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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventy-First Session**  
Rome, 6-7 December 2000

**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**KINGDOM OF CAMBODIA**

FOR THE

**COMMUNITY-BASED RURAL DEVELOPMENT PROJECT IN  
KAMPONG THOM AND KAMPOT**

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## TABLE OF CONTENTS

	<b>Page</b>
<b>CURRENCY EQUIVALENTS</b>	iii
<b>WEIGHTS AND MEASURES</b>	iii
<b>ABBREVIATIONS AND ACRONYMS</b>	iii
<b>MAP OF IFAD OPERATIONS IN CAMBODIA AND THE PROJECT AREA</b>	iv
<b>MAP OF THE PROJECT AREA IN KAMPONG THOM</b>	v
<b>MAP OF THE PROJECT AREA IN KAMPOT</b>	vi
<b>LOAN SUMMARY</b>	vii
<b>PROJECT BRIEF</b>	viii
<b>PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY</b>	<b>1</b>
A. The Economy and the Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with Cambodia	2
D. Project Rationale	3
<b>PART II - THE PROJECT</b>	<b>3</b>
A. Project Area and Target Group	3
B. Objectives and Scope	4
C. Components	5
D. Costs and Financing	8
E. Procurement, Disbursement, Accounts and Audit	9
F. Organization and Management	10
G. Economic Justification	10
H. Risk Assessment and Management	11
I. Environmental Impact	12
J. Innovative Features	12
<b>PART III - LEGAL INSTRUMENTS AND AUTHORITY</b>	<b>13</b>
<b>PART IV - RECOMMENDATION</b>	<b>13</b>
<b>ANNEX</b>	
<b>SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT</b>	<b>15</b>



## **APPENDIXES**

<b>I.</b>	<b>COUNTRY DATA</b>	<b>1</b>
<b>II.</b>	<b>PREVIOUS IFAD LOANS IN CAMBODIA</b>	<b>2</b>
<b>III.</b>	<b>LOGICAL FRAMEWORK</b>	<b>3</b>
<b>IV.</b>	<b>QUANTITATIVE INPUTS, TARGETS AND KEY PROJECT FACTORS</b>	<b>7</b>
<b>V.</b>	<b>COSTS AND FINANCING</b>	<b>8</b>
<b>VI.</b>	<b>ORGANIZATION AND MANAGEMENT</b>	<b>10</b>
<b>VII.</b>	<b>ECONOMIC AND FINANCIAL ANALYSIS</b>	<b>14</b>



## CURRENCY EQUIVALENTS

Currency Unit	=	Cambodian riel (KHR)
USD 1.00	=	KHR 3 800
KHR 1.00	=	USD 0.00026

(July 2000)

## WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

## ABBREVIATIONS AND ACRONYMS

AusAID	Australian Agency for International Development
CD	Community Development
CDC	Commune Development Committee
ExCom	Executive Committee (of the Provincial Rural Development Committee)
FWUC	Farmer Water User Community
GTZ	German Agency for Technical Cooperation
IPM	Integrated Pest Management
M&E	Monitoring and Evaluation
MRD	Ministry of Rural Development
NGO	Non-Governmental Organization
O&M	Operation and Maintenance
PDAFF	Provincial Department of Agriculture, Forestry and Fisheries
PDLMUPC	Provincial Department of Land Management, Urban Planning and Construction
PDRD	Provincial Department of Rural Development
PRDC	Provincial Rural Development Committee
PSU	Project Support Unit
PSWRAM	Provincial Service of Water Resources and Meteorology
TA	Technical Assistance
VDC	Village Development Committee
VLA	Village Livestock Assistant
VTC	Village Technical Committee
WFP	World Food Programme


## GOVERNMENT OF THE KINGDOM OF CAMBODIA

### Fiscal Year

1 January - 31 December

## MAP OF IFAD OPERATIONS IN CAMBODIA AND THE PROJECT AREA



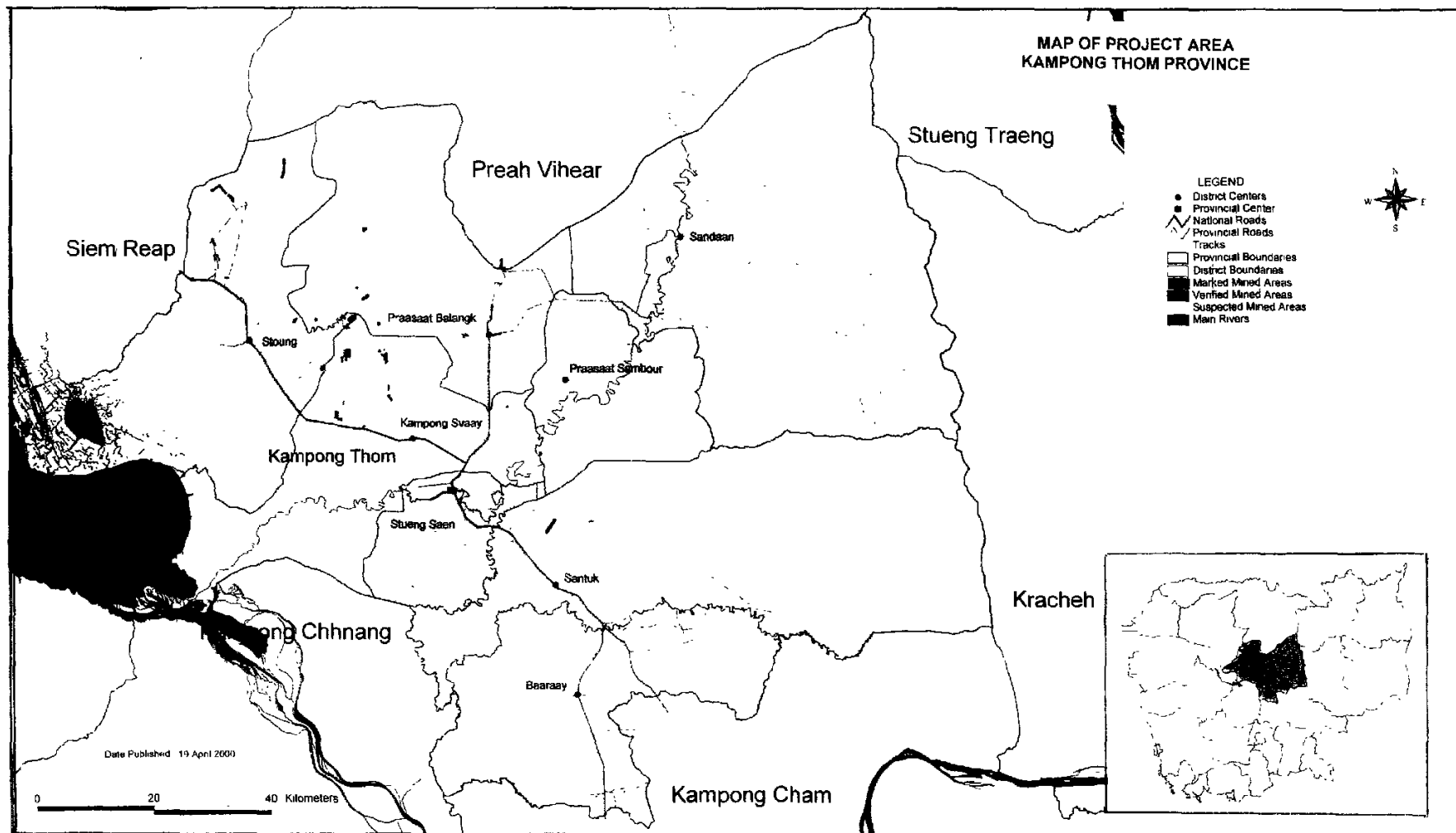
	Project Area of Community Based Rural Development Project in Kampong Thom and Kampot
	Agricultural Productivity Improvement Project (423-KH)
	Agricultural Development Support to Seila (513-KH)

