonle Sap Basin Authority.

52. Outcomes for the rural infrastructure projects include

- (i) the improvement of year-round access to rural areas in 11 densely populated, agriculturally productive provinces out of a total of 24 provinces;
- (ii) a reduction in average travel time to and from rural areas by about 50% in road influence areas;
- (iii) estimated cost savings for travel and goods transport of between 25% and 50% in road influence areas;
- (iv) improved access to services (health, education, and agriculture extension) and better access for rural residents and better access to markets for agricultural produce;

- (v) the provision of incremental income to a large portion of the population through labor-based construction activities during a critical time when there were few other sources of income in the rural areas; and
- (vi) the provision (to date) of safe domestic water supplies to about 500,000 beneficiaries and sanitation facilities to 170,000 beneficiaries within the rural areas of the Tonle Sap Basin area.

53. On the other hand, since there have as yet been few outputs from the irrigation projects and none from the targeted rural development projects, there are as yet no outcomes.

## **E. Factors Affecting Implementation**

54. The implementation of projects within the ARD sector in Cambodia has faced many challenges. When operations in the sector started the country had yet to recover from three lost decades of spillover from the war in neighboring Viet Nam, complete civil disruption and genocide during the Khmer Rouge period when the intellectual class in particular was targeted, subsequent civil war, and the complete deterioration and destruction of most physical infrastructure, especially in the rural areas. During operations in the mid-1990s and early 2000s, much of the countryside was still a difficult and dangerous place in which to travel. Moreover, most of the government agencies responsible for ARD had only just been established and were unsure of their mandate. They had almost no operational budget and few skilled staff, and were subject to political manipulation. Conditions at the provincial and district levels where ARD projects are implemented were even worse than at the national level. The laws and regulations in place were either antiquated (dating from the colonial days of the 1960s) or oriented towards a centrally planned economy—completely unsuited to fostering market-based growth and development in a country in the latter part of the 20th century. In addition, the rural population was poorly educated, traumatized from the past 20 years of conflict,<sup>31</sup> and extremely poor, living a hand-to-mouth subsistence existence and often forced to cultivate land which had been heavily affected by unexploded weapons.

55. Project implementation was further constrained by the lack of experience within the country in implementing externally funded projects and a dearth of private sector service providers and contractors who could design and implement development projects.

56. These constraints, while still affecting project performance to some degree, have been very much alleviated. Finances are more readily available (partly as a result of the measures taken under the Agriculture Sector Program and the Agriculture Sector Development Program), the staffing and level of skills at the national and provincial levels has greatly increased, the skills of private contractors and service providers have improved, and the rural population as a whole has a much wider general knowledge base.

57. The main problem facing project implementation at present is the slow and cumbersome government bureaucracy, along with (reportedly) political interference. Consultant recruitment and procurement in most projects face continuous delays, and policy or institutional reforms and revisions take much longer than would normally be expected, although the Ministry of Rural Development (MRD) and the Ministry of Agriculture, Fisheries and Forestry (MAFF) seem to have learned how to expedite these activities to some extent. Technical skills are still poorly developed at the provincial and district levels, but even more so at the commune council level

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<sup>31</sup> Hundreds of thousands of Cambodians had been living in Thailand as refugees.

where most of the targeted rural development interventions are supposed to be conceived and implemented.

## V. PERFORMANCE ASSESSMENT AND RATING: BOTTOM-UP ASSESSMENT

58. Sections V and VI assess and rate the performance of interventions in the ARD sector following the performance criteria given in the CAPE guidelines. In this section, a bottom-up assessment of completed and ongoing projects and their associated TA is undertaken using the five standard evaluation criteria of relevance, effectiveness, efficiency, sustainability, and institutional and social impact. To provide a basis for analysis, the four project/program categories (ARD policy and sector management, rural infrastructure, irrigation, and targeted rural development) are discussed individually and then an overall rating for the criterion is provided.

### A. Relevance

59. **ARD Policy and Sector Management Programs and Projects.** The ARD policy and sector management programs/projects can all be assessed *highly relevant*. At the beginning of the SAPE period the country's whole economy and institutional structure were in transition from a centrally planned system to a market system and was recovering from three decades of war, devastation, and neglect. A sound legal and institutional basis for the management of the ARD sector needed to be established, and both civil servants and the rural population needed to be trained and educated in development techniques and market-based production. In addition, policies for the medium-to-long-term management of the sector and to encourage sector growth needed to be developed and put in place. Furthermore, burdensome state corporations which drained much of the MAFF budget needed to be divested and the policy environment needed to be established for private sector involvement in the supply of agriculture inputs and the marketing of agriculture produce. Sound management, especially financial management, of the key ministries involved in the sector had to be put in place to ensure that scarce budget resources were optimally used. At the same time, given the unique socioeconomic and environmental situation within the Tonle Sap Basin, special measures were needed to protect the productive fisheries resource and the unique flora and fauna within the Tonle Sap Biosphere Reserve. ARD policy and sector management programs/projects addressed all of these issues, with a good deal of success. They were highly relevant when conceived and implemented and remain highly relevant.

60. **Rural Infrastructure Projects.** The rural infrastructure projects undertaken under the program were also assessed *highly relevant*. Due to the neglect and devastation of previous years, many rural roads were impassable, especially in the rainy season, and it was difficult for rural people to market their produce, obtain agriculture inputs (and information on them), obtain education and health services, and even obtain basic daily commodities (such as matches, kerosene for cooking, salt, sugar, and rice). There were few rural enterprises and employment (other than subsistence farming or providing day labor) was only available through migration to one of the larger urban centers. The few vehicles operating in the rural areas were slow (ox carts) or subject to very high operating costs. The provision of all-weather access on reasonable road surfaces was and still is one of the main stimulants to economic growth, and the impact can be seen through the levels of traffic now seen on the upgraded roads, transporting livestock and agriculture crops to market as well as rural people going about their daily business. The provision of rural water supply and sanitation infrastructure was also highly relevant. At the time of appraisal of the Tonle Sap Rural Water Supply and Sanitation project, Cambodia had the lowest water and sanitation coverage in Southeast Asia and one of the lowest in the world; only

34% of Cambodians have access to safe water, and only 16% to improved sanitation. In view of the status of the provision of safe water supplies as a Millennium Development Goal, any effort to improve the situation must be considered highly relevant.

61. **Irrigation Projects.** A different situation exists for the irrigation projects. While irrigation projects seemed relevant at the time of identification and approval, a proper analysis may have questioned this assumption. Most paddy production in Cambodia is on a rain-fed basis<sup>32</sup> and only about 25% of the total production area has any form of irrigation at all; only 7% of the paddy area is provided with dry season irrigation, the balance comprising for supplementary irrigation in the wet season. The impact of providing scarce funds for irrigation works on only 21,000 ha out of a total paddy area of 2.5 million ha may be questioned. Moreover, ADB's earlier experience with irrigation under the Special Rehabilitation Assistance Project<sup>33</sup> did not provide an optimistic prognosis for irrigation development. The PCR for the agriculture component of this project found that only four schemes out of a planned original 20 were implementable. Furthermore, the initial feasibility study of the proposed irrigation works for the Stung Chinit project indicated the project would not be economically viable and an earlier feasibility study for a community irrigation project had come to the same conclusion.

62. One of the problems was simply that investment in irrigation seemed like a normal development activity for a country with a rice-based economy and, moreover, there has always been (and still is) great enthusiasm for irrigation among Cambodia's rulers, planners, and farming populace<sup>34</sup>—hence the large number of (mostly unworkable) schemes built by the Khmer Rouge using slave labor.

63. Another problem was that the provision of large, capital-intensive irrigation works is one of the core competencies of a time-bound, project-based multilateral financier such as ADB. The fact that such works may be inappropriate in the Cambodian context does not seem to have even been considered by the earlier projects on irrigation. Initial conceptual and design flaws may thus have been one of the factors affecting past investment in the irrigation subsector. At present, these projects can at best be considered *less relevant*, although the associated water basin studies and the improved sector management brought about by involvement in the water resources sector may still be considered *relevant*.

64. **Targeted Rural Development Projects.** In view of the importance of the TSI, it would have been thought that targeted rural development projects aimed specifically at the rural poor of the Tonle Sap Basin would have been assessed *relevant*. However, the two such projects approved to date suffer from serious design flaws. In the case of the Tonle Sap Sustainable Livelihood Project, two serious and obvious flaws are the fact that an inexperienced executing agency—the Ministry of the Interior (MOI)—which does not necessarily have the relevant mandate, the requisite technical expertise, or the appropriate project implementation experience was chosen to implement the project, and the fact that the project was designed with only a 4-year implementation period. As a result of an 18-month delay in consultant recruitment, due in part to the MOI's lack of project implementation experience, the project period is now more than half finished, although physical implementation has only been going on for about 12 months. Without an extension, it will be difficult to complete anywhere near the intended project scope.

<sup>32</sup> Often on saturated land as the flooding of the Tonle Sap Lake and Mekong River recede.

<sup>33</sup> ADB. 1993. *Report and Recommendation of the President to the Board of Directors on the Proposed Loan to Cambodia for the Special Rehabilitation Assistance Project*. Manila.

<sup>34</sup> However, most farmers are more interested in supplementary wet season irrigation and in-field water management and conservation than in classical large highly regulated schemes with water allocation developed to the tertiary or quaternary level.

65. Further shortcomings include the fact that the project is really designed as an expanded nongovernment organization-type effort with high implementation transaction costs rather than as a multilateral investment project. All investments are expected to be identified and implemented by commune councils even though there is a dearth of technical capacity at that level (and even at the district and provincial levels) to identify interventions which are technically viable and financially sustainable and to supervise implementation to sound technical standards. Since all investments are very small, they are being funded by block grants to commune councils and these are difficult to track. There are thus concerns about governance and the use of funds. Such projects are also difficult for ADB to administer since a large number of small disbursements need to be funded through a large number of withdrawal applications (at least these are grant financed and not loan financed). Finally, the breadth of impact of the project is limited. It covers only 37 communes out of hundreds within the Tonle Sap Basin (1,621 nationwide) and a total population of only about 250,000 out of a population within the Tonle Sap Basin of 4.3 million and within the biosphere reserve of more than 1.0 million. Moreover, even within this small population, coverage is limited with, to date, only 85 social infrastructure projects, 223 income-generation projects, and 107 community fishery support projects having been identified.

66. Admittedly, the project design does follow closely the Government's decentralization and deconcentration policy with its emphasis on grassroots development through the commune councils. However, the design is not necessarily appropriate for an intervention through a time-bound project funded through a multilateral development agency. This can be seen in the huge amount of consultancy required—841 person-months at a cost of \$4.5 million or nearly 25% of total base cost.<sup>35</sup> Efforts to support policy-driven grassroots rural development could more appropriately be supported through budget support, as is being done for some rural development efforts in neighboring Viet Nam.

67. Unfortunately the recently approved Tonle Sap Lowlands Rural Development Project seems to suffer from similar shortcomings to the Tonle Sap Sustainable Livelihood Project. For some unknown reason, the executing agency for the project is the Ministry of Water Resources and Meteorology (MOWRAM), even though water resources development accounts for only 25% of the project's total baseline cost and the overall thrust of the project is somewhat beyond MOWRAM's mandate. Moreover, MOWRAM's track record in implementing both the Stung Chinit Irrigation and Rural Infrastructure Project and the Northwest Irrigation Sector Project can hardly be described as encouraging. Both projects have suffered serious delays in consultant recruitment, procurement, and overall implementation.

68. Additionally, the project design, while not quite as narrow as the Tonle Sap Sustainable Livelihoods Project, still consists of multiple small interventions over a rather limited project area consisting of 40 communes out of, as noted, hundreds within the Tonle Sap Basin alone and 1,621 nationwide. Such an investment is not going to have a nationwide, or even a regionwide, impact.

69. **Overall Conclusion on Relevance.** In conclusion, it can be assessed that the ARD policy and sector management programs and projects along with the rural infrastructure projects have been *highly relevant*, while the irrigation projects and targeted rural development projects have been less relevant and *relevant*, respectively. Overall, given the preponderance of the

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<sup>35</sup> By contrast, consulting services under the Tonle Sap Rural Water Supply and Sanitation Project amount to only about 11% of the total base cost.

former two types of project in the lending program and their broad-based impact on both sector institutions and policy and the provision of rural access, projects in the sector can be assessed as having been *relevant*. On this basis the program is given a rating of 2 points out of 3 for relevance.

## **B. Effectiveness**

70. **ARD Policy and Sector Management Programs and Projects.** Effectiveness relates primarily to the achievement of intended project, program, and associated TA outcomes and broader impacts within the economy as a whole. Outcomes and impacts to date, based on the four categories of investment projects, are summarized in Appendix 6. As noted in section IV D, positive outcomes of the ARD policy and sector management programs/projects are manifold, and include such diverse but important outcomes as (i) the provision of secure land tenure as a result of the passage of the Land Law; (ii) the restructure of the agriculture sector so that it functions on a market-oriented basis; (iii) the fact that farmers now have ready access to improved seed, fertilizers, and pesticides; (iv) the fact that farmers have ready access to updated technical and market information; (v) the removal of unprofitable and market-distorting state-owned enterprises (SOEs) from the sector; and (vi) improved efficiency in the provision of government budgets for the sector.

71. These are all major achievements and thus the interventions of ARD policy and sector management programs and projects can be considered to have been effective. This is the conclusion reflected in the PCR for the Agriculture Sector Program and backed up by recent statistics and field investigations. At the time of appraisal it was estimated that rice yields would double from 1.3 t/ha to 2.6 t/ha as a result of the policy measures to be implemented. Between 1998 and 2007, rice yields increased from 1.8 t/ha to 2.4 t/ha, largely meeting the yield expectations set at appraisal. Partly as a consequence of the Agriculture Sector Program and subsequent interventions, such as the Agriculture Sector Development Program, total production doubled from 3.5 million t in 1998 to 6.7 million t in 2007. This is a clear and quantifiable indication of the effectiveness of the policy measures taken under the ARD sector program. The PPER prepared in 2003 does not give a rating for effectiveness but is less enthusiastic about the program's effectiveness than the PCR. It indicated that "the program's measures have not, however, led farmers to adopt improved technologies, a process that is by nature long term."<sup>36</sup> However, as noted, current statistics verify that the expected improvement in technology has actually happened since the PPER was prepared. This is further confirmed by the results of a study funded under the SAPE on the impact of the Agriculture Sector Development Program. This study illustrates that farmers who used improved rice cultivation techniques increased their rice yields and crop income by about 50%. Therefore, the SAPE considers the project *effective*.