**Source:** IFAD Appraisal Report

*The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*



MAP OF THE PROJECT AREA IN KAMPONG THOM

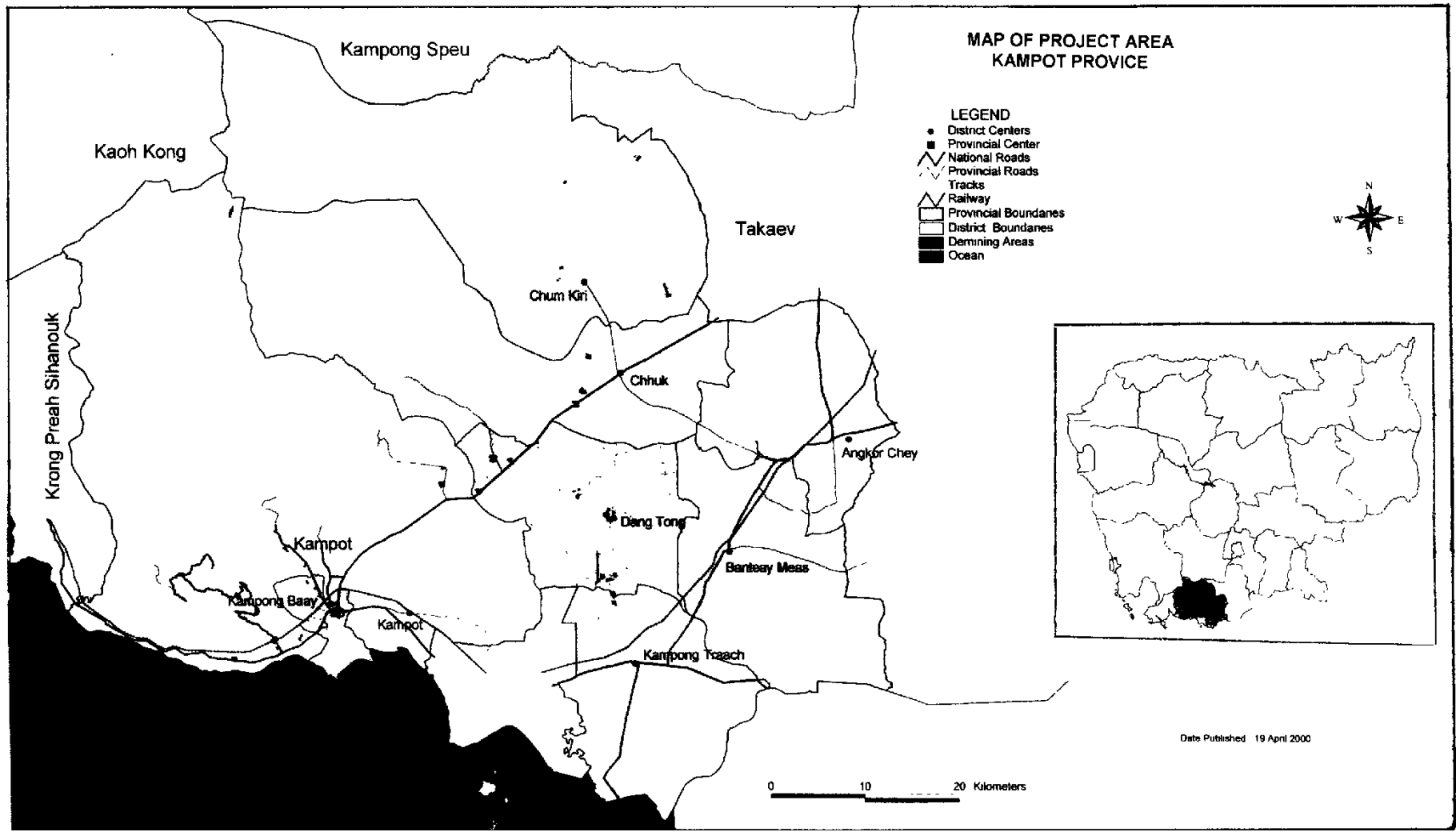


Source: IFAD Appraisal Report

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MAP OF THE PROJECT AREA IN KAMPOT



VI

Source: IFAD Appraisal Report

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**KINGDOM OF CAMBODIA**

**COMMUNITY-BASED RURAL DEVELOPMENT PROJECT IN  
KAMPONG THOM AND KAMPOT**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	Kingdom of Cambodia
<b>EXECUTING AGENCY:</b>	Ministry of Rural Development
<b>TOTAL PROJECT COST:</b>	USD 22.85 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 7.85 million (equivalent to approximately USD 10.00 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIERS:</b>	Government of the Federal Republic of Germany through German Agency for Technical Cooperation (GTZ) and German Development Service, World Food Programme (WFP) and Australian Agency for International Development (AusAID)
<b>AMOUNT OF COFINANCING:</b>	Government of the Federal Republic of Germany: USD 7.88 million WFP: USD 1.30 million AusAID: USD 0.55 million
<b>TERMS OF COFINANCING:</b>	Grants
<b>CONTRIBUTION OF BORROWER:</b>	USD 1.82 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 1.30 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services (UNOPS)





## PROJECT BRIEF

**Who are the project beneficiaries?** The target group includes 77 400 poor households living below the poverty line of KHR 35 500 per capita per month (USD 112 per year) in Kampong Thom and Kampot, two of the four provinces most vulnerable to food insecurity in Cambodia. Women are an important part of the target group because of their important role in crop and livestock production and community activities. It is expected that at full development about 49 600 families will benefit directly from project assistance.

**Why are they poor?** The rural households are poor because of one or more of the following: (i) a lack of access to sufficient land and/or draught animals; (ii) a shortage of labour for farming; and (iii) no knowledge of and/or access to improved technology or the capital required for investment in improved technology. The poor also lack access to government support services, safe drinking water and other social services.

**How to benefit the target group?** The project will benefit the target group through: (i) improvement of the capability of the poor – through a process of social mobilization and participatory development – to use their natural resources effectively and to access the services available for their social and economic development; (ii) transfer of simple, proven crop and livestock production technologies through a farmer-based extension and demonstration programme to address the constraints of the target group and increase their farm productivity and income; (iii) rehabilitation of small and medium irrigation and water-control schemes to improve water availability for both wet and dry-season crops; (iv) provision of access to safe drinking water and road communications to improve target-group health, labor productivity and marketing opportunities; and (v) provision of institutional support to local service providers to strengthen their capacity to deliver services to the target group effectively and in a demand-driven and participatory manner.

**How will they participate in the project?** Participatory development will ensure ownership of the project by the target group. They will participate in community development, local planning, field demonstrations, seed-multiplication programmes, farmer training as village extension workers and livestock assistants, construction of rural infrastructure works and water user and maintenance groups/committees. They will participate in monitoring and beneficiary impact assessment and in decision-making at the local level. They will contribute in cash and labour to the construction of irrigation and water-supply facilities and bear full responsibility for the operation and maintenance of the facilities directly benefiting them.

**Innovative Features** include the following: (i) first multisector rural development project financed by IFAD in Cambodia; (ii) introduction of sustainable arrangements for full beneficiary responsibility for operation and maintenance of the infrastructure investments financed by the project; (iii) provision of direct support and empowerment of grass-roots organizations; (iv) enhancement of accountable governance through transparent staff selection processes and contracting arrangements for the implementation of all project activities; (v) institutionalization of project impact assessment and beneficiary monitoring directly linked to the objectives and outputs of the logframe; (vi) promotion of gender mainstreaming and gender awareness among communities and project staff, and promotion of family agreements between women and other family members to ensure women's participation in the project and in decision-making; (vii) development of a project implementation manual as part of the appraisal report in view of the weak capacity of the institutions; (viii) provision of institutional support to the decentralization process and structure not only for this project but also for coordinating all rural development programmes in the project area; and (ix) a participatory land-registration process introduced to ensure the benefit to the poor of project interventions.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO  
THE KINGDOM OF CAMBODIA  
FOR  
THE COMMUNITY-BASED RURAL DEVELOPMENT PROJECT IN  
KAMPONG THOM AND KAMPOT**

I submit the following Report and Recommendation on a proposed loan to the Kingdom of Cambodia for SDR 7.85 million (equivalent to approximately USD 10.0 million) on highly concessional terms to help finance the Community-Based Rural Development Project in Kampong Thom and Kampot. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY**

**A. The Economy and the Agricultural Sector**

1. Cambodia covers an area of 177 000 km<sup>2</sup>. Its population of 11.5 million, or 2.19 million households, is growing at the rate of 2.9% per annum, with about 85% living in rural areas. Cambodia is a country that was ravaged by the Indo-China War and the subsequent war of "comrades and brothers". This agonizing history has made Cambodia the 22<sup>nd</sup> poorest country in the world in terms of gross national product (GNP) per capita (USD 260 in 1998) and the 137<sup>th</sup> out of 174 countries in terms of the Human Development Index. It has 3.9 million rural poor, equivalent to nearly 34% of its total population. One in every 250 Cambodians has a missing limb or eye. Child malnutrition affects up to 50% of the 0-5 age group, and infant mortality rates of 102 deaths per 1000 live births are among the highest in eastern Asia. Access to health services covers barely half the rural population, while access to safe drinking water and sanitation covers, respectively, some 30% and 19% of rural households. The rate of infection with HIV/AIDS is thought to be the highest in Asia, with up to 3.75% of the all adults affected by the virus.

2. In 1999 the economic growth rate was 4.0% per annum, up from 1% per annum in both 1997 and 1998. In 1998 the debt service payment represented only 1.5% of the exports of goods and services and the foreign direct investment was USD 121 million. Foreign currency reserves were USD 420 million at the end of 1999, enough to cover about four months of imports. Inflation has declined sharply since 1998 and averaged 6.5% in 1999. The Government's economic management suffers from a weak, but improving revenue system, inefficient expenditure allocation, inadequate institutional capacity and large numbers of poorly paid staff. The flooding in the summer of 2000 affected more than two million people in 17 of the country's 23 provinces, damaging or destroying over 250 000 ha of rice crop.

3. Agriculture is the largest primary sector of the Cambodian economy. In 1998 agriculture contributed 50.6% of gross domestic product (GDP). The total cultivated area in Cambodia is estimated at approximately 2.0 million ha, or about 11% of the total area. Rice accounts for about 90% of the total cropped area but less than one third of sector GDP. Agricultural production is generally carried out on individual household holdings, with farm sizes of 1-5 ha with the larger holdings in the uplands and in the north-west. Rice yields remain low at about 1.6-1.8 t/ha, mainly due to limited use of inputs, poor water control and inadequate technical support and extension services. Livestock is an important subsector both in terms of providing draught power for cultivation and for



meat production. Given the extensive water bodies in the country, the potential for fisheries is large, especially in the Tonle Sap. In 1995, 56% of the country was under forest. The Government is enforcing its forestry policy and regulations in order to protect the forest and environment.

### **B. Lessons Learned from Previous IFAD Experience**

4. A number of lessons learned from IFAD's experience and that of other development partners in Cambodia have been taken into account in the project design and implementation arrangements: (i) focus should be placed on overcoming rural poverty by providing direct assistance to farmers to help increase their food and income security; (ii) IFAD should seek linkages with other development programmes at both the national and local level in providing services to target-group members; (iii) project design should be as simple and flexible as possible, with clear objectives, procedures and responsibilities for implementation; (iv) the technology to be promoted should be easy to adopt by the target group, appropriate to local conditions and specific to the technical constraints to be addressed; (v) projects should be designed to balance the medium and long-term objective of strengthening institutional capacity and the short-term one of rapid impact in poverty alleviation; (vi) project beneficiaries should be fully mobilized and directly involved in project design, planning and implementation; (vii) project services should be sustainable, with partial cost recovery where feasible and beneficiary responsibility for operation and maintenance (O&M) of the project investments; (viii) grant financing should be secured from other development partners to provide the technical assistance (TA) required to support capacity-building and project implementation; (ix) a staff incentive structure should be linked to responsibility and accountability for work output; and (x) with the government decentralization policy, it is essential to ensure a smooth flow of funds from the national to the provincial governments to finance project activities.

### **C. IFAD's Strategy for Collaboration with Cambodia**

5. **Cambodia's policy for poverty eradication.** The policy of the Government is to focus on the alleviation and eventual eradication of poverty by the extension and acceleration of economic growth, the implementation of social support programmes for the poorest families and various social and economic activities having a rapid impact on the living conditions of poor people. The World Bank is assisting the Government in formulating a poverty-reduction strategy paper.