72. **Rural Infrastructure Projects.** Rural infrastructure projects have also proven effective. Year-round rural access has been improved in 11 of the most populous and productive provinces in the country (out of a total of 24) with a population of about 9.3 million. Average travel times along upgraded roads in rural areas have been reduced by about 50%, estimated cost savings for travel and goods transport are between 25% and 50%, services (health, education, and agriculture extension) are more easily provided to rural areas, and farmers are able to market their produce. In addition, although it is only 50% complete, the Tonle Sap Rural Water Supply and Sanitation project has to date provided safe water to nearly 500,000 people

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<sup>36</sup> Saintdona, Chea. 2009. *Study Report on the Impact of the Agriculture Sector Development Program on Rural Farmers' Livelihood*. Cambodia: Phnom Penh.

and access to hygienic latrines to about 170,000 people. In addition, over 5,000 water safety user groups have been formed.

73. This type of project has thus been highly effective, an assessment reflected in the PCR produced for the Rural Infrastructure Improvement Project.

74. **Irrigation Projects and Targeted Rural Development Projects.** Once again the situation is different for irrigation projects and targeted rural development projects. With few outputs to date and only limited outputs expected from ongoing projects, the best that can be expected from these projects is a rating of *less effective*. For the irrigation projects, based on the experience so far since the completion of physical works on the Stung Chinit irrigation scheme, the outlook is not encouraging. Even with sufficient water available for dry season cultivation, farmers do not seem to want to take up a dry season crop. This is because most of them cultivate dry season rice within the Tonle Sap lake area as the lake recedes, the soils in this area being more fertile than in the irrigation scheme itself. Again, this should not be a surprise, the same cropping pattern was known to occur within the neighboring Tuk Chhar scheme at the time the project was appraised. Whether the schemes improved under the Northwest Irrigation Sector Project will suffer the same deficiencies can not yet be predicted. These schemes are more community based and are well outside the flooded area of Tonle Sap lake so there is a chance that they will be more effectively utilized during the dry season if water is available.

75. The issue with the targeted rural development projects is simply their small size and limited project area. Even if all the livelihood activities are successful, they are unlikely to meet their stated goals of meaningfully increasing assets of the population in the provinces that adjoin the Tonle Sap Great Lake in order to mitigate threats to the lake and its biosphere. Given the small targeted population and the level of investment, any positive impact will simply be too small to make any impact on the poverty and ecological problems being faced.

76. **Overall Conclusion on Effectiveness.** The overall situation regarding effectiveness is similar to that of relevance. ARD policy and sector management programs and projects as well as rural infrastructure projects have been and are likely to be *effective* or even *highly effective* in terms of improving the management of the sector and consequently increasing agriculture production, increasing rural incomes, enhancing access to rural areas, improving overall standards of living, and thus reducing poverty. On the other hand, irrigation projects and targeted rural development projects are likely to be assessed *less effective* at best. Nonetheless, in view of the substantial outputs to date and the significant outcomes achieved by the two former categories of projects and programs along with their associated TA, the overall effectiveness during the SAPE period can only be assessed *effective*. On this basis effectiveness is given a rating of 4 points out of a possible 6.

### C. Efficiency

77. The three completed projects for which PCRs have been prepared have all been rated *efficient*. These include one ARD sector policy and sector management program (the Agriculture Sector Program) and two rural infrastructure projects (the Rural Infrastructure Improvement Project and the Northwestern Rural Development Project). The PPER for the Agriculture Sector Program also rates it *efficient*. The reasons given are

- (i) the achievement of outputs within a reasonable time period (although this was somewhat extended in the case of the Agriculture Sector Program—the difficulty

of achieving far-reaching policy and structural measures such as the formulation and passage of the Land Law and the financial divestment of rubber estates within a 2-year period were taken into account by the PCR and PPER missions); and

- (ii) in the case of the rural infrastructure projects, their high level of benefits and high overall rates of return (19.7% in the case of the Rural Infrastructure Improvement Project and 19.8% in the case of the Northwest Rural Development Project).

78. The same assessment may not be made for some of the recently completed and ongoing projects. While the Tonle Sap Environmental Management Project appears to have been efficiently implemented and the Tonle Sap Rural Water Supply and Sanitation Project is being efficiently implemented, delays in the Agriculture Sector Development Program may lead to a rating of *less efficient* once it is finally rated. The rating for the two irrigation projects and the two targeted rural development projects will almost certainly be *less efficient* due to implementation delays and, probably, low levels of benefits and rates of return. In addition, two projects were identified as having possible governance problems—the Northwestern Rural Development Project and the Tonle Sap Sustainable Livelihood Project.

79. Unlike for relevance and effectiveness, then, the four project categories all show a mixed performance with regard to efficiency, and only the rural infrastructure projects could be considered efficient as a group. In view of implementation delays on a number of projects, the SAPE team thus assesses the efficiency of projects in the ARD sector *less efficient* overall. With respect to the irrigation projects and targeted rural development projects, this can be attributed to poor project selection and deficient project design. The sector program is thus given an efficiency rating of 1 point out of a possible 3.

#### **D. Sustainability**

80. Among the ARD policy and sector management programs and projects, the PCR and PPER for the Agriculture Sector Program both assess it *likely sustainable*. This is particularly so for one of the most important components, the passage of a revised Land Law, since, under an ongoing World Bank project, land titles are being provided nationwide and, as noted, over 1 million titles have already been issued.

81. There is no reason for any of the other policy or institutional measures to be rescinded and indeed most of them have been strengthened and further developed under the Agriculture Sector Development Program. As for the other projects in this category, there is also no good reason for any of the legislation, strategies, or policy measures to be rescinded and farmers or members of community fishery organizations will continue to benefit from the knowledge they have gained under the various project and program interventions. Overall then, this category of project can be considered *likely sustainable*.

82. PCRs for both the Rural Infrastructure Improvement Project and the Northwestern Rural Development Project raise the issue of sustainability. The former explicitly states that sustainability is *partly satisfactory* despite noting that the technical expertise within the MRD and among contractors has improved greatly under the project and also that a policy, strategy, and structure are in place for rural road maintenance. The issue is the provision of sufficient funding to the provincial governments so that maintenance activities can take place on a regular routine and periodic basis. While funding has greatly increased over the years, it is still only about 25% of the estimated requirement.

83. The SAPE mission discussed this issue at length with stakeholders and also visited several completed rural roads during its field trip. Several points of view were expressed. The Council for Agriculture and Rural Development indicated that the provision of sufficient funding for rural road maintenance was of the highest priority in its lobbying efforts with the Ministry of Economy and Finance and that the ministry had finally been convinced of the wisdom of investing in maintenance funding.<sup>37</sup> MRD, on the other hand, had a different approach. It stated that traffic growth on many of the upgraded rural roads had far exceeded expectations and that it was more critical to upgrade these roads to a stronger and more lasting bitumen (rather than laterite) surface which, in effect, would lower the per km maintenance cost in the longer run. From the SAPE mission's observations there is some merit to both suggestions. Some roads constructed under the Rural Infrastructure Improvement Project are in fine running condition and quite passable even 6 years after project completion (although very dusty in the dry season). Others had suffered from very high densities of heavily loaded vehicles and are in rather poor shape. One road had already been upgraded to a bitumen surface and handed over to the Department of Transport.

84. The bottom line seems to be that, although there is still an issue with the maintenance of rural roads, Government authorities are well aware of it and seem to be working towards a solution. A maintenance system and structure is already in place and functioning to some extent. With increased funding (and perhaps better asset management programming) there is a good probability that necessary maintenance will be provided<sup>38</sup>. In addition, in the case of water supply and sanitation infrastructure, the operation and maintenance issue is being addressed by the Tonle Sap Rural Water Supply and Sanitation Project. The final prognosis is thus that the outputs of the rural infrastructure projects are *likely sustainable*.

85. On the issue of sustainability, it is also possible to be somewhat optimistic about irrigation projects. The Government's policy of forming farmer water user committees and organizations has already been tested in projects with other development partners and farmers are enthusiastically participating where irrigation infrastructure exists. In the case of irrigation infrastructure constructed under the ARD sector program, farmers are not likely to allow any newly provided infrastructure to deteriorate, even if it is going to be used only for supplementary wet season irrigation. The sustainability of irrigation projects is thus assessed *likely*.

86. For the targeted rural development projects, not enough is known about their actual outputs to determine sustainability. Provided they are well enough designed and constructed, social infrastructure projects will be maintained by the commune councils which may or may not have sufficient funding to do so. Income-generation projects may be sustainable if they are financially viable activities, but not enough is known about them to make a judgment.

87. **Overall Conclusion on Sustainability.** Institutional and policy measures taken under the agriculture policy and sector management programs and projects are likely to remain in place and be further built upon. Their impact is thus almost definitely *sustainable*. In terms of physical investments, although not enough detail is known about the targeted rural development projects to determine their sustainability, all other projects are likely to be adequately operated and maintained, albeit with some inefficiencies due to restricted funding. Investments in the sector to date can thus be described as *likely sustainable*. The sustainability of the sector program is thus given a rating of 4 points out of a possible 6.

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<sup>37</sup> The convincing evidence was information showing that \$1 invested in maintenance could save \$4 in rehabilitation costs.

<sup>38</sup> The ADB pipeline for Cambodia contains two operations for rural road asset management funds.

## E. Institutional and Socioeconomic Impact

88. In terms of impact, ADB's activities in the sector can, once again, be divided into ARD policy and sector management interventions and rural infrastructure interventions versus irrigation and targeted rural development projects. The impact of the former two categories has been and will continue to be substantial, while there has so far been no impact from the latter two categories and any future impact will be modest.

89. As summarized in Appendix 6, institutional and social impacts from the first two categories of projects include the following:

- (i) Enhanced access to productive assets and security of land tenure resulting from the provision of 1 million land titles to rural residents with a further 2 million targeted—at an average family size of five people this means secure land tenure for 5 million people, or almost one-third of the population of the country. Rural residents with secure land tenure have an incentive to invest in their land and also have collateral to borrow funds to improve the agriculture technology they are using.
- (ii) An increase in rice yields from 1.8 t/ha in 1998 to 2.6 t/ha in 2007.
- (iii) A near doubling of rice production from 3.5 million t in 1998 to 6.7 million t in 2007 due to a combination of increased yields and an expanded area under production (partly due to improved rural access). As a result, Cambodia is now self-sufficient in rice and produces a 2.0 million t exportable surplus.
- (iv) An increase in maize production from 55,000 t in 1998 to 380,000 t in 2007.
- (v) An increase in cassava production from 82,000 t in 1998 to 2 million t in 2007.
- (vi) The fact that surplus agriculture produce can be readily marketed as a result of improved access.
- (vii) Because of reduced travel times, rural residents can now find permanent and temporary employment in urban or semi-urban areas to supplement their income without migrating to major cities.
- (viii) As a result of the above impacts, rural incomes have increased substantially over the CAPE period. An indicator of this is World Bank's finding that in 2004 only 65% of the poorest quintile of the population had enough food during the past 12 months, while in 2007 this had risen to 90%.<sup>39</sup>
- (ix) An additional 500,000 people in the Tonle Sap Basin now have access to dependable and safe water supplies.

90. These major impacts are interdependent and can not all be attributed to either one category of project or the other but are a result of synergistic outcomes of more than one category of investment project intervention—notably the combined effect of the ARD policy and sector management programs and projects and the rural infrastructure projects. Box 2 illustrates this synergistic effect.

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<sup>39</sup> World Bank. *Poverty Profile and Trends in Cambodia, 2000*. Washington, DC.

### **Box 2: Synergy Among Different Types of Agriculture and Rural Development Projects**

There are a number of synergistic effects among the interventions undertaken in the agriculture and rural development sector in Cambodia. Improved access to markets as a result of rural infrastructure projects means that farmers are able to market their produce at lower costs and thus retain more profit for themselves. At the same time, the liberalization of the access to inputs and improved access to promotional technical advice (through, for example, radio broadcasts) means that farmers now understand the value of, and have better access to, inputs such as fertilizers and improved seed. Moreover, these commodities are now cheaper than before, again due to reduced transport costs. Farmers are thus able to use higher levels of technology and increase their yields, thus further improving their incomes. In addition, lower transport costs in rural areas means that the prices of basic commodities and necessities are reduced. Farmers thus have higher incomes but pay less for basic commodities such as clothing, cooking fuel, salt, sugar, and other household items. The net result is higher disposable rural incomes and lower levels of poverty.

Similarly, the construction of rural roads improves access to off-farm employment for members of farm families. Family members can migrate permanently, temporarily, or on a daily basis for paid salaries in commerce or manufacturing activities (the garment industry is a typical example). Typically, these family members remit part of their income to the family members remaining on the farm and these remittances are often invested in improved agriculture technology which is now available due to a liberalized input marketing system, resulting in higher levels of production. Improved access thus allows a rural family to supplement its income through remittances while at the same time increasing production. Thus rural poverty is reduced, employment opportunities are enhanced, and overall agriculture production increases.

A third synergistic effect is the impact of secure land tenure. With secure land tenure as a result of the Land Law, farmers have a greater incentive to invest in improving their land assets and in using higher levels of agriculture technology. Access to such technology now exists due to a liberalized marketing system, information on the use of technology exists because of an improved agriculture extension system, the cost of inputs is lower due to lower transportation costs, and farmers can now use their land as collateral to obtain a loan to purchase the inputs through a credit system partly put in place through ADB-sponsored agriculture sector policy reforms. As a result, farmers can afford to look at higher-value crops for which new markets exist as a result of improved rural roads, which link to the main national road system and ultimately to either the urban market in Phnom Penh or export markets in Thailand and Viet Nam. Again, the overall impacts are increased crop production and diversification, higher rural incomes, and lower levels of rural poverty.

91. In the case of irrigation projects and targeted rural development projects, modest impacts to be expected in the future will include increased paddy production, a diversification to alternative income-earning activities, improved entrepreneurial skills, and improved management skills within commune councils.

92. **Overall Conclusion on Impact.** In view of the impressive improvement in the security of land tenure, increases in agriculture production, and consequent increases in household incomes, the impacts of the ARD sector program can be assessed *high*, although this must be tempered by the fact that several of the ongoing projects may not have the same level of impact. Impact is thus given a numerical rating of 5 points out of 6.

#### **F. Overall Bottom-Up Rating and Assessment**

93. Based on the individual ratings for relevance, effectiveness, efficiency, sustainability, and impact, the overall bottom-up rating for the ARD sector program is calculated as  $2+4+1+4+5=16$ . Overall bottom-up performance is thus assessed *successful*.

## VI. PERFORMANCE ASSESSMENT AND RATING: TOP-DOWN ASSESSMENT

### A. Country Positioning

94. The examination of country positioning within the sector looks at how well ADB responded to the development challenges and priorities within the ARD sector. It is examined in the context of relevance,<sup>40</sup> responsiveness, operational flexibility, portfolio management, and partnerships.

#### 1. Strategic Assessment

95. There is little question that the overall program within the sector as planned has been relevant, with perhaps the exception of the irrigation projects. Activities within the sector started with a full needs assessment undertaken in 1993 under the comprehensive Agricultural Development Options Review. This review was as fully participatory as possible during that politically unstable period and was able to identify the need for a fundamental restructuring of the legal and institutional foundations of the sector. This was the basis for the formulation of the Agriculture Sector Program and subsequent policy-based interventions including the Agriculture Sector Development Program. The identification of the need for rural infrastructure was also based on a very clear perception of the rural development needs of the country—the need for the rural population to access markets, inputs, and services (including finance). On the basis of these two development thrusts, ADB became somewhat of a pioneer among development partners in ARD activities.

96. The later identification of the Tonle Sap Basin as a priority region for investment through the TSBS was also relevant. This region not only contains the most valuable freshwater fisheries resource in Southeast Asia, it also encompasses critical environmental areas protecting flora and fauna of global importance. In addition, it is inhabited by 30% of the population of the country with the second-highest poverty level of the country's five regions.

97. As noted, the only initiative which may be questioned is that of investment in irrigation since the potential for irrigation development in the country is limited. The main rice growing areas of the country are flat and have very limited water storage potential. Many of the schemes not currently operating and with apparent potential for rehabilitation were built under the Khmer Rouge regime and either never operated or were abandoned after only a few years of operation. However, potential does exist for improved small-scale water management and for the provision of small storage structures such as tanks and small reservoirs to capture water during the recession of the Tonle Sap Great Lake. Thus, investment in water management per se would have been relevant if it had been properly focused.

98. The issue thus is: were the investment strategies which were chosen the most relevant under the circumstances? The answer can only be that investments in restructuring the legal, economic, and institutional basis for sector operations and the provision of rural infrastructure were the most needed interventions in the sector at the time. In addition, a focus on the Tonle Sap area was an obvious regional priority and a more focused intervention in water resources management would have been relevant, given the need (if not the resource availability) for secure water for the country's main crop—paddy. In conclusion, it can thus be determined that the investment strategies pursued for the sector were *highly relevant*.

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<sup>40</sup> Relevance of overall strategies and approaches as opposed to the relevance of individual projects discussed in the bottom-up analysis.

## 2. Responsiveness

99. With regard to the scope and timing of sector interventions, the picture is not as clear as with relevance. Investment in ARD interventions has been seen as a high priority by both the Government and ADB in every country strategy prepared since the recommencement of operations in 1992. Yet the level of lending and the number of project and TA interventions has not really been in line with the sector's importance and the priority given to it in various strategies. As noted, investment in the sector has accounted for only 21% of ADB's total lending program in Cambodia during the period reviewed, and advisory TA for 20% of the advisory TA program.<sup>41</sup> As shown in Appendix 1 Table A1.1, there was even a 3-year period when no lending took place at all. Table A1.2, on the other hand, shows just how meager the TA program has been. Many projects were prepared with minimal project preparatory TA (\$98,000 for the Rural Infrastructure Improvement Project, \$100,000 for the Community Irrigation project, and \$500,000 for the ongoing Tonle Sap Smallholder Project). Surely a greater emphasis could have been placed on ensuring that an appropriate and meaningful level of funding was provided for preparation, support, and investment in what is one of the country's priority development sectors.

100. A further issue has been in the type of project undertaken. The first projects in the sector (the Agriculture Sector Program, the Rural Infrastructure Improvement Project, the Agriculture Sector Development Program, and the Northwestern Rural Development Project) had a broad nationwide or regional focus with well-defined outputs. Some later projects became more limited in their area of coverage. The Stung Chinit Irrigation and Rural Infrastructure Project focused on only one province (Kompong Thom) and much of that focus was on a 7,000 ha area for irrigation development. The Northwest Irrigation Project at least targeted the whole of the Northwest Region, but actual investments will only cover about 10,000 ha. At the same time, other projects, while being limited in geographical coverage, also became more diverse and less well-defined in the type of investment and expected output. The targeted rural development projects, for example, are focused on a limited number of communes (37 in the case of the Tonle Sap Sustainable Livelihood Project and 40 in the case of the Tonle Sap Lowlands Rural Development Project) out of the hundreds of communes surrounding Tonle Sap Great Lake, but they cover a wide range of investments including livelihood activities, the provision of small-scale social infrastructure, community organization, agricultural extension, environmental education, and natural resources management.

101. Recent projects in the country program thus seem to have lost the perspective that they are using limited funds provided in limited amounts over time and that such funds should be strategically used for maximum impact within the country as a whole. There has also been a drift away from ADB's core competencies—capital-intensive projects with clear design parameters and implementation arrangements and well-defined outputs—to small-scale, process-type projects with multiple components and vague and complex implementation arrangements. This may be attributed in part to too narrow a focus on both the Tonle Sap region and on targeted poverty alleviation, the latter to some extent influenced by the strong focus of ADB's long-term strategic framework on poverty reduction.<sup>42</sup> By deciding to focus on the Tonle Sap region, ADB became involved in a series of complex issues including the management of inland fisheries resources, the preservation of ecologically threatened flora and fauna, the

<sup>41</sup> Project preparatory TA, on the other hand, amounted to 30% of the project preparatory TA program.

<sup>42</sup> ADB. 2001. *Moving the Poverty Reduction Agenda Forward: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

provision of services and alternative livelihoods to the small portion of the country's population living within the Tonle Sap biosphere reserve, a focus on reaching the poorest of the poor, and a focus on operating solely through participatory mechanisms at the lowest administrative level. These are all laudable activities but they need to be pursued with sufficient resources over a long period of time and should not preclude additional ARD investments in other parts of the country with greater economic development potential.

102. In addition, ADB could have done more to build on or consolidate past successes. It was the World Bank which, through an extraordinarily successful \$40 million investment project, followed up ADB's success in getting the Land Law revised.<sup>43</sup> The initial success in improving rural access through the widespread construction of low-cost rural roads has neither been extended nor consolidated through efforts to make these investments more sustainable. It seems that there will be no follow up on the achievements of the Tonle Sap Environmental Management Project in helping revise the Fisheries Law, organize community fishers around Tonle Sap Great Lake, demarcate core environmental protection areas, or organize core area residents. Similarly, it seems that there is no intention of building on the successes of the Agriculture Sector Development program in designing an agriculture and research strategy, building up the agriculture extension service, or providing assistance to smallholder rubber producers, despite the fact that support and interventions in these areas are clearly needed.

103. Responsiveness has, thus, not been at the level one might have expected in view of the importance accorded to the sector in a series of country strategies, and in later years there seems to have been even less focus on ensuring the responsiveness of the sector than in earlier years.

### **3. Operational Flexibility**

104. In the early years of program implementation ADB showed acceptable operational flexibility. It was possible to provide sector and program loans in a risky environment, and TA grants were provided to assist the earlier projects in the sector and to build up capacity within the sector agencies. In later years, appropriate use was also made of ADF grants, providing a greater level of flexibility in funding grassroots operations where repayments would have been difficult to arrange. One example of a lack of operational flexibility, however, was the Stung Chinit Irrigation and Rural Infrastructure Project. Processing of the project was continued even after the first project preparatory TA showed the irrigation development to be unviable. Instead of dropping the project from the program, another small-scale TA was provided to reformulate the project so that it could be presented to the Board for approval. This entailed a reduction of the size of the proposed irrigation component and the addition of a rural infrastructure component to add some activities which were likely to be economically viable. As it happens, as far as the irrigation component is concerned, the first project preparatory TA has been shown to have been correct in its assessment.

### **4. Portfolio Management**

105. As noted in the bottom-up assessment, the implementation of many of the projects in the sector has been subject to delay as a result of slow and cumbersome bureaucratic procedures which delay compliance with loan covenants, consultant recruitment, the recruitment of service

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<sup>43</sup> Although ADB continued to contribute to the effective implementation of the Land Law through the provision of the following TA grants: ADB. 2005. *Implementation of Land Legislation*. Manila; and ADB. 2006. *Implementation of Land Legislation-2*. Manila.

providers, and procurement. Overall, staff from ADB headquarters and the Cambodia Resident Mission have dealt with these delays professionally, knowing that, in most cases, the implementing agencies have the best of intentions and that delays (often due to the need for consensus within or between agencies) will eventually be overcome. There have been a couple of instances of suspected misprocurement—not an unusual event when dealing with provincial or commune agencies in a developing country—but these have been handled professionally and expeditiously.

## 5. Partnerships

106. ADB has been moderately active in partnerships within the ARD sector. This is partly because it has itself been a pioneer in agriculture sector reform, rural infrastructure provisions, and activities within the Tonle Sap Basin. For example, it was as a direct result of the Agriculture Sector Program that the 2001 Land Law was passed, but the World Bank and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ, German Agency for Technical Cooperation) followed this up with a \$40 million investment project to implement the law and provide land titles. Similarly, other donors were originally reluctant to invest in rural road upgrading but when the success of the Rural Infrastructure Improvement Project became evident, other donors (again notably the World Bank and GTZ) followed up with their own projects. In the case of agriculture extension and research, however, ADB was the entity to follow up on the original pioneering activities undertaken by the Australian Agency for International Development (AusAID) and the International Rice Research Institute. Other donors with which ADB has worked in concert have been the United Nations Development Programme and the Food and Agriculture Organization, notably in the formulation and implementation of the Tonle Sap Environmental Management Project.

107. Active cofinanciers have included the governments of France and Finland through their respective aid agencies, the Agence Française de Développement (AFD) and the Finnish International Development Agency. AFD has been an active cofinancier for both irrigation projects under the program; in the water sector, ADB, together with AFD, has been actively engaged with the Government since the creation of MOWRAM in 1998 in the preparation of the Water Law—which was finally adopted in 2007—and the supporting subdecrees for farmer water user communities. The Finnish International Development Agency has been a particularly active partner for projects within the TSBS, notably the Tonle Sap Environmental Management Project and the Tonle Sap Sustainable Livelihood Project. All of the donor representatives interviewed by the SAPE Mission (AFD, AusAID, Food and Agriculture Organization, and World Bank) were appreciative of the lead ADB has taken in the ARD sector and are looking to closer ties, especially as the World Bank and AusAID have decided to intensify their engagement in ARD activities in the future.

## 6. Overall Conclusion on Country Positioning

108. ADB's strategies were fully aligned with the Government's national development priorities and programs, were supported by the Government, and generally addressed key constraints to socioeconomic development. The earlier investments, in particular, built on ADB's comparative advantages and were generally harmonized with assistance of other development partners. However, some of the project designs, especially in recent years, were not as responsive to the needs of the country or the capacity and core competence of ADB as they might have been. In addition, and partly as a result of this, there have been delays in program implementation. Based on these factors, the positioning of investments in the sector is considered *substantial* and given a rating of 6 points out of 8.

## **B. Contribution to Planned Outcomes and Impacts**

109. The 1995, 2000, and 2005 country strategies have had three continuous and interconnected themes: private-sector-led economic growth, poverty reduction, and human resources development.<sup>44</sup> This section examines the contribution of ARD sector lending to the achievement of these goals. It also examines the results to date of the TSBS, a major thrust of the 2005 CSP (footnote 17).

### **1. Private-Sector-Led Economic Growth**

110. Between 1998 and 2008, overall GDP grew at an annual average rate of 9.9%. Agriculture production grew at a slower rate of 4.4% but still contributed an average of 35% to annual GDP during that period. This growth was made possible partly by a doubling in rice production, an eightfold increase in maize production, and a 30-fold increase in cassava production. Increases in livestock and fisheries production were also substantial, but dependable figures are not available. These production increases resulted at least in part from the synergistic combination of measures aimed at improving ARD sector policy and improving sector management through such interventions as the Agriculture Sector Program and the Agriculture Sector Development Program, as well as improving access to rural areas under the Rural Infrastructure Improvement project and the Northwestern Rural Development Project. Moreover, through structural measures put in place, growth was generated by the private sector (farmers being as much private sector operators as any other entrepreneur). To a large extent, then, the private-sector-led growth targets of the past three country strategies have been met and investment in the ARD sector has been a significant contributor to this achievement.

### **2. Poverty Reduction**

111. Overall poverty levels in the country have fallen from an estimated 47% in FY1994 to 30% in 2007 (footnote 39), and while no figures are available for rural areas it is assumed that, since 90% of the poor live in rural areas, the greatest reductions in poverty were among the rural population. These achievements can be directly and logically related to increases in crop yields and production (and hence improved family incomes), improved access to land and more secure land tenure (and hence a greater incentive to invest in land), improved access to better seeds and fertilizers, an improved knowledge of agriculture technologies, and increased opportunities for off-farm employment. These in turn can all be logically linked to the outcomes achieved from ARD policy and sector management programs and projects and rural infrastructure projects. Indeed, it would be stretching credibility to attempt to show that these outcomes from the ARD sector program had not had an impact on reducing poverty—there may have been other factors involved, such as remittances from urban employment, but even these would have been to some extent dependent on improved access to rural areas.

### **3. Human Resource Development**

112. One notable impact brought about by all ADB programs, projects, and TA in the sector has been improved capacity at all levels. This includes improved capacity within national and provincial line agencies responsible for the ARD sector, within commune councils, among private sector contractors, and among farmers themselves. Personnel at the national and provincial levels in MAFF, MOI, MOWRAM, MRD, and the Ministry of the Environment have

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<sup>44</sup> The 2005 CPS looks at human resources development through its emphasis on governance.

received both formal and on-the-job training from their exposure to ADB activities, and private sector contractors and local consultants have been exposed to current international development practices and procedures. In addition, projects and TA under the TSI (in particular) have been instrumental in building capacity among government personnel at the commune council level and beneficiary groups, while training activities under the Agriculture Sector Development Program have provided technical training to over 28,000 farmers. Sector investments and TA have also provided support to agriculture and fisheries research and extension, a national water strategy, and the establishment of the Tonle Sap Basin Authority. The TA program has been especially important in this regard. It has contributed to human resources development and capacity development through such TA as the Agricultural Policy Reform Support, Policy and Institutional Reforms in the Agriculture Sector, Strengthening of the Ministry of Rural Development, and Capacity Building in the Ministry of Water Resources and Meteorology. All of these TA projects have been assessed *successful* and the results can be seen in an enhanced capacity within the MAFF, MOWRAM, and MRD.