6. **Poverty eradication activities of other major donors.** The total amount of official development assistance to Cambodia was USD 404 million in 1998 and USD 388 million in 1999. The total pledged to Cambodia in 2000 amounted to USD 542 million. In 1999, the share of development assistance by type was 61.9% for technical cooperation, 34.5% for investment projects, 2.8% for budgetary aid and payment support, and the rest for emergency relief and humanitarian assistance. The major donors to Cambodia's agricultural and rural development sector include Australia, Denmark, the European Union, France, Germany, Japan, Sweden, the United States of America, the Asian Development Bank, World Bank, United Nations Development Programme (UNDP), other United Nations agencies and non-governmental organizations (NGOs).

7. **IFAD's strategy in Cambodia.** IFAD's country strategy for Cambodia is to expand and build on the successful experience in the country of other like-minded donors and NGOs and to follow a community-based approach that will: (i) focus on the household food and income security of the poor; (ii) promote economic growth at the household and community level by enabling local communities to efficiently and sustainably manage their productive resources; (iii) promote a mechanism through which lessons learned and best practices become important agenda items for policy formulation at the provincial and national level; and (iv) develop implementation arrangements that will add value to development approaches by drawing on IFAD's experience in agricultural and rural development in many parts of the world.

8. The project design has reflected IFAD's corporate strategy and the lending programme for Asia



and the Pacific in the areas of beneficiary participation in project design and implementation, targeting the rural poor, focus on improvement of household food security, support to grass-roots organizations, gender mainstreaming, promotion of decentralization and accountable governance, beneficiary monitoring and impact assessments and building partnerships with other like-minded donors.

#### **D. Project Rationale**

9. The project strategy will have the following elements: (i) social mobilization and participatory development as the entry point for improving the capability of the poor to use their natural resources effectively and to access the services available for their social and economic development; (ii) initial targeting of areas where a start has been made by the German Agency for Technical Cooperation (GTZ) in developing the necessary institutional framework and later expansion of these approaches to other areas as their capacity is further developed with project assistance; (iii) transfer of simple and proven crop and livestock production technologies to address the constraints of the target group and increase their farm incomes through extension and demonstration programmes; (iv) rehabilitation of small and medium-scale irrigation and water-control schemes to improve water availability for both wet and dry-season crops; (v) provision of access to safe drinking water and road communications to improve target-group health, labour productivity and marketing opportunities; (vi) beneficiary contribution to the construction costs and full responsibility for the operation and maintenance of rural infrastructure investments to ensure sustainability and beneficiary ownership; (vii) project implementation on the basis of a contracting system to enhance transparency and accountability; and (viii) provision of institutional support to local service providers to strengthen their capacity to deliver services to the target group effectively and in a demand-driven and participatory manner.

10. There are sound technical and institutional rationales for IFAD to support a rural development project in Kampong Thom and Kampot. First, the two provinces rank second and fourth in terms of vulnerability to food insecurity and as such are a priority target area for intervention by IFAD. Second, GTZ, the Australian Agency for International Development (AusAID) and the World Food Programme (WFP) share IFAD's objectives to alleviate poverty and improve household food security. Third, the project can expand the successful experience of GTZ in supporting and empowering functioning grass-roots organizations in their social and economic development. Fourth, the GTZ programmes and the Cambodia Australia Agricultural Extension Project (CAAEP) have demonstrated successful ways to improve agricultural productivity that could be promoted by province-wide agricultural development programmes using national agricultural extension guidelines. Fifth, grant funding will be available from GTZ and AusAID to finance the necessary technical assistance to support capacity-building and project implementation, test new technology and implement pilot activities. Finally, the project can also benefit from the experience and approaches pioneered elsewhere in the country with IFAD assistance. Under these circumstances, the IFAD loan is expected to have a rapid impact on improved household food and income security.

## **PART II - THE PROJECT**

### **A. Project Area and Target Group**

11. **Project area.** The project area covers the two provinces of Kampong Thom and Kampot. The total population in the project area is 1.10 million, about 10% of the country, belonging to 211 901 households of which 91% live in rural areas. The predominant farming system is based on the cultivation of rainfed paddy, sometimes with small areas of other crops and livestock. The average landholding is about 1.3 ha of paddy land, with yields of about 1.8 t/ha in Kampong Thom and 1.6 t/ha in Kampot. Crops other than paddy account for less than 10% of the cultivated area and include pepper, cashew, mango, coconut, sugar palm and vegetables. Mung beans, soybeans, sesame, sweet potato and several other short-term crops are also well suited to the area. The market for fruit,



vegetables and crops other than rice is expanding with increasing private-sector involvement. Opportunities exist to increase rice yields by about 0.5-1.0 t/ha, as well as opportunities for another crop either before or after the rice crop. Kampong Thom is important for cattle and buffalo production. While Kampot has a high cattle population, it is also an important province for pig production. Livestock productivity is low due to diseases, parasitism and poor nutrition. There has been some improvement in animal health services recently with the deployment of village livestock assistants (VLAs) who charge for their services. Microfinance intermediaries and NGOs are operating in the project area, with an adequate supply of rural credit.

12. The government support services for agricultural and rural development in the project area include the Provincial Department of Agriculture, Forestry and Fisheries (PDAFF), Provincial Service of Water Resources and Meteorology (PSWRAM) and Provincial Department of Rural Development (PDRD). The technical and management capacity of the line agencies remains weak, with poorly paid staff. The Provincial Rural Development Committee (PRDC) is responsible for the coordination of all rural development programmes in each province.

13. **Target group.** The target group comprises the estimated 77 400 rural households (40% of the local rural population) who live below the poverty line of USD 112 per capita per year. The targeting of project activities will start in the districts already supported by GTZ with especially high levels of poverty. The project will use the WFP Vulnerability Analysis and Mapping index to identify additional poor communes for inclusion in the project. Within poor communes, the most vulnerable villages will be selected in a transparent way during discussions at the commune level involving representatives of all villages in the commune and staff of all concerned line agencies. Within the villages, villagers will agree to a list of the most vulnerable families through wealth ranking or other methods facilitated by the community development teams so that appropriate project assistance can be targeted to these poor families.

14. **Gender.** In the project area, women comprise 25-29% of all heads of households and 50-60% of the adult labour force. Women are less well educated than men with lower literacy rates. Girls are often removed from school before boys to help with family chores and farm work and, in extreme cases, may be sold into prostitution to help support the family. In addition to their traditional roles, women participate actively as manual labour in construction, previously the domain of men. This adds to the work of women, already overburdened, since very few men have begun to take on women's roles. Women also participate in training programmes, but often do not use the skills gained because of their existing workload. Despite the importance of women in agricultural production, almost all government extension workers and government-trained volunteers are men.

15. The project will target women in several ways. First, the managers of the water-supply schemes will be exclusively women, and they will also be members of the irrigation users committees and road-maintenance groups. Second, subjects identified for demonstrations will reflect the particular interests of the poor and women. Third, family agreements will be promoted whereby some tasks undertaken by women are carried out by other family members in order to enable women to have the opportunity to participate in decision-making and training activities, take on leadership roles and increase their employment opportunities without becoming further overburdened. Fourth, women farmers will be encouraged to participate in all training programmes, including technical training, training in the management of the water supply systems and rural access roads and beneficiary monitoring, so that they will become agents of change in social and economic development and play a more effective role in decision-making both within the family and at the community level.

## **B. Objectives and Scope**

16. The strategic goal of the project is to reduce the poverty of targeted households in the project area. The project objectives are: (i) increased food production and farm income for 39 150 poor households from intensified and diversified crop and livestock production; and (ii) increased capacity of the poor



to use the services available from Government and other sources for their social and economic development. The expected outputs are: (i) participation of communities in meeting their own needs using participatory and gender-sensitive approaches, with government agencies and other service providers able to respond to farmers' needs as expressed during the participatory planning process; (ii) increased awareness throughout the project area of ways to improve crop and livestock production, and subsequent adoption of improved methods and technology for increased farm production; (iii) increased access of rural communities to water for supplementary irrigation in the wet season and services of safe drinking water and road communication; and (iv) a functioning system established of decentralized development, planning, financing and implementation so that project services are delivered to the target group in a sustainable and participatory manner. There will be additional impacts expected from project interventions beyond the immediate outputs of the project. These include: (i) self-confidence of target group members improved, and social cohesion and stability built in local communities; (ii) the capacity of the poor and women improved to negotiate and make effective use of the services and resources available to them; (iii) gender relations transformed in the communities; (iv) health status of women and children improved and labour savings made in the collection of drinking water; (v) availability of support services and marketing opportunities improved as the result of improved road access; (vi) work culture of public institutions changed towards delivery of services in a participatory and demand-driven manner; (vii) lessons learned fed back to the provincial and national governments for the improvement of the decentralization policy; and (viii) accountable governance enhanced in public institutions.

### **C. Components**

17. The project will have four components: community development, agricultural and livestock development, rural infrastructure and support to institutional development.

#### **Community Development**

18. This component will promote a process of social mobilization, participatory planning and training in 573 villages in the project area to improve the capability of local communities, the poor, women and grass-roots organizations to effectively use their resources and the services available to them. It will assist Government in a participatory land-registration process in the command areas of the irrigation schemes to ensure that the poor benefit from improved facilities. It will also provide institutional support to PDRDs and other service providers to promote participatory development and accountable governance. This component is designed as a process linked to the other components, thereby enabling local communities to benefit from project assistance.

19. The component will finance: (i) training and support for members of the commune councils, village development committees (VDCs), village technical committees (VTCs), user groups, self-help groups and other grass-roots organizations; (ii) participatory land registration in the command areas of all the irrigation schemes financed under the project; (iii) promotion of family agreements between women and other family members; (iv) building the capacity of provincial and district community development (CD) teams through intensive staff training in participatory and gender-sensitive community development and planning, environmental and gender awareness, and mobilization and organization of functioning self-help and user groups and committees; (v) international and national TA to support the CD and land registration teams; and (vi) office equipment, transport, operating costs of provincial and district-based staff, prizes for the best VDCs and technical support from the national level. The PDRD and Provincial Department of Land Management, Urban Planning and Construction (PDLMUPC) in each province will implement the component in cooperation with the Provincial Department of Women's and Veterans' Affairs and other technical line agencies under a contract with the relevant PRDC.