#### **4. The Tonle Sap Initiative**

113. The TSI was an integral part of the 2005 CPS and, as part of its mandate, the SAPE Mission took a close look at the TSBS and its outcomes to date. The results of the mission's assessment are provided in Appendix 7. Overall, the mission concluded that the intent of the TSBS was valid, but since none of the projects undertaken since the strategy was enunciated have progressed to a level where their outcomes can be assessed, it is difficult to determine the impact of the strategy to date. The following projects should build on the lessons learned from previous projects to scale up the benefit with necessary structural and institutional strengthening of the water resources sector. The same conclusion could also apply to the planned second rural water supply and sanitation sector project. Also, in view of the perceived design and implementation issues facing the Tonle Sap Sustainable Livelihoods Project and the Tonle Sap Lowlands Rural Development Project, future investments under the TSBS should carefully assess the intended impacts and feasibility of the interventions proposed. The SAPE team noted that a comprehensive review of the TSBS is scheduled for later in 2009 and suggests that, within this review, efforts should be made to (i) assess what can be done to make projects within the strategy more implementable and effective, (ii) ensure that projects are complementary and self-reinforcing, and (iii) expand project impacts to a broader target group. The current approach of dealing with individual subdivisions of the basin separately instead of in an integrated manner is a matter of particular concern.

#### **5. Factors Affecting the Delivery of Results**

114. In view of the constraints facing the implementation of the ARD sector program, the results achieved so far are all the more to be appreciated. The project and TA interventions in the sector were undertaken by implementing agencies with limited staff of limited skills, especially at the provincial and commune council levels. Moreover, in the early years of the program the rural areas of the country were unstable and insecure (indeed even dangerous). In addition, it was difficult to deal with the still immature bureaucracy and even more so when internal consensus both within and among agencies was required for the formulation of legislation, the resolution of policy issues, and the restructure of institutions. Time was also needed for necessary consultations with stakeholders when new laws, policies, and strategies were being formulated. At the same time, the Government's budget resources were seriously constrained and it was only with program loans and sector development projects that counterpart funds could be provided. On top of all of these constraints, the country had to

weather a series of internal and external political crises including the suspension of the legislative assembly for over a year and border disputes with its neighbors.

115. This having been said, one of the most serious issues being faced at the moment is design deficiencies in ongoing projects. The Tonle Sap Sustainable Livelihood Project, the Tonle Sap Lowlands Rural Development Project and, arguably, the Northwest Irrigation Sector Project are all unlikely to achieve their intended outputs and outcomes due to design flaws discussed in the bottom-up analysis.

## 6. Attribution of Results

116. It is often difficult to attribute outcomes and impacts to particular investments and particular development agencies in a country. In the case of the ARD sector in Cambodia, this is not really the case. While there may have been many other factors contributing to a major growth in agriculture production and a significant decrease in poverty in rural areas,<sup>45</sup> it is hard to ignore the contribution of ADB's program in providing a legislative and institutional structure for the sector and providing access to technology, inputs, and markets for the most agriculturally productive parts of the country.<sup>46</sup>

117. Of course, the Government itself played a major role, and contributions were made by other development partners, but with ADB as the lead and major donor within the sector, if any attribution is to be made to development assistance programs, a large part of it needs to be made to ADB. This applies as much to actual investments as to ADB's role in initiating or pioneering new interventions which were subsequently taken up by other development partners. Thus, while the passage of the Land Law can be almost wholly attributed to ADB, the implementation of the law and the provision of 1 million land titles to date has been made possible by interventions by the World Bank, the Government of Finland, and GTZ. The same applies for rural infrastructure provision.

118. Appendix 6 shows the assessed level of contribution of ADB to major national impacts. In terms of ARD policy and sector management programs and projects, these are assessed *major*, based on the outcomes of the Agriculture Sector Program and the Agriculture Sector Development Program. The contribution of rural infrastructure projects is also assessed *major*, based on the fact that ADB is the development partner which pioneered rural infrastructure projects in the country, provided a model for other donors, and built up the capacity of the MRD and private sector contractors. No major impacts can be attributed to either the irrigation projects or the targeted rural development projects.

## 7. Overall Conclusion on Contribution to Outcomes and Impacts

119. Overall it can be concluded that investment in the ARD sector has played a major role in helping achieve outputs and impact planned under ADB's various country strategies and the Government's own development plans. This has included the achievement of private-sector-led economic growth, poverty reduction, and human resource development (see paras. 110–112). The sector's contribution to development results is thus considered *high*.<sup>47</sup> The overall rating for the ARD sector's contribution to outcomes and impacts is thus assessed as 7 points out of 8.

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<sup>45</sup> For example, remittances from family members working in the garment industry.

<sup>46</sup> The impact of investments in the transport sector should also be acknowledged in this regard.

<sup>47</sup> It is noted, however, that it is still too early to determine how successful the TSBS has been.

### C. ADB Performance

120. During the mission's interviews with various stakeholders in Cambodia, the general consensus among government personnel, donors, international and local consultants, nongovernment organizations, and other stakeholders interviewed was that ADB's performance in the sector had been generally satisfactory. Projects, TA, and other initiatives had been selected on a sound strategic basis and, in general, solid support had been provided by both ADB headquarters and the Cambodia Resident Mission. Most of the organizations which have participated with ADB in the past are keen to continue what they consider a productive relationship. A few individual shortcomings were pointed out to, or identified by, the mission. These include

- (i) a long processing time for documents sent to ADB headquarters for approval or clearance,
- (ii) a lack of involvement in some stakeholder technical working groups, and
- (iii) frequent changes in project officers during processing and implementation creating delays and often confusion among executing agency personnel.

121. Nonetheless, these shortcomings aside, as mentioned, ADB's performance to date from an operational point of view has been generally satisfactory. In addition, the dedication and commitment of current Cambodia Resident Mission staff is palpable, and this should lead to at least a continuation of, if not an improvement in, the level of performance to date.

122. The SAPE Mission does, however, feel the need to point out what seems to be a declining capacity within ADB to identify and prepare meaningful projects. As pointed out in the Responsiveness section (paras. 99–103), ADB has in recent years shown an inability to follow up on and consolidate successes, analyze current sector investment needs, and design projects which are within ADB's core capacities and the limitations of its lending modalities. As a consequence, the results of the next SAPE for the sector may be much less positive than the results of this current SAPE.

123. **Overall Conclusion on ADB's Performance.** On the basis of past achievements under ARD policy and sector management policies/programs and rural infrastructure projects, ADB's performance in the sector could have been considered substantial. However, looking forward to the likely outcomes of ongoing projects in irrigation and targeted rural development, and taking into account the seeming inability to build on past successes and to identify new projects with meaningful national outcomes, the assessment would lead to an evaluation of *modest*. ADB's performance has thus been rated as 4 points out of a possible 8.

### D. Overall Top-Down Rating and Assessment

124. Based on the individual ratings for positioning, contribution to outcomes and impacts, and ADB's performance, the overall top-down rating for the ARD sector program is calculated as  $6+7+4=17$ . Overall top-down performance is thus assessed *successful*.

## VII. OVERALL COMBINED PERFORMANCE ASSESSMENT AND RATING

125. Appendix 8 shows the ratings and scores for each evaluation criterion, for the bottom-up assessment, the top-down assessment, and the overall total. With a total performance rating of 35 (17 bottom-up and 18 top-down), ADB's performance in the ARD sector in Cambodia is assessed *successful*.

## VIII. KEY FINDINGS AND FUTURE CHALLENGES

### A. Key Findings

126. The SAPE analysis has found that completed or nearly completed projects and programs in the ARD sector have achieved the outputs which were intended and contributed significantly to the impacts expected from the various country strategies throughout the CAPE and SAPE periods. These include the establishment of a sound legal and institutional basis for the operation of the sector; improved rural access; substantially increased crop yields; substantial increases in crop production; improvements in rural income and consequent economic growth; and a significant reduction in poverty, especially rural poverty.

127. To a large extent these achievements were based on a correct analysis of the needs of the sector, an overall sectoral approach and correct sequencing at an early stage of the program. The groundwork was laid down by the first two loans to the sector:

- (i) the Agriculture Sector Program, which set out the basic legal and institutional framework for sector management and set the stage for the operation of the sector on a private sector led, market-based model, with the Government playing the role of regulator and facilitator; and
- (ii) the Rural Infrastructure Improvement Project, which set out a simple development model for the provision of rural access and built up the capacity of the MRD to implement it.

128. Other successful project interventions served to build on these two initiatives, with the Agriculture Sector Development Program building directly on the achievements of the Agriculture Sector Program in providing secure land tenure, moving the sector to a market-led basis, enhancing access to markets and inputs, improving farmer's access to agriculture extension and research, and divesting the MAFF of its SOEs (thereby increasing budget availability for development activities). The Tonle Sap Environmental Management Project complemented these activities by focusing on another important resource—fisheries—and the welfare of the population involved in freshwater fisheries activities, while at the same time setting the stage for sound environmental management of the Tonle Sap Great Lake and its unique flora and fauna. Finally, the recently approved Public Financial Management for Rural Development Program has already made progress in improving strategic and financial planning within three key ministries within the sector, which should lead to overall improved sector management and more rational allocation of funding within it.

129. In turn, the Northwestern Rural Development Project and the rural infrastructure component of the Stung Chinit Irrigation and Rural Infrastructure Project built directly upon the Rural Infrastructure Improvement Project model, focusing on simple technology to provide rural access to a wide section of the population. The Tonle Sap Rural Water Supply and Sanitation Project has also followed a similar model within the same executing agency (MRD), although the actual type of investment (water supply and sanitation) differs from the major (but not exclusive) focus on rural access of the previous projects. Even the Tonle Sap Lowlands Rural Development Project in some ways reverts to this model although, as noted, this later project does not have the simplicity of design and implementation arrangements nor the broad geographic coverage of the earlier projects.

130. Not all interventions in the sector, however, have been successful. Large and medium scale irrigation projects, such as Stung Chinit Irrigation and Rural Infrastructure Project and Northwest Irrigation Sector Project were undertaken on the assumption that, because the country's main (indeed almost exclusive) crop is paddy, timely water provision is critical to ensuring harvests and increasing production. This is indeed the case, but the country's landscape and water availability make it almost impossible to store and move irrigation water using conventional methods. The terrain is flat, dry season rainfall is sparse, and there is almost nowhere suitable for the construction of major structures to store wet season water for use in the dry season. Moreover, high development costs for irrigation mean that only modest areas can be covered even when it is technically feasible. The limited technical and institutional capacity of the MOWRAM and the provincial departments of Water Resources and Meteorology further constrain the potential for any kind of sophisticated or complex irrigation development. The need to ensure scarce dry season water supplies for multiple uses (including domestic water supply) also acts as a constraint on the potential for irrigation in the country.

131. As a consequence, the two irrigation projects undertaken within the ARD sector program are not likely to achieve the outputs and impacts originally expected of them. The irrigation component of the Stung Chinit Irrigation Project covers only 3,000 ha with supplementary wet season irrigation out of a planned 7,000 ha, and dry season cultivation is nonexistent. After 6 years of implementation, the Northwest Irrigation Project with 11 subproject small irrigation schemes had not resulted in any irrigation provision at all by mid-2009, and by project completion in 2010 is only expected to cover 10,000 ha of an expected 16,000 ha. Benefits will thus be limited in extent of production increases and limited in geographic spread. The delays in this project were driven by complex procedures that have been implanted on small subprojects irrespective of their size and the capacity of implementing agencies. It is doubtful that ADB has the capacity and the experience to undertake implementation arrangements to ensure sustainability of these types of complex projects which deal with many software elements.

132. The most disappointing initiatives of the ARD sector program have been the two targeted rural development projects aimed at furthering the TSBS. The TSBS is a relevant and laudable initiative aimed at both protecting a unique environment and its flora and fauna, and reducing poverty in one of the poorest regions of the country. It is regrettable that the two project interventions aimed directly at these ends (the Tonle Sap Sustainable Livelihoods Project and the Tonle Sap Lowlands Rural Development Project) have strayed from the basic precepts of project success in Cambodia (as well as in other countries)—keep interventions simple, provide enough time for start up and implementation, and aim for a broad geographic coverage to make the intervention meaningful on a regional or national basis. Instead these two projects include multiple interventions, have complex implementation arrangements, and only cover a relatively small geographical area. In addition, the Tonle Sap Sustainable Livelihoods Project is hampered by a 4-year implementation period which is almost over before the project has begun. The contrast between this type of project and the more straightforward rural infrastructure projects is exemplified by a comparison between the Tonle Sap Sustainable Livelihood Project and the Tonle Sap Rural Water Supply and Sanitation Project (Box 3).

### **Box 3: Rural Infrastructure Projects versus Targeted Rural Development Projects**

Both the Tonle Sap Rural Water Supply and Sanitation Sector Project and the Tonle Sap Sustainable Livelihood Project were approved by ADB's Board of Directors in 2005. They were both part of the TSBS and both funded by ADF grants. The funding provided for both projects was about the same (\$18.0 million for the former and \$15 million for the latter). Beyond that the projects differed entirely. The executing agency for the former project was the MRD, an experienced agency which had already implemented three ADB projects. The executing agency for the latter was the MOI, an agency with no project implementation experience. The scope of the former was simple and straightforward rural infrastructure investment— the provision of safe water supplies and sanitation. The scope of the latter was complex, not clearly defined, and aimed at fostering the newly established commune councils as a focus for grassroots development. It entailed social infrastructure, community livelihoods, and community fisheries activities, all to be selected, implemented, and funded at the commune council level. There were also additional components aimed at natural resources conservation and environmental education. Multiple agencies and implementers were involved with technical support meant to come from the provincial governments. The geographical coverage of the former was broad-based, covering five provinces, while the geographical coverage of the latter was very narrow— limited to 37 communes, a tiny proportion of the Tonle Sap Basin, and even of the buffer zone of the biosphere reserve.

The results of the two projects so far are very different. Within 50% of its implementation period (of 6 years), the Tonle Sap Rural Water Supply and Sanitation project has awarded 96% of planned contracts and project progress is considered to be 50%. Nearly 500,000 people have already benefited from the project. There is little doubt that the project will ultimately be successfully completed, improving the livelihood of some 40% of the rural population of the targeted provinces.

By contrast, within 72% of its implementation period (4 years), the Tonle Sap Sustainable Livelihoods Project has awarded 40% of expected contracts but project progress is considered to be only 14%. If not extended, the project will likely close without having achieved even its modest original targets.

The first project is a good example of a focus on ADB's core competencies and a sound project design, including the use of an experienced executing agency. The second project indicates how the best of intentions can go astray if principle (a desire to adhere too closely to the Government's deconcentration and decentralization policy) overcomes pragmatism.

ADB = Asian Development Bank, ADF = Asian Development Fund, MOI = Ministry of the Interior, MRD = Ministry of Rural Development, TSBS = Tonle Sap Basin Strategy.