## **Agricultural and Livestock Development**

20. This component will support an agricultural and livestock programme in seven districts in Kampot and in eight districts in Kampong Thom, following the national extension guidelines. Selected provincial and district staff will promote the adoption of simple, proven crop and livestock production technologies that respond to farmers' needs. The component will develop a cadre of farmer extension agents and expand the coverage of the VLAs to provide a link between the target group and services available from PDAFF and others at the district level. The participatory planning process and district integration workshops will integrate the requests of the villages, after farming systems analysis, into the village and commune development plans. The component will finance the following crop production programmes: (i) demonstrations of rice varieties, fertilizer, integrated pest management (IPM), crop/water management, threshing, drying and storage extension programmes; (ii) seed-multiplication programmes for rice and upland crops; (iii) upland crop demonstrations, including mung bean, rice bean, sesame and vegetables; (iv) home garden demonstrations, including fruit and multipurpose trees and lower-storey fruit and vegetable crops, with or without fish ponds depending upon water availability; (v) establishment of a farmer-to-farmer extension system in the villages; (vi) special programmes in response to the demands of the farmers; and (vii) pilot activities, e.g., trials of unproven technology and natural resource management pilots.

21. The component will finance the following livestock programmes: (i) training and support for about 842 VLAs so that all farmers have access to an effective animal health service aimed at prevention and control of animal diseases on a user-pay basis; (ii) development of VLA associations and group pharmacies; (iii) province-wide vaccination campaigns; and (iv) demonstration of production and conservation of fodder crops and improved utilization of crop residues and natural vegetation. The component will also finance: (i) costs of the inputs for the demonstrations hosted by the lead farmers; (ii) training for lead and specialist farmers selected by the villagers and farmer-to-farmer extension; and (iii) initial and refresher training for VLAs. Priority will be given to women to train as lead farmers and VLAs. Institutional support to PDAFFs will include: (i) technical and management training covering crop and livestock production, extension and animal health; (ii) training for private-sector service providers; (iii) training in the management of VLAs, pharmacy and cold-storage chains; (iv) English language training; (v) support for provincial and district planning and monitoring workshops; (vi) international and national TA for agricultural, livestock and component management and technical support from the national level; and (vii) office equipment, transport and operating costs for provincial and district-based staff. The PDAFF in each province will implement the component in cooperation with other line agencies under a contract with the relevant PRDC.

## **Rural Infrastructure Development**

22. Rural infrastructural activities will respond to the needs of communities, identified during the participatory planning process, for investment in irrigation and water control, drinking water supply and rural access roads. Beneficiaries will be involved from scheme identification through to evaluation and the O&M of all facilities. The component will use private-sector contractors for major construction and design work and VDCs or VTCs for simple, small-scale construction works. It will finance: (i) participatory planning and social mobilization in the targeted villages; (ii) establishment and registration of the water user or road maintenance committees and groups that will be responsible for O&M of the facilities; and (iii) training of members of the committees and groups and their managers in the O&M of the facilities and financing of the operating costs.

23. This component will also develop the capacity of PSWRAMs and PDRDs to plan, manage and monitor rural infrastructure development in a participatory manner and improve their work accountability and efficacy. It will provide support to PSWRAMs and PDRDs in the training of their provincial and district staff in component administration and management, technical and social



aspects of participatory rural infrastructure development and assistance to users in O&M, and provision of necessary office and technical equipment, transport, operating costs, international and national TA and technical support from the national level. The component will pilot the introduction of a regulatory framework for the establishment of farmer water user communities (FWUCs). In accordance with the eligibility criteria and scheme implementation procedures, the PSWRAM and PDRD in each province will implement the sub-component of irrigation and water control and the sub-components of rural water supply and rural access roads, respectively, in cooperation with the relevant PDLMUPC and other line agencies under separate contracts with the relevant PRDC.

24. The **irrigation and water control** sub-component will provide availability of water for both wet and dry season crops. The beneficiaries will contribute in cash and labour to the construction costs of the facilities and bear full responsibility for O&M. The sub-component will finance: (i) feasibility studies, covering all technical, social, economic, financial and environmental aspects, for 12 small-scale schemes in Kampong Thom and three medium-scale schemes in Kampot in response to farmers' requests; and (ii) subject to the studies, up to about 10 feasible small schemes in Kampong Thom and two medium-scale schemes in Kampot.

25. The **rural water supply** sub-component will increase the availability of safe drinking water in poor villages. The sub-component will involve primarily women in the planning, site selection, construction and management of water points. Beneficiary households will contribute a fixed amount per household in cash, depending upon the type of scheme. VTCs, with primarily women as the managers, will be responsible for the O&M of water points, including the collection of user fees to finance these costs. The sub-component will finance: (i) a groundwater survey of both provinces undertaken by a private-sector contractor; (ii) subject to the study, the construction of some 900 water points, either hand-dug wells, shallow wells, deep wells, water ponds or rainwater jars; and (iii) a study in each province to assess the feasibility of promoting the prefabrication of iron-removal plants.

26. The **rural access roads** sub-component will improve road access to poor villages to facilitate operation of the crop and livestock development programmes, delivery of support services and development of marketing opportunities in the project area. The beneficiary villages will be responsible for O&M of the roads through levying user charges or collection of contributions from VDCs to pay for maintenance. Maintenance work on individual road lengths will be available to poor women, who will receive payment for this service. The sub-component will finance: (i) identification, survey, design, cost estimation and priority ranking of road alignments of about 300 km using participatory processes; and (ii) construction of about 200 km of rural access roads by improving embankments and providing laterite capping and 400 small drainage crossings; and (iii) supply of road maintenance kits to participating communities.

### **Support to Institutional Development**

27. All project activities will be implemented through a contracting system between PRDCs and implementing agencies, communities, NGOs, private-sector contractors and other service providers. Accountability in project implementation and transparency in staff recruitment will be essential elements of the approach. At the provincial level the component will support PRDCs in coordinating all rural development programmes in the project area, including this project, and will provide support to the PRDC executive committees (ExComs) which will manage the day-to-day coordination of project implementation. At the national level, the component will support the establishment and operation of a project support unit (PSU) under the Ministry of Rural Development (MRD), which will provide inter-ministry and inter-provincial coordination and will coordinate donor assistance, monitoring and evaluation (M&E) and impact assessment of the project.

28. The project will finance: (i) training of the members of PRDCs and staff of the PSU and ExComs



in project management, administration and all aspects of the *Seila*<sup>1</sup> systems of decentralized development, and on-the-job training from TA advisors in planning and management; (ii) the local planning process, impact assessment and beneficiary monitoring; (iii) annual audits, M&E software, mid-term and project completion reviews and evaluations and donor coordination meetings; (iv) international and national TA for provincial development planning and management and technical support from national agencies; and (v) office equipment, transport and operating costs of the PSU and ExComs.

### D. Costs and Financing

**29. Project costs.** Total project costs, based on April 2000 prices including contingencies, duties and taxes, are estimated at USD 22.85 million, including USD 9.33 million or 41% as foreign exchange costs. Physical and price contingencies add about 14% to total base costs. Taxes and duties come to USD 970 000, or 4% of total project costs. The project completion date is seven years from the date of loan effectiveness, and the loan closing date six months after that. Table 1 summarizes the project costs.

**TABLE 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD)

COMPONENTS	LOCAL	FOREIGN	TOTAL	% OF FOREIGN EXCHANGE	% OF BASE COSTS
<b>A. Community development</b>					
Community development	1 710 336	1 382 155	3 092 491	45	16
Land registration	216 353	168 703	385 056	44	2
<b>Subtotal</b>	<b>1 926 690</b>	<b>1 550 857</b>	<b>3 477 547</b>	<b>45</b>	<b>17</b>
<b>B. Agricultural and livestock development</b>					
<b>Subtotal</b>	<b>3 015 272</b>	<b>3 744 292</b>	<b>6 759 564</b>	<b>55</b>	<b>34</b>
<b>C. Rural infrastructure development</b>					
Irrigation and water control	3 007 839	318 266	3 326 105	9	16
Rural water supply	972 251	78 417	1 050 668	8	5
Rural access roads	1 394 945	166 600	1 561 544	11	8
<b>Subtotal</b>	<b>5 375 035</b>	<b>563 283</b>	<b>5 938 317</b>	<b>9</b>	<b>30</b>
<b>D. Support to institutional development</b>					
Support to Ministry of Rural Development	382 617	87 250	469 867	19	2
Support to management-Kampong Thom	480 763	1 151 956	1 632 719	71	8
Support to management-Kampot	460 690	1 375 956	1 836 646	75	9
<b>Subtotal</b>	<b>1 324 070</b>	<b>2 615 163</b>	<b>3 939 233</b>	<b>66</b>	<b>20</b>
<b>Total base costs</b>	<b>11 641 066</b>	<b>8 473 594</b>	<b>20 114 661</b>	<b>42</b>	<b>100</b>
Physical contingencies	543 371	38 946	582 318	7	3
Price contingencies	1 334 587	819 846	2 154 433	38	11
<b>Total project costs</b>	<b>13 519 024</b>	<b>9 332 387</b>	<b>22 851 411</b>	<b>41</b>	<b>114</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**30. Project financing.** The proposed IFAD loan of USD 10.00 million will finance 44% of total project costs. The Government will contribute USD 1.82 million as counterpart funds to finance duties and taxes, staff salaries and building maintenance. The proposed financing from the German Government through GTZ and the German Development Service will be in the form of grants totalling USD 7.88 million to assist in financing technical assistance to the project. AusAID will provide a grant of USD 552 000 to finance agricultural-extension TA. WFP will provide food-for-work assistance of USD 1.30 million to help finance the cost of infrastructure investment. Beneficiaries will contribute USD 1.30 million in cash and labour for infrastructure investment and O&M. Table 2 shows the proposed financing plan.

<sup>1</sup> *Seila* is a Khmer word meaning foundation stone and the name given to the Government's approach to decentralized planning and development.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		WFP		German Government		AusAID		Beneficiaries		Govt		Total		For. Exch	Local (excl. Taxes)	Duties and Taxes
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%			
<b>A. Community development</b>																	
Community development	968	28			2 145	63					311	0.1	3 424	15	1 493	1 823	108
Land registration	277	67			78	19					59	0.1	415	2	180	217	17
<b>Subtotal</b>	<b>1 246</b>	<b>33</b>			<b>2 223</b>	<b>58</b>					<b>370</b>	<b>10</b>	<b>3 839</b>	<b>17</b>	<b>1 673</b>	<b>2 041</b>	<b>125</b>
<b>B. Agricultural and livestock development</b>																	
<b>Subtotal</b>	<b>3 750</b>	<b>50</b>			<b>2 604</b>	<b>35</b>	<b>552</b>	<b>7</b>			<b>620</b>	<b>8</b>	<b>7 525</b>	<b>33</b>	<b>4 141</b>	<b>3 150</b>	<b>234</b>
<b>C. Rural infrastructure development</b>																	
Irrigation and water control	1 863	47	742	19	222	0.1			803	20	339	0.1	3 969	17	343	3 318	307
Rural water supply	384	58	38	6	2	0.3			321	30	126	0.1	1 246	5	88	1 066	92
Rural access roads	505	52	241	25	61	6			177	10	131	0.1	1 867	8	184	1 577	105
<b>Subtotal</b>	<b>3 538</b>	<b>50</b>	<b>1 300</b>	<b>18</b>	<b>348</b>	<b>5</b>			<b>1 301</b>	<b>18</b>	<b>595</b>	<b>8</b>	<b>7 081</b>	<b>31</b>	<b>615</b>	<b>5 962</b>	<b>505</b>
<b>D. Support to institutional development</b>																	
Support to Ministry of Rural Development	456	86									76	14	531	2	98	405	29
Support to management-Kampong Thom	497	27			1 242	68					79	4	1 818	8	1 272	508	38
Support to management-Kampot	509	25			1 466	71					82	4	2 057	9	1 534	484	38
<b>Subtotal</b>	<b>1 461</b>	<b>33</b>			<b>2 708</b>	<b>61</b>					<b>238</b>	<b>5</b>	<b>4 407</b>	<b>19</b>	<b>2 904</b>	<b>1 397</b>	<b>105</b>
<b>Total disbursement</b>	<b>9 995</b>	<b>44</b>	<b>1 300</b>	<b>6</b>	<b>7 882</b>	<b>35</b>	<b>552</b>	<b>2</b>	<b>1 301</b>	<b>6</b>	<b>1 822</b>	<b>8</b>	<b>22 851</b>	<b>100</b>	<b>9 332</b>	<b>12 549</b>	<b>970</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

31. **Retroactive financing.** Before the date of loan effectiveness, but after 31 August 2000, the Government may incur eligible expenditures under retroactive financing not exceeding USD 100 000 for the feasibility study, detailed designs and preparation of tender documents for the Stung Phe irrigation scheme; two groundwater surveys; project allowances, travel, daily subsistence allowance (DSA) and office running costs for selected project staff; the M&E software; and initial staff training.

### E. Procurement, Disbursement, Accounts and Audit

32. **Procurement** of goods and services financed by IFAD will be undertaken in accordance with IFAD's procurement guidelines. The contracts between PRDCs and implementing agencies for community, agricultural and rural-infrastructure development will be subject to approval by IFAD and its cooperating institution on an annual basis, when the annual work plans and budgets (AWP/Bs) are submitted for approval. Procurement of all other contracts costing less than USD 20 000 equivalent each will follow local shopping procedures; those in excess of USD 20 000 equivalent will follow local competitive bidding procedures open to international suppliers. Contracts costing USD 60 000 equivalent or more each will require review by the cooperating institution prior to purchase.

33. **Disbursement.** One special account in United States dollars will be opened in a bank acceptable to IFAD, with an authorized allocation of USD 1.0 million. Disbursement for contracts costing in excess of USD 20 000 will require detailed documentation. Disbursement for contracts costing less than USD 20 000 will be made against statements of expenditure. Disbursement against the IFAD loan will be made in accordance with the financing plan presented in Appendix V. Government counterpart funds will flow into the provincial treasuries and separate project accounts in Cambodian riels in accordance with the AWP/Bs.

34. **Accounts and audit.** Prior to project start up, the project will set up accounting and internal control systems. The PSU, each ExCom and each implementing agency will maintain separate financial records in accordance with sound accounting principles to reflect the progress of the project and identify its resources, operations and expenditures. Project accounts will be audited annually by an independent external auditor acceptable to IFAD, in accordance with international auditing standards. The audited financial statements, including a separate opinion on the statements of expenditure and the operations of the special and project accounts, will be submitted to IFAD each year until completion of the project.



## F. Organization and Management

35. Project implementation and management responsibilities will be decentralized to the provincial governments within the framework of the *Seila* programme for decentralized development. The organizational structure will involve the PSU in MRD and the *Seila* Task Force (STF) and its secretariat at the national level. In each of the two provinces, project implementation will involve: (i) PRDC, ExCom, PDRD, PDAFF, PSWRAM and PDLMUPC; (ii) district development committees; (iii) commune development committees (CDCs) and their administrations; (iv) at the village level the beneficiaries, self-help groups, the pagoda committees (which engage in development as well as religious activities), VDCs, extension groups, FWUCs and VTCs who will play a major role in project planning and implementation. Private-sector contractors, artisans, NGOs or VTCs will implement all construction work on rural infrastructure facilities. Support will be provided from the technical ministries and other projects in specialist technical assistance and training as required.

36. **Beneficiary participation.** Participatory development will ensure ownership of the project by the target group. They will participate in community development, local planning, field demonstrations, seed-multiplication programmes, farmer training as village extension workers and veterinary agents, construction of rural infrastructure works and water user and maintenance groups/committees. They will contribute in cash and labour to the construction of irrigation and water-supply facilities and bear full responsibility for the operation and maintenance of the facilities directly benefiting them.

37. **Monitoring and evaluation and impact assessment.** Data collected during participatory rural appraisals (PRA) and baseline surveys will be used to measure project impact against key project indicators. In cooperation with ExComs, implementing agencies and members of the target group, the PSU will establish a project M&E system from the village to the provincial and national level. The system will include participatory monitoring and beneficiary assessment of project impact, benefits and performance. ExComs and implementing agencies will follow regular reporting procedures and submit monthly and quarterly progress reports to the PSU, which will consolidate these and submit semi-annual progress reports to IFAD and the cooperating institution.

## G. Economic Justification

38. Increased crop and livestock production, greater household food security, improved nutrition, increased income for poor households, greater gender awareness, better access to services and more effective poverty-reduction strategies through partnerships with WFP, GTZ and AusAID will be the main benefits of the project. Three additional major benefits will be created by the project's capacity-building programmes. First, men and women from target groups will be empowered through greater capacity to participate in and manage their social and economic development. Second, at the end of the project, staff of provincial implementing agencies will be able to target and manage investment programmes in a participatory manner. Finally, a system of decentralized planning, financing and implementation will be operating effectively in the project area. By helping to provide conditions that are conducive to political stability, the project will also contribute to social cohesion and build the confidence of the communities. By developing an effective, participatory impact-monitoring system, it will provide feedback to provincial and national governments regarding the concerns of the rural poor and thus help influence policies in favour of the poor.

39. **Beneficiaries and benefits.** At full development in project year (PY)10, the total estimated number of beneficiaries is 49 600 households, 24% of the rural population, including 39 150 households benefiting from crop and extension programmes and irrigation development and an additional 10 450 households benefiting from improved rural water supply and access roads. Expected increases in annual production of major crops in the project area are paddy 26 100 t, mung bean 307 t, cassava 3 075 t and watermelons 4 100 t, representing an average 60% increase in crop production for participating households. Comparable increases for livestock production in terms of live weight sold are cattle 696 t, pigs 805 t and chickens 2 675 t, representing an increase of 28%, 27% and 52%,



respectively.

**40. Gender and household food security.** The project will have a positive impact on gender relations and household nutrition and food security. Adoption of the crop-production technology promoted by the project will enable a typical poor household with 0.7 ha to become self-sufficient in rice. The livestock-development programme will offer greater opportunities for the poor and women to generate income and thus improve the nutrition and food security of their families. The provision of a safe drinking-water supply will improve the health status of women, children and their families, and by permitting better digestion will also have a direct impact on household nutrition. Improved road access will provide more opportunities for marketing and off-farm income generation, hence improving household income and food security.

41. The project will enhance the role of women as agents of change and transform gender relations in the process of social and economic development. It will promote family agreements to encourage women to participate in training programmes, become VLAs, farmer extension workers and managers of drinking water systems, be effective members of VDCs and CDCs and participate in construction activities. Women will also become road maintenance workers with payment for their services. Women will comprise 40% of the members of the VDCs, 50% of the VDC representatives on the CDCs, a minimum of 60% of the members of the drinking-water supply committees and 100% of the managers of the drinking-water points. Of those attending the annual district beneficiary project-monitoring and impact-assessment workshops, 50% will be women. In addition, capacity-building for the CD staff will include gender-awareness training that enables them to assist women in taking on greater leadership roles and participating in decision-making both within the family and at the community level. The agricultural extension programme will include subjects of particular concern to women, such as home gardening, mechanical threshing, reduction in post-harvest paddy losses and small-livestock husbandry and disease control.

**42. Financial analysis.** Two groups of farm models have been developed that show increases in household incomes ranging from 19 to 61%, while returns to incremental labour range from USD 1.74 to 4.67 per day, which exceeds the opportunity cost of labour in the growing season (USD 0.75-1.0 per day) by a substantial amount. Thus farmers should have an adequate incentive to adopt the improved crop- and livestock-production practices.

**43. Economic analysis.** The economic viability of the project has been evaluated over a 20-year period. Benefit streams, including benefits from improved irrigation and water control, have been calculated on the basis of the net annual value of the incremental crop and livestock production, assuming that 15% of farmers in the project area take up the production options by PY10. Benefits from drinking-water supply and road access are based respectively on reduction in the costs of water collection and transport of goods. Cost streams have been adapted from annual project costs and include total project costs and the cost of support services beyond the life of the project. The overall economic internal rate of return of the project is 17%. Switching values, at a discount rate of 10% (the estimated opportunity cost of capital in Cambodia), indicate that the project can sustain a 63% reduction in benefits or a 59% increase in project costs before becoming uneconomic. However, this analysis excludes a number of benefits that have not been quantified, including benefits from flood control, improved health, the economic value of the incremental drinking water used and any increased traffic or access to marketing opportunities, education, health and other services generated as a result of road improvement.