133. In summary, and using the project categories chosen for the SAPE analysis along with the evaluation criteria set out in the CAPE guidelines:

- (i) ARD policy and sector management programs and projects have been highly relevant, effective, mostly less efficient, are likely sustainable, and have contributed substantially to countrywide impacts.
- (ii) Rural infrastructure projects have been highly relevant, effective, efficient, and are likely sustainable, with potential resolution of the maintenance issues They are also likely to contribute substantially to countrywide impacts.
- (iii) Large irrigation projects have been less relevant, are likely to be considered less effective at completion, have generally been less efficient, and are likely to be sustainable but only with special efforts and inputs. They will make little contribution to countrywide impacts.

- (iv) Targeted rural development projects were relevant in concept but not in design. As a result they are likely to be less effective, less efficient, and of uncertain sustainability. They are not likely to contribute to either regionwide or countrywide impacts.
- (v) In terms of country positioning, the ARD sector program as a whole may be considered relevant but somewhat deficient in responsiveness. ADB has displayed an acceptable level of operational flexibility in implementing the program, has managed its portfolio reasonably well, and has formed useful and productive partnerships with other development partners, although perhaps not as many as it might have. The SAPE finds, however, that ADB has done little to build on or consolidate past successes in the sector such as the outputs and outcomes of the Agriculture Sector Program, the Agriculture Sector Development Program, the Rural Infrastructure Improvement Project, and the Northwestern Rural Development Project, and that there has been a drift away from ADB's core competencies.
- (vi) Nevertheless, ADB and its ARD sector program have made significant contributions to intended development outputs and impacts, including notable increases in agriculture production, overall economic growth, a reduction in levels of poverty, and an improvement in human resources (and institutional) capacity.
- (vii) ADB's overall performance has been generally satisfactory, with valiant efforts made by staff of the Cambodia Resident Mission and headquarters to implement projects in difficult circumstances. There does, however, seem to have been some failure in recent years to be able to identify new projects which are relevant and feasible. More worrying is the fact that projects with obvious design shortcomings have slipped through ADB's internal review mechanism.<sup>48</sup>

## **B. Future Challenges and Opportunities**

134. The main challenge for the ARD sector is how to get ADB's interventions back on track. Past interventions have been generally successful, but the expected outcomes of recent interventions are less promising. Moreover, there are fewer opportunities for dramatic outcomes and impacts compared to the past. Many of the obvious policy and institutional challenges have already been addressed by the Agriculture Sector Program and the Agriculture Sector Development Program; ADB and other donors have already made much of the countryside accessible to inputs, services, and markets; and there is no big, obvious investment waiting to be made in water resources management.

135. However, there are still major needs and opportunities to be faced. The first is the need for greatly increased access to credit for the rural population, especially the provision of microfinance to the poorer families without ready access to collateral. While rural credit is now much more accessible than even 10 years ago (partly as a result of the Agriculture Sector Program and the Rural Credit and Savings Project) it is primarily available only to the better-off portion of the population. Even institutions such as the Association of Cambodian Local Economic Development Agencies which used to focus on the poor, have become risk averse now that they have been transformed into commercial lending agencies. It is estimated that about 60% of the rural population do not have ready access to credit. This means that they do

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<sup>48</sup> Of particular note in this context is the Emergency Food Assistance Project (approved in October 2008) which, as an emergency project, has not been included in the SAPE coverage. This project was designed to distribute food, seed, and fertilizer in a country which is rice self-sufficient and in which a program loan and a sector development program have both successfully reoriented the supply of agriculture inputs to an unsubsidized market basis by the private sector.

not have ready opportunities to diversify their production, make physical improvements to their farms, engage in improved post-harvest activities, or attempt to supplement their incomes through off-farm enterprises. Despite the fact that the Rural Credit and Savings Project was only considered partly successful, there is ample justification for ADB to make another foray into the rural credit and/or microfinance subsector. One positive aspect in this regard is the fact that, as farmers attain title to their lands, they will have collateral for borrowing which may make the provision of funds by commercially oriented lenders easier. However, a thorough investigation into potential means of providing productive credit to the 30% of the population (primarily rural) which still lives below the poverty line should be a priority for the Government. ADB through its financial sector work is already working to support the legal and regulatory framework for microfinance institutions. While continuing such higher level support for the microfinance subsector, ADB may consider partnering with other organizations which have more experiences in microfinance at the grass root level.

136. A second priority is both the expansion of rural access (there are still many parts of the country where access is difficult) and the sustainability of rural infrastructure, especially rural roads. A project aimed at both would include new rural road construction, measures to better manage existing rural road assets, and a further initiative into raising the technical standards<sup>49</sup> on already improved rural roads on which traffic has built up to such an extent that a further upgrade to a better level of surfacing is needed. A series of projects with this thrust would have the impact of consolidating past investments while at the same time enhancing sustainability and expanding the coverage of rural roads. Future assistance is planned for extending the coverage of the rural roads.<sup>50</sup>

137. In the context of consolidating past interventions, the need for continued agriculture research and extension efforts should also not be neglected. An agriculture research strategy has been formulated under the Agriculture Sector Development Program and field extension efforts under the same program appear to be successful. A modest project to pursue both of these efforts could be a valuable input into a future country program.

138. In terms of water resources management, the primary challenge is to define and identify the types of intervention which would be most meaningful in terms of outcome and impact within the constraints of flooding and excess water during the monsoon season, versus the severely limited access to water and water storage opportunities during the dry season. Straightforward conventional large irrigation projects have been shown not to have the expected outcome or impacts which merit the amounts of funding provided for them. And yet, the nature of ADB lending is capital intensive. This suggests a need for the country to identify alternative productive investments in the water resources sector. This might include providing flood control structures to protect crops and residential areas during the wet season and an expanded number of much simpler small scale water storage structures for crop irrigation, livestock, and domestic water supply over a fairly large area to alleviate drought during the dry season. Pumping schemes (either from the Great Lake or the Mekong River) may also have some scope since some farmers are already doing this on their own initiative. There may also be a role for improved in-field water management of the paddy crop. Experiments with precision leveling, for example, have shown that crop yields can be increased up to 30%. However, it is important not to burden small irrigation or water resources projects with implementation projects with complex

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<sup>49</sup> E.g., through bitumen surfacing.

<sup>50</sup> ADB. 2009. *Country Operations Business Plan: Cambodia 2009–2012*. Manila. Draft dated July 2009 indicated the following loans: (i) Rural Roads Asset Management Project (Cluster) for \$35 million in 2010, (ii) Provincial Roads Asset Management (Cluster) for \$15 million in 2011, and (iii) Rural Roads Asset Management (Cluster 2) for \$35 million in 2012.

procedures that are confronted in larger projects as the country capacity develops some of the design work can be handed over to local authorities under the supervision of international experts. There is a room for expansion of partnership with other external assistance organization in small irrigation or water resources intervention.

139. A major challenge for the future will be how to make the TSBS really operational and effective. A move has been made in this direction simply by focusing project investment in the Tonle Sap Basin and by helping to set up the Tonle Sap Basin Authority. Positive outcomes were expected from the Tonle Sap Environmental Management Project and the Tonle Sap Rural Water Supply and Sanitation Project. It is very important for the next planned project, the Tonle Sap Poverty Reduction and Smallholder Development Project, to have an effective, implementable design and a broad-based impact, otherwise the whole initiative will have no perceptible impact when a retrospective study is done in the next SAPE. It will also be important to follow up on the initiatives under the Tonle Sap Environmental Management Project and the Tonle Sap Rural Water Supply and Sanitation Project so that the contribution they have made can be built upon and expanded.

140. In this context it is important for institutional ambiguities to be sorted out. Most of the Tonle Sap projects to date have been, in essence, rural development projects. But the Tonle Sap Rural Water Supply and Sanitation Project is the only one being implemented by MRD, the ministry with the mandate for rural development activities—and a ministry with a good track record under past ADB projects. The Tonle Sap Sustainable Livelihoods Project is being implemented by MOI and the Tonle Sap Lowlands Poverty Reduction Project is being implemented by MOWRAM, while both MEF and MAFF have been suggested as the executing agency for the planned Tonle Sap Poverty Reduction and Smallholder Development Project. Given the track record of alternative agencies so far, perhaps it is time for MRD to once again be given its mandated role in these rural development projects.

141. Finally, and most importantly, there is a need to ensure that future projects are designed in an implementable manner within ADB's core competencies. These include the need for a well-defined and simple scope; clear implementation arrangements; the selection of as competent and experienced an implementing agency as possible; and sufficient time for the project to be adequately designed, appraised, initiated, and implemented. A good example of this type of project is the Tonle Sap Rural Water Supply and Sanitation Project and, given the level of water availability and sanitation in the rural areas, the country could use more of these.

## **IX. LESSONS AND RECOMMENDATIONS**

### **A. Lessons**

142. The SAPE team suggests the following lessons have been identified from a review of past operations in the ARD sector in Cambodia:

- (i) Even in the most difficult circumstances (beginning operations in a country which has essentially been without a government for three decades and has suffered serious social and physical devastation) it is possible to identify, design, and implement projects which will have a strong positive impact on economic growth and poverty reduction.
- (ii) A precursor to any investment in a new and unknown situation should be a comprehensive situational analysis, such as the Agriculture Development Options Review undertaken at the beginning of operations in Cambodia.

- (iii) Successful and meaningful impacts are most often achieved through the provision of simple interventions across a broad geographic area using simple implementation arrangements. The Agriculture Sector Program had 14 conditions for the release of the second tranche (by contrast the Viet Nam Agriculture Sector Program appraised at about the same time had well over 40) but they were strategically important conditions, such as the passage of a Land Law. Similarly, the main component of the Rural Infrastructure Improvement Project and the Northwestern Rural Development Project was the simple, low-cost upgrading of rural roads using a laterite surface.
- (iv) A new approach is needed to supporting water resources management in Cambodia. The scope for identifying conventional large irrigation projects is limited and the low level of past success indicates a range of problems (including limited water availability, soil foundation problems, and farmer organization problems) which reduce the likely level of success. In addition, conventional irrigation projects cover only a very limited area and thus entail a concentration of a high level of funding on a small geographic base. Other more innovative approaches which more carefully fit the characteristics of the country need to be evolved, including smaller scale simple water resource management projects that are easier to implement under the evolving institutional capacity of the country and bringing in institutional reforms and better coordination with other development partners.
- (v) Programs and initiatives such as the TSBS started with the best of intentions need to be backed up by strong viable projects prepared on the basis of a comprehensive vision and strategy. The targeted rural development projects so far designed for the TSBS lack the perspective that they have been designed for a large region with a population of over 4 million people. They are piecemeal interventions hampered by poor implementation arrangements and limited geographic impact.
- (vi) Without a broad and comprehensive vision of the directions to take in the development of a sector consistently in view (especially a complex sector like the ARD sector), important components may be neglected. This appears to be the case with rural credit, for which a huge demand exists but for which only one project has been attempted during the ADB's interventions in the country.<sup>51</sup>
- (vii) In the final analysis, the success of the program in a particular sector or a lending program overall depends on the selection and design of appropriate and meaningful projects. Implementation problems can, eventually, be overcome but poorly selected or designed projects are unlikely to have the outcomes intended or to have meaningful impacts on the development of the country as a whole. Thus, a project such as the irrigation component of the Stung Chinit Irrigation and Rural Development Project was never likely to be successful since it was technically flawed from the beginning. Similarly whatever is done to revamp the Tonle Sap Sustainable Livelihood project and ensure its successful conclusion will still not have a significant impact on poverty reduction nationwide since its coverage is simply too small.

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<sup>51</sup> It is understood that an issues and options paper has recently been prepared for the ARD sector in Cambodia by the Southeast Asia Department and that it does indeed recommend a major intervention in rural credit. Work is also being done on microfinance under the financial sector interventions.

## B. Recommendations

143. Recommendations for future activities in the ARD sector are given in paras. 144–147 based on the SAPE’s key findings, the lessons indicated above, and para. 52 of Strategy 2020 which states that:

In the past, agriculture drove growth for much of the region through a rural-based cycle of improving productivity, employment, and consumption.... the majority of the poor still live in rural areas, and agriculture remains a source of productivity improvement, seasonal employment, and income growth—especially when connected to urban, industrial, and export markets. Support for agriculture and rural areas is therefore an underlying component of the inclusive growth strategy...ADB will support agriculture and rural development mainly through infrastructure for rural transport, irrigation and water systems, and microfinance.<sup>52</sup>

144. ADB should build on and consolidate past successes within the sector. This will entail looking at the successes of past projects and seeing how the same or similar designs and implementation arrangements can be expanded to other parts of the country, or how past investments can be upgraded and made more sustainable. In practical terms the following options may be considered either singly or in combination: (a) expanding rural infrastructure including community driven and managed water supply and sanitation projects provision to underserved areas of the country; (b) consolidating past investments in rural infrastructure including farm to market roads while firming up an operation and maintenance capability; and (c) building on the success of institutional and policy work to date to strengthen agriculture research, training, and extension for further increasing productivity.

145. Once outcomes and impacts become more evident, ADB should take stock of the effectiveness of the TSBS to verify whether to continue to focus on TSBS. If continuing, future projects devoted to the TSBS should be pragmatic in design, focusing on rural infrastructure, rural water supply and sanitation, and land tenure. In this context, relevant measures to be considered would include (a) a review of the proposed Tonle Sap Poverty Reduction and Smallholder Development project to ensure that the scope and implementation arrangements are relevant and workable; (b) an expansion of the type of project listed in para. 144 above to the Tonle Sap region; (c) further investment in rural water supply and sanitation within the Tonle Sap region, as currently programmed; and (d) the preparation of a project in support of land titling (modeled on the current World Bank project) within the Tonle Sap region.

146. ADB should look for ways to meet the continuing and unfulfilled demand for rural credit (para. 135). Options to consider would include (a) a thorough analysis of rural finance needs and an identification of possible points of intervention, (b) the inclusion of measures under the Second Financial Sector Program Loan Cluster, (c) a separate rural finance intervention based on specific identified needs for certain subsectors (e.g., livestock, farm-based enterprises, and agriculture mechanization support) and (d) and partnering with other institutions with experience in success micro-finance programs aimed at the rural poor who do not have access to rural finance at the present time.

147. Greater use should be made of the sector development program modality. This modality has proven useful in putting in place legal, policy, and institutional measures and also in

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<sup>52</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila. para. 52.

providing much-needed supplementary funding for the Government budget through the use of targeted counterpart funds. Options would be to undertake a sector development program in (a) the rural infrastructure subsector with a view to enhancing sustainability, and (b) the water resources subsector with a view to strengthening the institutional structure for water resources management by further refining the community driven approach, which has been undertaken in recent projects.