## **H. Risk Assessment and Management**

44. There are no major technical risks associated with the agricultural and livestock programme, which is based on successful experience and approaches piloted elsewhere in Cambodia, including in the project area. It relies on low-cost, widely spread initiatives and proven technology for extension.



Inadequate institutional capacity is the main risk, but major training programmes specified in the project design, including intensive technical and in-service training, specialized TA and staff training in participatory development, should minimize this risk. In relation to infrastructure development, the main risks are: (i) the limited capacity of the PSWRAMs and PDRDs to implement the programme based on participatory approaches; and (ii) failure of users to operate, maintain and finance O&M of irrigation, the drinking-water supply or rural access roads. The inclusion of specialized TA and intensive staff training in participatory development will minimize the institutional risk. To motivate farmers, adequate community mobilization and support services are provided, including training for the FWUCs and water-supply and road-maintenance committees. Finally, there is the risk that the current relative political stability in the country will not last. By supporting the implementation of participatory development and decentralization, the project will help provide conditions conducive to political stability.

### **I. Environmental Impact**

45. Overall, the project will not have any irreversible impact on the environment. The project activities are sustainable and do not involve the use of large quantities of fertilizers or agrochemicals, abstraction of large quantities of water, construction of reservoirs or clearing of forests. The project will promote the use of the existing supplies of water, mostly rainfall, and increase the production of vegetative by-products and manure. Use of agricultural chemicals will be part of IPM packages to the extent possible, and the major emphasis of the rice-improvement programme will be improved husbandry and varieties. Fertilizer will not be used in the floating rice areas adjacent to the Tonle Sap, unless growing systems change to off-season recession rice, for which little fertilizer is required. Subject to feasibility studies, the project may redesign and rehabilitate some of the ill-conceived irrigation works, which will not only increase crop production and farm incomes, but also reduce losses due to flooding in the command area and protect the environment. Drinking-water-supply development will be subject to a groundwater survey, small-scale and expected to have no adverse effect on groundwater levels. Finally, the rural-access-road improvements will involve upgrading existing tracks, and an adequate number of cross-drainage structures will be included in the designs. Technical consultations with PSWRAMs will be required to ensure that no damage is done to the local hydrology.

### **J. Innovative Features**

46. The innovative features of the project include the following: (i) first multisector rural development project financed by IFAD in Cambodia; (ii) introduction of sustainable arrangements for full beneficiary responsibility for O&M of the infrastructure investments financed by the project; (iii) provision of direct support and empowerment of grass-roots organizations; (iv) enhancement of accountable governance through transparent staff selection processes and contracting arrangements for the implementation of all project activities; (v) institutionalization of project impact assessment and beneficiary monitoring directly linked to the objectives and outputs of the logframe; (vi) promotion of gender mainstreaming and gender awareness among communities and project staff, and promotion of family agreements between women and other family members to ensure women's participation in the project and in decision-making; (vii) a project implementation manual developed as part of the appraisal report in view of the weak capacity of the institutions; (viii) provision of institutional support to the decentralization process and structure not only for this project but also for coordinating all rural development programmes in the project area; and (ix) a participatory land-registration process introduced to ensure the benefit to the poor of project interventions.



### **PART III - LEGAL INSTRUMENTS AND AUTHORITY**

47. A loan agreement between the Kingdom of Cambodia and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

48. The Kingdom of Cambodia is empowered under its laws to borrow from IFAD.

49. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

### **PART IV - RECOMMENDATION**

50. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Kingdom of Cambodia in various currencies in an amount equivalent to seven million eight hundred and fifty thousand Special Drawing Rights (SDR 7 850 000) to mature on and prior to 1 December 2040 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan  
President

## SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 7 November 2000)

1. **Project accounts.** As soon as practicable after the date hereof, the Ministry of Economy and Finance (MEF), at the request of PSU on behalf of MRD, shall open and thereafter maintain two current accounts, in a bank proposed by the Royal Government of the Kingdom of Cambodia (the Government) and accepted by IFAD, both denominated in United States dollars, for project operations (respectively, project account A.1 and project account A.2). MEF and MRD will fully authorize the project director or the deputy project director to operate project accounts A.1 and A.2. As soon as practicable after the signing of the project loan agreement, MEF, at the request of each PRDC ExCom made through PSU, shall open and thereafter maintain two current accounts, in a bank proposed by the Government and accepted by IFAD, both denominated in United States dollars, for project operations (each, respectively, project account B.1 and project account B.2). MEF shall authorize each chairperson of the relevant PRDC, or his delegee, to operate the relevant project accounts B.1 and B.2.
2. **Counterpart funds account.** As soon as practicable after the date hereof, the Government shall open and thereafter maintain a counterpart funds account in the National Bank of Cambodia, or another bank proposed by the Government and accepted by IFAD, denominated in United States dollars, for the purpose of channelling its cash contributions to the project.
3. **Counterpart funding.** During the project implementation period, the Government will make counterpart contributions available to the provincial governments from its own resources for an approximate aggregate value of USD 1 822 000 or equivalent in accordance with its customary national procedures, through: (i) contributions of United States dollars into the counterpart funds account for subsequent transfer, as a grant, into project accounts A.2 and B.2; (ii) transfers into the national and provincial treasuries in Cambodian riels for payment of salaries; and (iii) tax exemptions in accordance with paragraph 7 of schedule 3A of the loan agreement. For this purpose, as soon as practicable but in no event later than 90 days after the date of effectiveness, the Government shall make counterpart funds available in the amount of USD 650 000 equivalent to assist in financing project implementation in the first project year, in accordance with the annual workplan and budget (AWP/B) and the project memorandum of understanding (MOU): (i) to PSU, as a grant, by disbursement from the counterpart funds account into project account A.2; and (ii) to the PRDC ExComs, by disbursement from the counterpart funds account into project account B.2. Thereafter, the Government shall replenish project accounts A.2 and B.2 by disbursement of the counterpart funds called for in the AWP/B for the relevant project year, in accordance with the project MOU, quarterly in advance, upon request by the person or persons authorized to operate the relevant project account. The Government shall finance salaries of PSU staff and salaries of the ExComs and the other project participants throughout the project implementation period by transfer of counterpart funds to the national and provincial treasuries, through the provincial departments of economy and finance, as and when required.
4. **Gender concerns.** The Government shall ensure that gender concerns shall be mainstreamed in all project activities throughout the project implementation period. The Government shall ensure that: (i) the project shall promote the role of women as agents of change in local social and economic development; (ii) priorities shall be given to women farmers to train as farmer extension agents, VLAs and managers of drinking-water systems and rural access roads; (iii) the project shall encourage women farmers to take on leadership roles and participate in decision-making both within the family and at the community level; and (vi) priority shall be given to qualified women to work as project staff for the project.



5. **Operation and maintenance.** The Government shall ensure that adequate human and financial resources will be provided to support the operation and maintenance of project-financed investments and the recurrent costs of project operations both during and after the project implementation period, at least for the useful life of such investments.
6. **Agricultural extension programme.** The Government shall provide adequate human and financial resources to sustain the crop and livestock extension programmes in the project area after the end of the project until at least 2011.
7. **Repairs to the major irrigation structures.** The Government shall assume full responsibility for major repairs to the major irrigation structures financed by the project following damages due to flooding.
8. **Pest-management practices.** As part of maintaining sound environmental practices, the Government shall maintain appropriate pest-management practices under the project and, to that end, shall ensure that pesticides procured under the project do not include any pesticides either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the World Health Organization Recommended Classification of Pesticides by Hazard and Classification 1996-97, as amended from time to time.
9. **Tax exemption.** The Government shall exempt from taxes the importation, procurement and supply of all goods, civil works and services financed by the loan. The value of such exemptions shall be credited against the obligation of the Government to provide counterpart funds to the project.
10. **Insurance.** The Government shall insure project personnel against health and accident risks in accordance with its customary practice in respect of its national civil service. The Government shall insure all vehicles and equipment used in connection with the project against such risks and in such amounts as may be consistent with sound practice. The Government may, in either case, finance such insurance from the proceeds of the loan.
11. **Authorizations.** The Government shall provide any party participating in the project with such delegations of authority or other authorizations as may be required under its national procedures to implement the project.
12. **Coordination.** The Government shall make effective arrangements to coordinate with other international agencies operating in the project area to ensure that: (i) uniform policies are adopted for the same sector or activity, such as extension methodology and staff incentives; (ii) project activities financed by different donors in the same province or district are carefully phased to avoid constraints on the available human and financial resources; (iii) the policy of decentralized development planning and financing shall continue throughout the project implementation period without any change that would have a material adverse effect on project implementation; (iv) the project financing from all financiers shall be in accordance with the agreed financing plan; and (v) the lessons learned from the implementation of decentralized planning and development under the project and feedback from the beneficiary impact assessments are given due consideration in future policy formulation at the provincial and national level.
13. **Natural resources.** The Government shall ensure that effective policies and measures shall be enforced to safeguard forest and fishery resources and endangered species in the project area.
14. **Law on water resources management.** The Government shall ensure that the law on water resources management, substantially in the form of the draft dated June 2000, shall be adopted by the





National Assembly and enter into force no later than 31 December 2001. The Government shall cause the Ministry of Water Resources and Meteorology (MWRAM) to ensure that the provisions of the law on water resources management and the Policy for Sustainability of Operation and Maintenance of Irrigation Systems dated June 2000 shall be applied to the irrigation schemes financed under the project.

15. **Key project staff.** The Government shall recruit and appoint key project staff with such qualifications and experience, and in accordance with such competitive and transparent procedures and criteria, as the Government may propose and IFAD may agree. The Government shall provide qualified project staff in adequate number with experience and qualifications satisfactory to IFAD, including, *inter alia*, staff of the PDAFFs, PSWRAMs, PDRDs and PDLMUPCs working full time for the project at provincial and district levels in the project area. The Government shall not remove any key project staff, until at least the completion of the mid-term review, except on grounds of unsatisfactory job performance. The Government shall not remove any key project staff without prior consultation with IFAD at least three months in advance. For purposes of this paragraph, the term “key project staff” includes the project director, the deputy project director, the PRDC ExCom secretaries, the chiefs of the ExCom units, the provincial project focal points and the component and sub-component managers.

16. **Technical assistance from the German Government and AusAID.** The Government shall exercise its best efforts to ensure that the following technical assistance is provided to the project in the project area throughout the project implementation period: (i) approximately 351 person-months of international technical assistance from GTZ in provincial development planning and management, community development and technical backstopping to agricultural, livestock and irrigation staff and land registration; (ii) approximately 636 person-months of long-term and short-term national technical assistance in the same areas as above from GTZ; (iii) approximately 84 person-months of technical assistance in seed multiplication and crop diversification, irrigation and rural engineering from the German Development Service (DED); and (iv) approximately 84 person-months of technical assistance provided by two technical advisers from AusAID to support the province-wide agricultural and livestock extension programmes.

17. **Support from the Agriculture Productivity Improvement Project.** For three years, beginning in the second half of 2001, the Government shall ensure that MWRAM, acting through its Agriculture Productivity Improvement Project (APIP) in Kampong Thom, shall provide one irrigation volunteer advisor and one community development advisor to the PSWRAM of Kampong Thom. These advisors shall provide technical support and training to the provincial and district staff of this PSWRAM in technical and social aspects of participatory irrigation development in said province. The MWRAM shall ensure that APIP shall provide the provincial and district offices of this PSWRAM with adequate support in the form of technical equipment, transport, project allowances, rehabilitation or construction of provincial and district office buildings and other operating costs as required in the implementation of both APIP and this project in the province of Kampong Thom.

18. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the project loan agreement:

- (a) the project director and the deputy project director have been duly appointed by the MRD;
- (b) the liaison officer of the MEF has been duly appointed;
- (c) PSU has been duly established and staffed;
- (d) an ExCom for each PRDC has been duly established;



ANNEX

- (e) provincial project focal points for each province have been duly appointed by the Provincial Governments;
- (f) the component and sub-component manager for each component and sub-component have been duly appointed;
- (g) the Government has duly opened the project accounts, the special account and the counterpart funds account;
- (h) the Government has confirmed to IFAD that counterpart funds will be available in the national budget for transfer to MRD and the provincial governments to assist in financing project implementation in the first and subsequent project years;
- (i) the project loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action;
- (j) a memorandum of understanding among MEF, MRD and the provincial governments (the project MOU) has been approved by the Fund in draft; a copy of the signed project MOU, substantially in the form so approved and certified as true and complete by a competent officer of the Government, has been delivered to IFAD; the signature and performance thereof by the MEF, the MRD and the provincial governments have been duly authorized or ratified by all necessary corporate, administrative and governmental action; and
- (k) a favourable legal opinion, issued by the Ministry of Justice of the Government or other legal counsel acceptable to IFAD, in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

## COUNTRY DATA

## CAMBODIA

<b>Land area (km<sup>2</sup> thousand) 1997 1/</b>	<b>177</b>	<b>GNP per capita (USD) 1998 2/</b>	<b>260</b>
<b>Total population (million) 1998 1/</b>	<b>11.5</b>	<b>Average annual real rate of growth of GNP per capita, 1990-98 2/</b>	<b>2</b>
<b>Population density (people per km<sup>2</sup>) 1998 1/</b>	<b>65</b>	<b>Average annual rate of inflation, 1990-98 2/</b>	<b>32.8</b>
<b>Local currency</b>	<b>Riel (KHR)</b>	<b>Exchange rate (As of End of July 2000): USD 1 =</b>	<b>KHR 3800</b>
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1980-98 1/	2.9	GDP (USD million) 1998 1/	2 871
Crude birth rate (per thousand people) 1998 1/	33	Average annual rate of growth of GDP 1/ 1980-90	n.a.
Crude death rate (per thousand people) 1998 1/	12	1990-98	5.1
Infant mortality rate (per thousand live births) 1998 1/	102	Sectoral distribution of GDP, 1998 1/	
Life expectancy at birth (years) 1998 1/	54	% agriculture	50.6
Number of rural poor (million) (approximate) 1/	3.9	% industry	14.8
Poor as % of total rural population 1/	40.1	% manufacturing	6.2
Total labour force (million) 1998 1/	6	% services	34.6
Female labour force as % of total, 1998 1/	51.9	Consumption, 1998 1/	
<b>Education</b>		General government consumption (as % of GDP)	8.7
Primary school gross enrolment (% of relevant age group) 1997 1/	113.3	Private consumption (as % of GDP)	85.8
Adult literacy rate (% of total population) 1997 3/	66	Gross domestic savings (as % of GDP)	5.5
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 1996 3/	1 974	Merchandise exports, 1998 1/	705
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	n.a.	Merchandise imports, 1998 1/	1 097
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	n.a.	Balance of merchandise trade	n.a.
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 1990-98 1/	6.9	before official transfers, 1998 1/	- 521
Physicians (per thousand people) 1990-98 1/	0.1	after official transfers, 1998 1/	- 224
Percentage population without access to safe water 1990-97 3/	70	Foreign direct investment, 1998 1/	121
Percentage population without access to health services 1981-92 3/	n.a.		
Percentage population without access to sanitation 1990-97 3/	81	<b>Government Finance</b>	
<b>Agriculture and Food</b>		Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	n.a.
Food imports as percentage of total merchandise imports 1998 1/	n.a.	Total expenditure (% of GDP) 1997 1/	n.a.
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	23	Total external debt (USD million) 1998 1/	2 210
Food production index (1989-91=100) 1996-98 1/	130.6	Present value of debt (as % of GNP) 1998 1/	61.5
		Total debt service (% of exports of goods and services) 1998 1/	1.5
<b>Land Use</b>		Nominal lending rate of banks, 1998 1/	18.3
Arable land as % of land area, 1997 1/	21	Nominal deposit rate of banks, 1998 1/	7.8
Forest area (km <sup>2</sup> thousand) 1995 1/	98.3		
Forest area as % of total land area, 1995 1/	55.7		
Irrigated land as % of cropland, 1995-97 1/	7.1		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 2000

2/ World Bank, *Atlas*, 2000

3/ UNDP, *Human Development Report*, 1999

## PREVIOUS IFAD LOANS IN CAMBODIA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Currency	Approved Loan Amount	Disbursement (as % of approved amount)
Agriculture Productivity Improvement Project	World Bank: IDA	World Bank: IDA	HC	11 Sep 96	22 Sep 97	30 Jun 04	L - I - 423 - KH	SDR	3 300 000	27.4%
Agricultural Development Support Project to <i>Seila</i>	IFAD	UNOPS	HC	08 Sep 99	16 Feb 00	30 Sep 06	L - I - 513 - KH	SDR	6 350 000	10.6%

## LOGICAL FRAMEWORK

Project Description	Performance Indicators	Means of Verification	Assumptions/Risks
<b>Strategic Goal</b> Poverty of the targeted households in the project area is reduced.	<ul style="list-style-type: none"> <li>Per capita income in relation to the current poverty line of USD 112 per capita per year.</li> <li>Stunting of children &lt; 5 years of age in relation to the current level of 36% in Kampot and 49% in Kampong Thom at PY3, PY7 and at full development (PY10).</li> </ul>	Household income and expenditure surveys and nutrition surveys at PY0, 3, 7 & 10. Data disaggregated by gender.	Political stability and security maintained and no internal or external shocks to the economy.
<b>Project Objectives</b> 1. Poor households in the project area able to sustain increased food production and farm incomes from intensified and diversified crop and livestock production.  2. An increase in the capacity of the poor to use the services available from government and other sources for their economic and social development.	<ul style="list-style-type: none"> <li>39 150 poor households have increased incomes from crop and livestock production by PY10 in relation to 0.75 USD per day return to labour.</li> <li>Households with 0.7 ha of land, increases in incomes by 19-46% and those with 1.3 ha of land by 25-61% by PY10.</li> <li>39 150 poor households increase their use of services available from government and other service providers by PY10.</li> </ul>	Provincial surveys and statistics (production, incomes etc.) at PY0, 3, 7 & 10. Project M&E: impact studies and beneficiary monitoring data disaggregated by gender.	Political stability and security maintained and no internal or external shocks to the economy.
<b>Outputs</b> 1. Communities participated in meeting their own needs through participatory and gender-sensitive approaches with government agencies and other service providers able to respond to farmers' needs as expressed during the participatory planning process.  1.1. Self-confidence, social cohesion and stability built in local communities.  1.2. Target group members and local communities empowered.  1.3. Gender concerns mainstreamed.	<ul style="list-style-type: none"> <li>573 villages have participated in their own development by PY7.</li> <li>881 functioning community and grass-roots organizations established in 573 villages by PY7.</li> <li>573 villages reached by service providers in response to their demand.</li> <li>Poor men and women in 573 villages participating in project interventions by PY7.</li> <li>An increase of 25% of representation of the poor and women in the decision-making bodies of farmers/users groups and communities and taking leadership roles in the 573 villages by PY7.</li> <li>Frequency of conflicts in communities reduced by 50% by PY7 in relation to PY0 and 881 functioning and cohesive farmers groups established by PY7.</li> <li>39 150 households able to negotiate and use project assistance and services by PY10.</li> <li>15 000 (40%) family agreements negotiated by PY7.</li> </ul>	Provincial reports, project M&E: impact studies and beneficiary monitoring data disaggregated by gender.	A participatory approach to rural development remains government policy and continues in the project implementation.
2. Increased awareness throughout the project area of ways to improve crop and livestock production in the villages and subsequent adoption of improved methods and technology for increased farm production.  2.1. Approaches to extension improved based on field experience of the operation of the agricultural extension guidelines.	<ul style="list-style-type: none"> <li>By PY7, some 984 villages reached by extension and demonstration programme.</li> <li>By PY10, a total of 39 150 households will be employing improved crop-production technologies on 15% of the cropped area, and 15% of the total livestock population will be benefiting from improved livestock husbandry.</li> <li>No. of improvements recommended to PDAFFs &amp; MAFF for refinement of the extension guidelines.</li> </ul>	Provincial reports, project M&E: impact studies and beneficiary monitoring.	Proven and acceptable technology and approaches are available.
3. Rural communities gain access to water for	<ul style="list-style-type: none"> <li>By PY7, a total of 118 villages with improved access roads.</li> </ul>	Provincial reports,	Investment in