## AGRICULTURE AND RURAL DEVELOPMENT OPERATIONS FINANCED BY ADB

**Table A1.1: Investment Projects, Program Loans, Grants, and Sector Development Projects, 1995–2008**

Project	Loan No.	Date Approved	ADB Funding (ADF Loan and ADF Grant) (\$ million)	Year Completed
<b>A. ARD Policy and Sector Management Programs/Projects</b>				
1. Agriculture Sector Program	1445	20 Jun 1996	30.0	2001
2. Rural Credit and Savings Project <sup>a</sup>	1741	27 Apr 2000	20.0	2006
3. Tonle Sap Environmental Management Project	1939	21 Nov 2002	10.9	2008
4. Agriculture Sector Development Program	2022/2023	26 Nov 2003	29.7	ongoing
5. Public Financial Management for Rural Development Program	0132/0133	04 Dec 2008	10.8	ongoing
<b>B. Rural Infrastructure Projects</b>				
1. Rural Infrastructure Improvement Project	1385	28 Sep 1995	25.1	2003
2. Northwestern Rural Development Project	1862	27 Nov 2001	27.2	2008
3. Tonle Sap Rural Water Supply and Sanitation Sector Project	0018	20 Oct 2005	18.0	ongoing
<b>C. Irrigation Projects</b>				
1. Stung Chinit Irrigation and Rural Infrastructure Project	1753	05 Sep 2000	16.0	2008
2. Northwest Irrigation Sector Project	2035	09 Dec 2003	18.0	ongoing
<b>D. Targeted Rural Development Projects</b>				
1. Tonle Sap Sustainable Livelihoods Project	0034	21 Dec 2005	15.0	ongoing
2. Tonle Sap Lowlands Rural Development Project	2376/0092	05 Dec 2007	20.0	ongoing
<b>Total ADB Project, Program Loan, Grants, and Sector Development Program Funding in the ARD Sector</b>			<b>240.7</b>	

ADB = Asian Development Bank, ADF = Asian Development Fund, ARD = agriculture and rural development.

<sup>a</sup> This project is included in this table for completeness but discussed in the Rapid Sector Assessment for the financial sector.

Source: Asian Development Bank database.

**Table A1.2: Technical Assistance, 1993–2008**

<b>TA No.</b>	<b>Technical Assistance</b>	<b>Year Approved</b>	<b>Funding (\$'000)</b>	<b>Year Completed</b>
<b>A. Advisory and Operational TAs (ADTAs)</b>				
<b>1. ARD Policy and Sector Management</b>				
1971	Agricultural Development Options Review	1993	515	1994
2591	Agricultural Policy Reform Support	1996	1,500	2003
3993	Improving the Regulatory and Management Framework for Inland Fisheries	2002	540	2004
4025	Capacity Building of the Inland Fisheries Research and Development Institute	2002	900	2004
4228	Policy and Institutional Reforms in the Agriculture Sector	2003	1,000	2009
4310	Formulating a Master Plan for National Agriculture Research	2003	300	2006
4212	Establishment of the Tonle Sap Basin Management Organization	2003	135	2004
4427	Establishment of the Tonle Sap Basin Management Organization II	2004	300	2006
4428	Strengthening National Program Budgeting for the Agriculture Sector	2004	250	2006
4459	Implementation of the Action Plan for Gender Mainstreaming in the Agriculture Sector	2004	300	2008
4563	Capacity Building of the Inland Fisheries Research and Development Institute II	2005	300	2006
<b>2. Rural Infrastructure</b>				
2406	Strengthening of the Ministry of Rural Development	1995	1,500	2003 <sup>a</sup>
<b>3. Irrigation</b>				
3292	Capacity Building in the Ministry of Water Resources and Meteorology	1999	796	2002
4574	Community Self-Reliance and Flood Risk Reduction	2005	500	2008
<b>4. Targeted Rural Development</b>				
4376	Capacity Building for the Tonle Sap Poverty Reduction Initiative	2004	500	2008
4283	Participatory Poverty Assessment of the Tonle Sap (Supplementary)	2005	100	2008
4669	Study of the Influence of Built Structures on the Fisheries of the Tonle Sap	2005	765	2008
4575	Cambodia Business Initiative in Rural Development	2005	150	2005
7145	Strengthening Institutional Capacity for Emergency Response to Food Crisis and Improving Food Security	2008	1,500	2008
<b>Total ADTA Funding</b>			<b>11,851</b>	

TA No.	Technical Assistance	Year Approved	Funding (\$'000)	Year Completed
<b>B. Project Preparatory TAs (PPTAs)</b>				
<b>1. ARD Policy and Sector Management Projects</b>				
3152	Sustainable Forest Management	1998	980	2000
3695	Agriculture Sector Development Program	2001	600	2003
<b>2. Rural Infrastructure Projects</b>				
2059	Rural Infrastructure Improvement	1994	98	1994
3489	Rural Development	2000	600	2001
3688	Rural Water Supply and Sanitation	2001	700	2003
<b>3. Irrigation Projects</b>				
2554	Community Irrigation Rehabilitation	1996	100	1996
2592	Stung Chinit Water Resources Development	1996	800	1997
3275	Study for Stung Chinit Water Resources Development	1999	150	1999
3758	Northwest Irrigation Sector	2001	1,200	2003
4848	Water Resource Management (Sector)	2006	1,300	ongoing
<b>4. Targeted Rural Development Projects</b>				
4197	Tonle Sap Sustainable Livelihoods Project	2003	1,260	2007
4756	Tonle Sap Lowland Stabilization	2005	1,000	2007
7037	Tonle Sap Poverty Reduction and Smallholder Development Project	2007	500	ongoing
<b>Total PPTA Funding</b>			<b>9,288</b>	
<b>Total TA Funding</b>			<b>21,139</b>	

ARD = agriculture and rural development, TA = technical assistance.

<sup>a</sup> Attached to Asian Development Bank. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Kingdom of Cambodia for the Rural Infrastructure Improvement Project*. Manila (Loan 1385), which closed in 2003.

Source: Asian Development Bank database.

## BASIC DATA ON CAMBODIA AND ITS AGRICULTURE AND RURAL DEVELOPMENT SECTOR

**A. Population:** 14.0 million (2009)

**B. Per Capita Gross Domestic Product:** \$739 (2008)

**C. Poverty Levels**

1994 = 47%

2007 = 30%

**D. Land Resources**

Total Land Area: 181,035 km<sup>2</sup>

Cultivated Area: 28,000 km<sup>2</sup>

Paddy Area: 25,000 km<sup>2</sup>

Wet Season Irrigated Area: 5,100 km<sup>2</sup>

Dry Season Irrigated Area: 1,900 km<sup>2</sup>

**Table A2: Agriculture Production**

Rice	1998	2007
Yield (tons/hectare)	1.8	2.62
Area (hectares 000's)	1,924	2,542
Production (tons 000's)	3,449	6,727

Maize	1998	2007
Yield (tons/hectare)	1.2	3.5
Area (hectares 000's)	45	110
Production (tons 000's)	55	380

Cassava	1998	2007
Yield (tons/hectare)	6.6	21.0
Area (hectares 000's)	8	96
Production (tons 000's)	82	2,000

Fish	1998	2007
Production (tons 000's)	122	3,513

Cattle	1998	2007
Numbers (head)	2,679,940	3,500,000

<sup>a</sup> Source: FAOSTAT – Food and Agriculture Organization of the United Nations, Rome, 2009.

**FIRM PROGRAMMED VERSUS ACTUAL APPROVALS—AGRICULTURE AND RURAL  
DEVELOPMENT LOANS, 1995–2008**

<b>Year</b>	<b>Various CAPs Prior to 2000</b>	<b>CAP 2000–2002</b>	<b>CAP 2001–2003</b>	<b>CSPU 2003–2005</b>	<b>CSP 2005–2009</b>	<b>COBP 2007–2009</b>	<b>Actual</b>
1995	Rural Infrastructure Improvement						Rural Infrastructure Improvement
1996	Agriculture Sector Program						Agriculture Sector Program
1997	Community Irrigation Rehabilitation						
1998	Stung Chinit Water Resources Development						
1999							
2000	Sustainable Forest Management	Stung Chinit Water Resources Development					Stung Chinit Irrigation and Rural Infrastructure
2001			Rural Development				Northwest Rural Development
2002		Integrated Natural Resources Management	Integrated Natural Resources Management	Tonle Sap Environmental Management			Tonle Sap Environmental Management
2003			Small and Medium Scale Water Resources Development	Agriculture Sector Development			Agriculture Sector Development Program
			Agriculture Sector Development	Northwest Irrigation Sector			Northwest Irrigation Sector
2004				Rural Water Supply and Sanitation			
2005				Tonle Sap Natural Resources Management II	Tonle Sap Sustainable Livelihoods		Tonle Sap Sustainable Livelihoods
							Tonle Sap Rural Water Supply and Sanitation Sector

Year	Various CAPs Prior to 2000	CAP 2000–2002	CAP 2001–2003	CSPU 2003–2005	CSP 2005–2009	COBP 2007–2009	Actual
2006							
2007					Irrigation and Water Resource Management Sector Development Project  Tonle Sap Lowland Stabilization	Tonle Sap Lowland Stabilization	Tonle Sap Lowlands Rural Development
2008						Water Resource Management (Sector)	Public Financial Management for Rural Development Program

CAP = country assistance plan, COBP = Country Operational Business Plan, CSP = country strategy and program, CSPU = country strategy and program update.

Sources: Sector Assistance Program Evaluation Mission and Asian Development Bank database.

**SUCCESS AND POTENTIAL SUCCESS OF ADB LOANS AND TECHNICAL ASSISTANCE  
IN THE AGRICULTURE AND RURAL DEVELOPMENT SECTOR IN CAMBODIA**

**Table A4.1: Loans**

Project	Completed Project Rating		Latest PPR of Ongoing Projects		SAPE Mission Assessment of Likely Success Rating
	PCR Rating	PPER/PPAR Rating	Impact and Outcome	Implementation Progress	
<b>A. ARD Policy and Sector Management Programs/Projects</b>					
1. Agriculture Sector Program (completed)	Successful	Successful			
2. Tonle Sap Environmental Management Project (completed no PCR as yet)			Satisfactory	Satisfactory	Likely Successful
3. Agriculture Sector Development Program (ongoing)			Satisfactory	Partly Satisfactory	Likely Successful
4. Public Financial Management for Rural Development Program (ongoing)			Satisfactory	Satisfactory	Likely Successful
<b>B. Rural Infrastructure Projects</b>					
1. Rural Infrastructure Improvement (completed)	Successful				
2. Northwestern Rural Development (completed)	Successful				
3. Tonle Sap Rural Water Supply and Sanitation Sector (ongoing)			Satisfactory	Satisfactory	Likely Successful
<b>C. Irrigation Projects</b>					
1. Stung Chinit Irrigation and Rural Infrastructure Project (completed, no PCR as yet)					Likely Partly Successful
2. Northwest Irrigation Sector Project (ongoing)			Satisfactory	Satisfactory	Likely Partly Successful
<b>D. Targeted Rural Development Projects</b>					
1. Tonle Sap Sustainable Livelihoods Project (ongoing)			Satisfactory	Satisfactory	Undetermined
2. Tonle Sap Lowlands Poverty Reduction Project (ongoing)			Satisfactory	Satisfactory	Undetermined

ARD = agriculture and rural development, PCR = project completion report, PPAR = project performance audit report, PPER = project performance evaluation report, PPR = project progress report, SAPE = sector assistance program evaluation.

Source: Project completion reports and SAPE mission estimates.

**Table A4.2: Technical Assistance**

<b>TA No.</b>	<b>Name</b>	<b>TA Completion Report Rating</b>
<b>Advisory and Operational TAs</b>		
<b>A. ARD Policy and Sector Management</b>		
1971	Agricultural Development Options Review	Successful
2591	Agricultural Policy Reform Support	—
3993	Improving the Regulatory and Management Framework for Inland Fisheries	Highly Successful
4025	Capacity Building of the Inland Fisheries Research and Development Institute	Highly Successful
4228	Policy and Institutional Reforms in the Agriculture Sector	—
4310	Formulating a Master Plan for National Agriculture Research	Successful
4212	Establishment of the Tonle Sap Basin Management Organization	—
4427	Establishment of the Tonle Sap Basin Management Organization II	Highly Successful
4428	Strengthening National Program Budgeting for the Agriculture Sector	—
4459	Implementation of the Action Plan for Gender Mainstreaming in the Agriculture Sector	Successful
4563	Capacity Building of the Inland Fisheries Research and Development Institute II	Successful
<b>B. Rural Infrastructure Projects</b>		
2406	Strengthening of the Ministry of Rural Development	
<b>C. Irrigation Projects</b>		
3292	Capacity Building in the Ministry of Water Resources and Meteorology	Successful
4574	Community Self-Reliance and Flood Risk Reduction	—
<b>D. Targeted Rural Development Projects</b>		
4376	Capacity Building for the Tonle Sap Poverty Reduction Initiative	Successful
4283	Participatory Poverty Assessment of the Tonle Sap (Supplementary)	—
4669	Study of the Influence of Built Structures on the Fisheries of the Tonle Sap	Successful
4575	Cambodia Business Initiative in Rural Development	—
7145	Strengthening Institutional Capacity for Emergency Response to Food Crisis and Improving Food Security	Still Ongoing

— = not available, ARD = Agriculture and Rural Development, No. = Number, TA = technical assistance.

Source: Asian Development Bank database.

## DELAYS IN PROJECT COMPLETION AND IMPLEMENTATION

Project	Completed Projects		Ongoing Projects	
	Original Projected Closing Date	Actual Closing Date	Time Elapsed (%)	Project Completion (%)
<b>A. ARD Policy and Sector Management Programs and/or Projects</b>				
1. Agriculture Sector Program	December 1999	September 2000		
2. Rural Credit and Savings <sup>a</sup>	March 2006	October 2006		
3. Tonle Sap Environmental Management Project	June 2008	December 2008		
4a. Agriculture Sector Development Program (program component)			142	100
4b. Agriculture Sector Development Program (project component)			91	59
5. Public Financial Management for Rural Development Program (second tranche release)			8	0
<b>B. Rural Infrastructure Projects</b>				
1. Rural Infrastructure Improvement	June 2002	April 2003		
2. Northwestern Rural Development	December 2007	June 2008		
3. Tonle Sap Rural Water Supply and Sanitation Sector			51	50
<b>C. Irrigation Projects</b>				
1. Stung Chinit Irrigation and Rural Infrastructure Project	June 2007	June 2008		
2. Northwest Irrigation Sector Project			72	25
<b>D. Targeted Rural Development Projects</b>				
1. Tonle Sap Sustainable Livelihoods Project			72	14
2. Tonle Sap Lowlands Poverty Reduction Project			17	0

ARD = agriculture and rural development.

<sup>a</sup> This project is included in this table for completeness but discussed in the rapid sector assessment for the financial sector.

Source: Asian Development Bank database.

**OUTPUT, OUTCOME, AND IMPACT SUMMARY TABLE FOR THE AGRICULTURE  
AND NATURAL RESOURCES SECTOR IN CAMBODIA**

Type of Intervention	Output from ADB Projects	National Level Outcome to Which Output Contributed	National Level Impact	Assessed Level of ADB Contribution
<p><b>1. ARD Policy and Sector Management</b></p>	<p><b>1. Agriculture Sector Program (1996–2001)</b></p> <p>The Land Law was enacted as law on 30 August 2001. Subdecrees and regulations for implementation, training officials and judges, and a public awareness campaign were undertaken with support from TAs on Agricultural Policy Reform Support (2591-CAM) and Implementation of Land Legislation (3577-CAM). Systematic land registration has commenced under a project financed by the World Bank and other agencies.</p> <p>Public interventions in the marketing of agriculture inputs removed in October, 1998 and private sector allowed to import and sell fertilizers at uncontrolled market prices.</p> <p>The Government issued a subdecree in October 1998 for providing a necessary legal framework to establish quality and environmental standards for agricultural materials and set up a bureau for agricultural materials standards through a ministerial decision of MAFF in January 1999.</p> <p>Radio and TV programs to broadcast price information to farmers started in 1997 and 1998 and continue to date.</p> <p>The Government prepared mass media programs to disseminate technical advisory services for the use of improved agricultural inputs and technologies and started broadcasting the programs on radio and TV from July 1997.</p> <p>In October 1998, the Government prepared and approved a medium- to long-term strategy for the improvement of agricultural research and extension services.</p> <p>The Government issued a circular dated 11 January 1999 strengthening the managerial capacity of the farmer water user associations, transferring operation and maintenance responsibility to capable water users associations, and increasing cost recovery in public irrigation schemes.</p>	<p>Rural residents nationwide now have or soon will have secure tenure to their land</p> <p>Legal basis for sustainable natural resource management established</p> <p>Institutional basis for sustainable natural resource management being established</p> <p>Agriculture sector functions on a market (rather than centrally planned) basis</p> <p>Farmers have ready access to improved seeds, fertilizers, and pesticides supplied by the private sector</p> <p>Farmers have access to market information</p> <p>Farmers have improved access to credit</p> <p>Efficiency and effectiveness of government agencies at national and provincial levels responsible for sector development continues to improve</p> <p>Unprofitable and market-distorting SOEs removed from Government budget</p> <p>More funds are being provided to sector agencies and are being used more</p>	<p>Access to productive assets and security of land tenure have been enhanced through the provision of 1 million land titles to rural residents with a further 2 million targeted</p> <p>Rice yields have increased from 1.8 t/ha in 1998 to 2.6 t/ha in 2007</p> <p>Rice production has almost doubled from 3.5 million t in 1998 to 6.7 million t in 2007</p> <p>Cambodia is now self-sufficient in rice and produces a 2.0 million t exportable surplus</p> <p>Maize production has increased from 55,000 t in 1998 to 380,000 t in 2007</p> <p>Cassava production has increased from 82,000 t in 1998 to 2.0 million t in 2007</p> <p>Agriculture production overall, grew at an annual average rate of 4.4% between 1998 and 2007</p> <p>Overall poverty levels have declined from an estimated 45% in 1994 to 30% in</p>	<p>As the main development partner in the ARD sector and in view of the assistance provided under two policy-based loans, ADB's contribution can be assessed as major.</p>

Type of Intervention	Output from ADB Projects	National Level Outcome to Which Output Contributed	National Level Impact	Assessed Level of ADB Contribution
	<p>In March 1999, the Government issued subdecrees to make the seven state-owned rubber estates self-financing entities.</p> <p>The Government adopted an overall rural credit policy and strategy in January 1999 that included (i) support for the expansion of rural credit and savings services based on private initiatives, (ii) provision of funds for rural finance through the newly created Rural Development Bank as a wholesale financial institution, and (iii) establishment and strengthening of the necessary legal and regulatory framework for microfinance activities.</p> <p>Comprehensive policy for rural roads promulgated in December 1999, including the planning, implementation, and funding for rural road maintenance.</p> <p><b>2. Agriculture Sector Development Program (2003–ongoing)</b></p> <p>The Government issued a subdecree for social land concessions in 2003, specifying procedures for the distribution of unused state land to eligible households for productive purposes, and another subdecree in December 2005 for the reduction of unused or excessive economic land concessions.</p> <p>Manual on extension services for social land concessions prepared in 2006.</p> <p>Strategy to improve agriculture market information approved by MAFF in 2007 and is being implemented.</p> <p>Master Plan for agriculture research approved by MAFF in 2006.</p> <p>Effective inspection system to ensure the quality of agrochemicals established in 2007.</p> <p>The Law on Managing Seed and Hybrid Plant Authorization was approved by the National Assembly in April 2008.</p> <p>Agriculture Inputs Corporation (an SOE for inputs provision) dissolved in 2007.</p> <p>Liberalization of rubber marketing approved in 2007.</p> <p>Seven formerly state-owned rubber</p>	<p>strategically</p> <p>A start has been made on establishing a basis for the management of the aquatic resources of Tonle Sap Great Lake</p>	<p>2007</p> <p>In 2004 only 65% of the poorest quintile of the population had enough food during the past 12 months, while in 2007 this had risen to 90%</p>	

Type of Intervention	Output from ADB Projects	National Level Outcome to Which Output Contributed	National Level Impact	Assessed Level of ADB Contribution
	<p>estates sold to private bidders.</p> <p>Fisheries SOE liquidated in 2007.</p> <p>The Water Law was enacted in June, 2007 along with a subdecree for the creation of farmer water user committees.</p> <p>Farmer water user committees established in 13 pilot areas of 11 provinces.</p> <p>Ministerial declaration was issued setting up a permanent plan and budget unit within MAFF in 2007.</p> <p>Manuals on program budgeting (accounting, finance, monitoring, and evaluation) approved in 2006 and being used.</p> <p>Under the project component 1,666 farmer groups consisting of 38,000 farmers were formed. A total of 1,379 technical information packages had been delivered to 28,545 group members by the end of 2008.</p> <p><b>3. Tonle Sap Environmental Management Project (2002–ongoing)</b></p> <p>Fisheries Law, Subdecree on Community Fisheries, and Guidelines for Community Fisheries approved in 2007.</p> <p>Tonle Sap Basin Authority established in 2008.</p> <p>178 community fisheries organizations were set up by the end of 2008.</p> <p>Core Area management plans for four ecologically critical core zones within Tonle Sap Biosphere Reserve were approved and core area management centers have been constructed.</p> <p>A biodiversity database has been established.</p> <p>Alternative livelihood activities for core zone residents have been tested.</p> <p><b>4. Public Financial Management for Rural Development Program (2008–ongoing)</b></p> <p><i>(Expected outputs)</i></p>			

Type of Intervention	Output from ADB Projects	National Level Outcome to Which Output Contributed	National Level Impact	Assessed Level of ADB Contribution
	<p>Introduction of budget strategic plans in rural development ministries.</p> <p>Annual procurement plans prepared by rural development ministries and updated for 2007 and 2008.</p> <p>MRD, MAFF, and MOWRAM have adopted standard operating procedures, procurement manual, and financial management manual mandated by a directive issued in February 2007 for donor-funded projects.</p> <p>Good-governance frameworks are being adopted for 2008 and proposed ADB-financed projects.</p> <p>Implementation of the budget classification system for economic and administrative activities in rural development ministries in progress.</p> <p>Financial management information system action plan prepared and approved to include MAFF and MRD as a pilot.</p> <p>Monitoring and evaluation framework adopted and training manuals developed by MAFF.</p> <p>MEF declaration issued for the Internal Auditing Standards, Code of Ethics, and Internal Control Policy Statement in 2006 for all ministries.</p> <p>MAFF and MOWRAM established internal audit units in 2006 and MRD in 2008.</p> <p>Rural development ministries have endorsed the training plan for their departments of internal audit.</p>			
<p><b>2. Rural Infrastructure Improvement</b></p>	<p><b>1. Rural Infrastructure Improvement Project (1995–2003)</b></p> <p>Sixty-eight rural roads were rehabilitated for a combined length of 606 km.</p> <p>Routine and periodic maintenance provided on 1,176 km.</p> <p>3.2 million labor days generated through use of labor-based technology.</p> <p>Sixteen rural markets were rehabilitated.</p> <p>A variety of small-scale civil works were</p>	<p>Year-round access has been improved to rural areas in 11 densely populated provinces agriculturally productive out of a total of 24 provinces</p> <p>Average travel time to and from rural areas has been reduced by about 50% in road influence areas</p> <p>Estimated cost</p>	<p>Poverty levels have declined from 47% in 1994 to 30% in 2007</p>	<p>As the development partner which pioneered rural infrastructure projects in the country, provided a model for other donors, and built up the capacity of MRD and private sector contractors, ADB's</p>

Type of Intervention	Output from ADB Projects	National Level Outcome to Which Output Contributed	National Level Impact	Assessed Level of ADB Contribution
	<p>completed or facilities renovated, including water wells (135), school buildings and offices (121), latrines (87), bridges (47), culverts (58), and another 29 structures including 6 mechanical workshops (with multipurpose uses).</p> <p>Policy for rural roads revised outlining local administration responsibilities for maintenance.</p> <p>23 private contractors trained in labor-based rehabilitation techniques and 65 local contractors in labor-based maintenance techniques.</p> <p><b>2. Stung Chinit Irrigation and Rural Infrastructure (Rural Infrastructure Component) (2000–2008)</b></p> <p>279 km of rural roads upgraded including 34 bridges and 148 culverts.</p> <p>122 schools rehabilitated.</p> <p>46 health facilities rehabilitated.</p> <p><b>3. Northwestern Rural Development Project (2002–2008)</b></p> <p>525 km of road rehabilitated, 800 km of routine and periodic maintenance provided.</p> <p>1.9 million labor days generated through use of labor-based technology.</p> <p>277 classrooms provided.</p> <p>11 district health centers built.</p> <p>74 contractors trained in rural road building techniques.</p> <p>A variety of small infrastructure provided through block grants.</p> <p><b>4. Tonle Sap Rural Water Supply and Sanitation (2005–ongoing)</b></p> <p>4,156 wells out of a planned 7,700 had been successfully completed to date.</p> <p>37,000 household latrines constructed to date.</p> <p>5,228 water and sanitation user groups established.</p>	<p>savings for travel and goods transport are between 25% and 50%</p> <p>Services (health, education, agriculture extension) are more easily provided to rural areas and farmers area able to market their produce</p> <p>A large portion of the population was provided with income through labor-based construction during a critical time when there were few other sources of income in the rural areas</p>		<p>contribution can be assessed <i>major</i></p>

Type of Intervention	Output from ADB Projects	National Level Outcome to Which Output Contributed	National Level Impact	Assessed Level of ADB Contribution
	1,034 water and sanitation user groups trained.			
<b>3. Irrigation</b>	<p><b>1. Stung Chinit Irrigation and Rural Infrastructure Project (2000–2008) (Irrigation Component)</b></p> <p>3,000 ha of planned 7,000 ha provided with upgraded irrigation facilities.</p> <p><b>2. Northwest Irrigation Sector</b></p> <p>Water Law approved in 2007.</p> <p>Four river basin water use and feasibility studies prepared.</p> <p>10,000 ha of improved irrigation facilities expected by end of 2010 of an originally planned 16,000 ha.</p>		The concept of integrated water resources management is better understood by planners in the country	Despite a lack of impact to date, ADB is well placed to have a significant future impact on the water resources sector through its contribution to capacity building within the sector. Ultimately much of the future growth in agriculture production will have to come from improved water resources management
<b>4 Targeted Rural Development</b>	<p><b>1. Tonle Sap Sustainable Livelihoods Project</b></p> <p>By the end of 2008, a total of 493 community livelihood fund projects had been identified. Among these, 85 were social infrastructure projects, 223 were income-generation projects, and 107 were community fishery support projects. These are mainly small projects, the income-generation projects costing no more than \$5,000 each. A total of about \$2.7 million has been disbursed to the 37 project communes to fund these projects. These will likely be completed within 2009.</p> <p><b>2. Tonle Sap Lowlands Rural Development</b></p> <p><i>no outputs to date</i></p>	These projects may have the effect of reducing poverty and reducing pressure on the Tonle Sap biosphere environment on a localized basis		These are very modest efforts in terms of population covered, investment levels, and actual outputs. They are unlikely to have a national (or even regional) impact

ADB = Asian Development Bank, ARD = Agriculture and Rural Development, CAM = Cambodia, ha = hectare, km = kilometer, MAFF = Ministry of Agriculture, Fisheries and Forestry, MEF = Ministry of Economy and Finance, MOWRAM = Ministry of Water Resources and Meteorology, MRD = Ministry of Rural Development, SOE = state-owned enterprise, t = ton.

Sources:

1. Food and Agriculture Organization. 2008. FAOSTAT. Rome.
2. ADB. 2008. *Key indicators*. Manila.
3. World Bank. 2008. *Economic Indicators*. Washington, DC.
4. Project completion reports, project performance evaluation reports, and project progress reports of individual projects cited.

## THE TONLE SAP INITIATIVE

1. The Tonle Sap Basin Strategy (TSBS) calls for a focus on the Tonle Sap region in terms of investment in all sectors, but particularly the agriculture and rural development sector. It was formulated in 2005 because of the high level of poverty in the region and the critical environmental issues facing Tonle Sap Great Lake. In 2005, it became an integral part of the Asian Development Bank's (ADB's) country strategy and program 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.

2. The Sector Assistance Program Evaluation mission noted that, even before the formulation of the TSBS, a number of ADB projects had focused on this region. These included the Stung Chinit Irrigation and Rural Infrastructure Project, the Northwestern Rural Development Project, the Northwest Irrigation Project, and the Tonle Sap Environmental Management Project. The TSBS is thus in some ways a continuation of development efforts already undertaken since the late 1990s.

3. The reasons for a special regional focus seem very clear and are still valid: (i) the Tonle Sap Basin is the second-poorest region in the country and also the second most populous; (ii) much of the area around the Tonle Sap Great Lake was under the control of the Khmer Rouge until the late 1990s and was thus not exposed to the early development efforts within the country and needed a special effort to catch up; (iii) the basin contains a very productive fisheries resource upon which much of the country's population depends for its protein supply; and (iv) the basin also contains unique environmental and ecological characteristics and wildlife habitat of international importance.<sup>53</sup>

4. It is, however, difficult to assess results of the TSBS to date. None of the projects undertaken since the TSBS was enunciated have progressed to a level where their impact can be assessed. The Tonle Sap Environmental Management Project (approved before the TSBS was enunciated) has been successfully completed and outputs include the approval of the Fisheries Law and subdecrees on community fisheries management as well as the establishment of 178 community fisheries organizations. However, it is probably too early to really assess outcomes and impacts. The Tonle Sap Sustainable Livelihood Project is ongoing, but fieldwork only began in 2008 due to start-up delays. However, the Tonle Sap Rural Water Supply and Sanitation Project has been successful and has already had a positive impact on rural livelihoods in the region. In addition, with ADB assistance, the Government has taken the initiative to establish the Tonle Sap Basin Authority to coordinate the work of all line ministries working within the basin. Overall, as noted in the bottom-up analysis, the two targeted rural development projects which were specifically designed as part of the TSBS are not performing particularly well in terms of implementation. This, however, does not mean that the strategy was wrong, only that the projects were not effectively chosen and designed. The actual impact of ADB investment activities in the basin has thus been limited to date.

5. On the other hand, ADB was a prime mover in the establishment of the Tonle Sap Basin Authority and a positive impact is expected from the Tonle Sap Rural Water Supply and Sanitation Project. A second project is now in the pipeline. In addition, a further rural development project aimed at the Tonle Sap Basin is now under preparation and has taken into

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<sup>53</sup> Some of the migratory birds nesting in the core zones migrate from as far away as Siberia and fish migrate to the Tonle Sap lake from the upper and lower reaches of the Mekong river.

account the lessons learned from the first two. In the longer term, it is likely that a focus on the basin will have turned out to be a positive strategy.

6. One important aspect of the TSBS is that it provides a focus for ADB projects within the country and thus will help to avoid a dissipation of impact that might occur if a number of projects in different subsectors were scattered throughout the country. Because of this and in view of the importance of the Tonle Sap Basin for the country's development effort, as outlined in para. 3 above, there does seem to be merit in maintaining a focus on the Tonle Sap Basin, even if impacts have been modest to date. Given that, the data available on results are not yet conclusive. It is necessary to take stock of the effectiveness of the strategy once the outcome and impacts become more evident.

### RATING AND SCORES FOR EVALUATION CRITERIA

Evaluation Criterion	Rating	Rating Values	Score
<b>I. Bottom-Up Assessment</b>			
Relevance	Relevant	(0–3)	2
Effectiveness	Effective	(0–6)	4
Efficiency	Less Efficient	(0–3)	1
Sustainability	Likely	(0–6)	4
Impact	High	(0–6)	5
<b>Subtotal</b>	<b>Successful</b>		<b>16</b>
<b>II. Top-Down Assessment</b>			
Country Positioning	Substantial	(0–8)	6
Contribution to Outcomes and Impacts	High	(0–8)	7
ADB Performance	Modest	(0–8)	4
<b>Subtotal</b>	<b>Successful</b>		<b>17</b>
<b>Total Score (I+II)</b>			
<b>Overall Rating</b>	<b>Successful</b>		<b>33</b>

ADB = Asian Development Bank.

An overall assessment of the performance of the sector assistance program is derived as a combination of the bottom-up and top-down assessment of performance. The overall sector assistance program evaluation performance rating (R) is derived by adding the bottom-up and top-down ratings. This is highly successful if the  $R \geq 40$ ; successful if  $30 \leq R \leq 39$ ; partly successful if  $20 \leq R \leq 29$ ; and unsuccessful if  $TR \leq 19$ . The ratings were prepared following the Guidelines for the Preparation of Country Assistance Program Evaluation Reports. ADB. 2006. Manila. The bottom-up rating is aggregated by giving higher weights for evaluation criteria for effectiveness, sustainability, and impact in order to emphasize the importance that ADB accords to making a durable contribution to poverty reduction outcomes.

Source: Independent Evaluation Team.

## MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION FOR THE AGRICULTURE AND RURAL DEVELOPMENT SECTOR IN CAMBODIA

On 22 October 2009, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. We appreciate the Sector Assistance Program Evaluation (SAPE) for the agriculture and rural development (ARD) sector in Cambodia. We agree with the SAPE's "successful" ratings for the overall, top-down, and bottom-up assessments of ADB assistance to the ARD sector. The SAPE has identified a number of lessons to be taken into account to ensure the future success and sustainability of ADB's operations in the sector. We agree with the recommendations, but have reservations on a few specific items as indicated below.

### II. Specific Comments on Recommendations and Follow-up Action

2. **Recommendation 1. ADB should build on and consolidate past successes within the sector, upscaling similar designs and implementation arrangements to other parts of the country particularly in terms of expanding rural infrastructure, firming up maintenance, and building institutional capacity.** We agree with building on and consolidating past successes and upscaling similar design and implementation arrangements. This approach is being implemented. The Rural Road Asset Management Project (expected Board consideration in 2010) and the Rural Water Supply and Sanitation II Project (approved on 15 September 2009) build on the successes of recent rural infrastructure projects, e.g., the Northwestern Rural Development Project (2002–2008) and the Tonle Sap Rural Water Supply and Sanitation (2005–ongoing). The Water Resources Management Sector Development Program (expected Board consideration in 2010) will build on experiences and the program of irrigation rehabilitation initiated under the Northwest Irrigation Sector Project (2003-2010).

3. All of the projects mentioned above target the expansion of sustainable rural infrastructure, firming up of maintenance, and building of institutional capacity. We emphasize, however, that ADB's focus is largely around the Tonle Sap basin as most of the rural poor live there. As explained in the Management response to the Country Assistance Program Evaluation for Cambodia, this area is a key production base for value chains that will utilize the transport, trade facilitation, logistics, and urban infrastructure programmed to transform transport corridors into economic ones.

4. **Recommendation 2. Once outcomes and impacts become more evident, ADB should take stock of the effectiveness of the Tonle Sap Basin Strategy (TSBS) to verify whether to continue to focus on TSBS. If continuing, future projects devoted to the TSBS should be pragmatic in design, focusing on rural infrastructure, rural water supply and sanitation, and land tenure.** We agree, but with reservation with respect to the recommendation to focus on land tenure. Formulated in 2005, the TSBS focuses on investment in all sectors in the Tonle Sap region, but in particular, the ARD sector (including small-scale irrigation and targeted ARD, which are key Government priorities). ADB is currently undertaking an assessment of TSBS, which will guide the focus and preparation of future investment projects in the Tonle Sap region and the preparation of the Country Partnership Strategy for 2011-2013. The proposed Water Resources Management Sector Development Program includes an investment component to continue previous irrigation investments in the Tonle Sap basin with a focus on integrated water resource management. Preparation of the Tonle Sap Poverty Reduction and Smallholder Project (currently targeted for Board consideration in December 2009 with proposed cofinancing from the International Fund for Agricultural Development and the Government of Finland) has included a detailed assessment of lessons learned during the implementation of TSBS projects.

5. In a related development, the Government has recently reconstituted the Tonle Sap Authority to coordinate the management, conservation and development of the Tonle Sap region. ADB is exploring opportunities to work with this agency to promote further TSBS.

6. Although land tenure is a key issue in promoting rural development, other development partners—specifically the World Bank, Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation), and Canadian International Development Agency—are active in this subsector. While linkages with these programs will be considered, it would not be appropriate for ADB to branch into this activity at this time as ADB does not have a comparative institutional advantage in this area.

7. **Recommendation 3. ADB should look for ways to support the continuing and unfulfilled demand for rural credit particularly building synergies with financial sector operations, identifying needs, and partnering with other institutions with experience in successful microfinance programs.** We agree and will continue such efforts. Availability of rural credit is clearly a binding constraint to rural development, and there is considerable unfulfilled demand. As stated in para. 146 of the SAPE, this can be addressed through rural finance interventions based on specific identified needs and in partnership with other institutions with successful experience in microfinance. Cambodia has considerable experience in microfinance, with some 10 commercial banks, 20 licensed microfinance institutions, 25 registered nongovernment organizations (formal sector) and 60 unregistered nongovernment organizations (informal sector) providing microfinance services (as of July 2009). The key to developing this sector is to extend the outreach of these existing institutions. The Second Financial Sector Program Loan Cluster (to close in 2010) has supported several reform initiatives to increase access to rural finance through the formal sector.

8. **Recommendation 4. Greater use should be made of the sector development program (SDP) modality particularly undertaking rural infrastructure, water resource management, and strengthening related institutional arrangements.** We agree. The SDP modality offers an integrated and long-term approach to sector needs, but we note that it should be used only where appropriate. Preparation and implementation of SDPs require considerable time for policy dialogue with the Government and clear Government ownership of the intended outcomes. The SDP approach was successfully used under the Agriculture Sector Program (1996-2001) and the follow-on Agricultural Sector Development Program (2003-2009), but the sector outcomes took longer to achieve than originally envisaged. The lessons learned from these two SDPs, as well as from other ADB-supported irrigation projects, are guiding the preparation of the proposed Water Resources Management Sector Development Program. Opportunities for SDPs in other sectors will be considered during the preparation of the Country Partnership Strategy for 2011-2013.

## **DEVELOPMENT EFFECTIVENESS COMMITTEE (DEC)**

### **Chair's Summary of the Committee Discussion on 26 October 2009**

#### **COUNTRY ASSISTANCE PROGRAM EVALUATION – CAMBODIA: GROWTH AND SECTOR REFORM**

- a) Sector Assistance Program Evaluation for the Transport Sector in Cambodia – Focusing on Results**
- b) Sector Assistance Program Evaluation for the Agriculture and Rural Development Sector in Cambodia**

1. DEC discussed the country assistance program evaluation (CAPE) for Cambodia and the sector assistance program evaluations (SAPEs) on Asian Development Bank's (ADB's) assistance to the transport sector and the agriculture and rural development sector in Cambodia. Management (represented by Advisor and Head, Regional Cooperation and Integration Group SERD; Country Director, Cambodia Resident Mission; and Officers-in-Charge, SETU and SEAE) acknowledged the findings and overall ratings for the CAPE and the SAPEs, which validate ADB's strategic thrust for Cambodia. The CAPE findings and recommendations would be considered during the preparation of the next country partnership strategy (CPS) for Cambodia.

#### **Aid coordination**

2. DEC members emphasized the importance of effective synergy and coordination among development partners in providing support to Cambodia, recognizing the fragile and challenging environment in the country. Strong partnership and continuous policy dialogue with the Government should also be ensured.

3. Management explained that aid coordination is central to ADB operations in Cambodia, not only as a requirement of Strategy 2020 and Paris Declaration on Aid Effectiveness, but also because of the nature of engagement in Cambodia. Development partners have been satisfied that as a lead development partner, ADB has moved forward the general dialogue with the Government in terms of key strategic and cross-cutting issues, ranging from governance and capacity development to sectoral challenges. Out of nearly 20 sectoral technical working groups for Cambodia, ADB remains active in about two working groups where ADB has core operations, and where ADB has comparative experience, expertise and advantage.

#### **Sector focus**

4. While recognizing that low-income countries like Cambodia at their early stages of development rely heavily on assistance from donors, the Independent Evaluation Department (IED) emphasized the necessity of narrowing the focus of ADB operations in Cambodia in subsectors where it has a comparative advantage and good track record. DEC members supported the recommendation.

5. Recognizing the many opportunities for ADB intervention in the Tonle Sap basin to help improve the conditions of the rural poor, and achieve environmental protection and sustainability, one DEC member supported continuous engagement in various subsectors in the areas of agriculture and rural development. Potential for engagement in the energy sector, particularly,

oil and gas, should also be explored. DEC Chair sought clarification on who could best intervene to address issues of land tenure, which is essential in promoting rural development. In the transport sector, one DEC member encouraged a sharper subsector focus, and noted serious resettlement issues.

6. Management explained the approach that has worked well for Cambodia, wherein ADB would initiate strengthening the sectors through sector development programs (SDPs) and institutional changes. Thereafter, other development partners would come in and contribute. On the potential to engage in the oil and gas sectors, Management explained that future engagements would be on a partnership basis, such as sector-wide approaches (SWAPs). But, it was quite pre-mature to guarantee the potential of this subsector, they added.

7. On resettlement issues, Management informed DEC about the significant amount of technical assistance (TA) efforts, both at the legal and policy areas, and at the implementation end. These included TAs on post-resettlement issues that explore micro-financing of livelihood projects for the affected people. IED staff also advised DEC that coordination between the Ministry of Public Works and Transport and the Inter-ministerial Resettlement Committee had improved in recent years. This augured well for more timely completion of future projects.

8. Management acknowledged land tenure as an important area for rural development, and noted that the World Bank, CIDA, and KfW are actively involved in this area. ADB continues to have close association with their programs and is also engaged in dialogue with the development partners.

### **Evaluation Methodology**

9. One DEC member suggested a differentiated approach rather than a standardized evaluation framework. Country context is important in looking at the challenges, economic, social and political conditions, and potential and prospects for growth. IED explained that CAPEs focus on the evaluation of ADB's performance in a country, based on what the strategy and projects aimed to achieve. A country's context should be taken into consideration during project formulation.

### **Private Sector Development**

10. DEC noted the recommendation to explore OCR financing for private sector operations. DEC Chair sought clarification about Cambodia's budget legislation that does not allow public borrowing at commercial rates. Management explained that the Government has been very careful with respect to contingent liabilities in the form of guarantees for private sector operations. This prompts the need to have public investment projects to nurture private sector investment. Public-private partnerships tailored specifically for Cambodia would not only address this, but also the limited capacity for project maintenance.

### **Portfolio Management**

11. DEC noted the evaluation findings on project implementation delays. IED recognized that this issue was a Bank-wide problem. However, it was noted that for Cambodia, some indicators such as disbursement ratio had improved, and the proportion of project-at-risk has been lower than the average for ADB. Management noted that, following persistent efforts across very challenging sectors to increase the disbursement ratio, ADB has had very good results as compared to the World Bank.

## **Conclusions**

12. DEC expressed satisfaction that ADB has made significant contribution to the development of the Cambodian economy during 1998 to 2008. It also noted that portfolio performance has been satisfactory except in energy, agriculture and rural development, where implementation delays were somewhat large.

13. Members expressed the view that given the limitation of resources and expertise, for better effectiveness ADB should focus on fewer subsectors, possibly those with good track record and prospect for supporting development priorities. This could be duly reflected in the Country Operations Business Plan (COBP) and CPS.

14. Members also emphasized the importance of nurturing private sector-led growth and a sharper focus on maintenance of valuable assets built up with ADB assistance.

**ASHOK K. LAHIRI**

Chair, Development Effectiveness Committee