Project Description	Performance Indicators	Means of Verification	Assumptions/Risks
<p>supplementary irrigation in the wet season, safe drinking water and road communications services.</p> <p>3.1. Health status of the women and children improved and savings in labour in fetching water realized.</p> <p>3.2. Availability of support services and marketing opportunities improved.</p>	<ul style="list-style-type: none"> <li>By PY7, some 4 700 ha paddy receiving supplementary wet season irrigation and 13 750 households with safe drinking water.</li> <li>22.8 days saved per year per household for 13 750 households from fetching water from afar and no. of days of sickness per family per year reduced by 25% by PY7.</li> <li>17 visits of extension workers per village per year in the first 3 years of project intervention and thereafter 9 visits per village per year.</li> <li>No. of visits by private traders to the communities and volume of produce sold increased.</li> </ul>	<p>Project M&amp;E: impact studies and beneficiary monitoring.</p>	<p>infrastructure remains a high priority for rural communities.</p>
<p>4. A functioning system of decentralized development, planning, financing and implementation established so that project services are delivered to the target group in a participatory, sustainable and timely manner.</p> <p>4.1. Work culture of public institutions changed towards delivery of participatory and demand-driven services.</p> <p>4.2. Lessons learned fed to provincial and national governments for the improvement of decentralization and deconcentration policy.</p> <p>4.3. Accountable governance enhanced in public institutions.</p>	<ul style="list-style-type: none"> <li>From PY1, PRDCs able to coordinate all provincial rural development activities in accordance with the provincial development plans.</li> <li>Performance of implementing agencies under their PRDC contracts improved over time.</li> <li>No. of initiatives from service providers to respond to farmers' demand and no. of problems resolved.</li> <li>No. of changes in working practices introduced.</li> <li>No. of recommendations made on decentralization policy and operations.</li> <li>Work efficiency and accountability improved.</li> <li>No project funds misused.</li> <li>All project staff recruited following transparent and competitive procedures.</li> </ul>	<p>PRDC meeting minutes; Review of contract performance; and Project M&amp;E: impact studies and beneficiary monitoring.</p>	<p>Political stability and security maintained Decentralized development remains government policy and <i>Seila</i> programme introduced in Kampong Thom and Kampot starting in 2000.</p>
<p><b>Activities</b></p> <p><b>1. Community Development (CD)</b></p> <ul style="list-style-type: none"> <li>CD activities carried out in the villages within the districts where GTZ is working.</li> <li>Capacity-building for the provincial and district CD team members and members of the commune and village development committees (including women).</li> <li>Training for self-help groups and other community organizations, especially women.</li> <li>Organize groups, with help of the technical agency concerned, that will manage and maintain project-financed infrastructure investments.</li> <li>Gender awareness programme and training conducted.</li> <li>Environmental awareness programme promoted.</li> <li>Land titling carried out in priority areas including all irrigation schemes supported by the project.</li> </ul>	<ul style="list-style-type: none"> <li>Social mobilization and participatory planning carried out in 573 villages in 11 districts by PY7.</li> <li>Training by PY7: 12 provincial and 58 district CD staff, 1 384 commune and 6 266 village committee members (40% women).</li> <li>Training provided to 8 860 members of self-help and other community organizations by PY7.</li> <li>1 148 VTCs trained in O&amp;M by PY7.</li> <li>Gender awareness programme conducted in 573 villages in 11 districts by PY7.</li> <li>Environmental awareness programme conducted in 573 villages in 11 districts by PY7.</li> <li>15 000 plots given land titles, including all those in project-assisted irrigation schemes by PY7.</li> </ul> <p><b>Total estimated base cost USD 3.48 million.</b></p>	<p>Project progress reports, Project AWP/Bs and MTR and PCR reports.</p> <p>Data for training numbers disaggregated by gender.</p>	<p>Villagers prepared to work together on projects that will benefit the whole community.</p> <p>PSWRAM able to work with PDRD for the formation of farmers water-user communities.</p> <p>GTZ TA from the Land Management Project available.</p>
<p><b>2. Agricultural and Livestock Development</b></p> <p><b>2.1 Crop Production</b></p>			

Project Description	Performance Indicators	Means of Verification	Assumptions/Risks
<ul style="list-style-type: none"> <li>Province-wide crop demonstration programmes (rice, upland crops and home garden crops).</li> <li>Special programmes (e.g., seed multiplication programme for rice and upland crops).</li> <li>Development of new extension programme package.</li> <li>Establishment of a network of farmer extension workers.</li> <li>Capacity-building for the provincial and district agricultural staff (including women).</li> </ul> <p><b>2.2 Livestock Production</b></p> <ul style="list-style-type: none"> <li>Establishment and support for VLAs, district VLA associations and pharmacies.</li> <li>Major animal disease under control.</li> <li>Province-wide extension programmes for animal health and production.</li> </ul> <p><b>2.3 Pilot Natural Resource Management Activities</b></p> <ul style="list-style-type: none"> <li>Village pilots in Kampong Thom.</li> </ul> <p><b>2.4 Capacity-Building</b></p> <ul style="list-style-type: none"> <li>Training for members of component management team.</li> <li>Training for provincial technical staff.</li> <li>Training for members of district outreach teams.</li> </ul>	<ul style="list-style-type: none"> <li>3 000 ha of crop demonstrations by PY7.</li> <li>USD 210 000 expenditure by PY7 and no. of households taking up the programme.</li> <li>USD 70 000 expenditure by PY7 and no. of households taking up the programme.</li> <li>Farmer-to-farmer extension established in 15 districts by PY7.</li> <li>28 provincial staff and 90 district staff trained in crop-production and extension technology.</li> <li>VLAs: 425 in Kampong Thom and 417 in Kampot trained and 3 VLA associations established in each province by PY7.</li> <li>Vaccination campaigns carried out in 532 villages.</li> <li>532 village livestock demonstrations by PY7.</li> <li>By 2001/2 two natural management schemes completed in two villages.</li> <li>8 staff trained each year.</li> <li>20 staff trained each year</li> <li>92 staff trained each year.</li> </ul> <p><b>Total estimated base cost USD 6.76 million</b></p>	<p>Project progress reports, Project AWP/Bs and MTR and PCR reports.</p> <p>Data to include no. of lead farmers, specialist farmers, farmer extension workers and VLAs disaggregated by gender.</p>	<p>No extreme rainfall patterns occur.</p>
<p><b>3. Rural Infrastructure</b></p> <p><b>3.1 Irrigation and Water Management</b></p> <ul style="list-style-type: none"> <li>Feasibility and detailed design studies.</li> <li>Formation of farmers' water-user groups.</li> <li>Construction of feasible schemes.</li> <li>Operation and maintenance of constructed schemes.</li> <li>Training for PSWRAM staff.</li> </ul> <p><b>3.2 Rural Access Roads</b></p> <ul style="list-style-type: none"> <li>Survey, design, cost estimation and priority ranking of proposed road projects and selected roads constructed.</li> <li>Training and equipping road maintenance groups.</li> </ul>	<ul style="list-style-type: none"> <li>12 studies undertaken in Kampong Thom and 3 in Kampot by PY7 in view of the technical, economic and environmental requirements.</li> <li>All feasible schemes have a water-user association at the planning stage (committee members 30% women).</li> <li>10 schemes constructed in Kampong Thom and 2 schemes in Kampot by PY7 with required beneficiary contribution.</li> <li>All schemes constructed have a functioning water-user association responsible for O&amp;M.</li> <li>10 provincial and district staff trained in various engineering and participatory aspects of irrigation development by PY7.</li> <li>300 km of village access roads surveyed, 200 km of rural access roads selected and constructed and 400 culverts constructed by PY7, benefiting 118 villages and 21 176 households.</li> <li>118 road maintenance groups (100% women) trained and equipped by PY7.</li> </ul>	<p>Project progress reports, project AWP/Bs and MTR and PCR reports. Data on the number of beneficiaries, trainees and staff disaggregated by gender.</p>	<p>Rural infrastructure continues to be a high priority for the target group.</p>



Project Description	Performance Indicators	Means of Verification	Assumptions/Risks
<ul style="list-style-type: none"> <li>• Constructed roads maintained.</li> <li>• Training for PDRD rural roads staff.</li> </ul> <p><b>3.3 Rural Water Supplies</b></p> <ul style="list-style-type: none"> <li>• Groundwater resources study.</li> <li>• Survey, design, cost estimation and priority ranking of proposed water-supply projects and selected schemes constructed.</li> <li>• Training of water user groups (mostly women).</li> <li>• Water-point caretakers operating the water points.</li> <li>• Training for PDRD water-supply staff.</li> </ul>	<ul style="list-style-type: none"> <li>• 118 road maintenance groups (100% women) carrying out routine road maintenance by PY7 with payment on a self-financing basis.</li> <li>• 16 provincial and district staff trained in construction of rural access roads using participatory techniques by PY7.</li> <li>• By end 2001 two groundwater resources studies completed to the same standard as the JICA study.</li> <li>• 900 water points constructed by PY7, benefiting 13 750 households.</li> <li>• 900 VTCs for water schemes (min. 60% women) trained by PY7.</li> <li>• 1-2 managers operating and maintaining each water point by PY7, 100% women.</li> <li>• 11 provincial and district staff trained in participatory development of village water-supply schemes by PY7.</li> </ul> <p><b>Total estimated base cost USD 5.94 million.</b></p>		
<p><b>4. Support to Institutional Development and Project Implementation</b></p> <ul style="list-style-type: none"> <li>• Training members of PRDCs in coordinating all rural development activities in the project area.</li> <li>• Recruitment of suitably qualified and experienced staff for PRDC ExCom units to coordinate project activities.</li> <li>• Establishment of PSU in MRD with suitably qualified and experienced staff to provide interprovincial and overall project coordination.</li> <li>• Training of ExCom and PSU staff.</li> <li>• Set-up of the system of contracting between PRDC and the implementing agencies for implementing project activities.</li> <li>• Identification of parameters in GTZ databases to use as baseline indicators for project monitoring.</li> <li>• Set-up of the system for monitoring project implementation and beneficiary participation rates disaggregated by gender.</li> <li>• District integration workshops.</li> <li>• Beneficiary impact-monitoring workshops and participation in decision-making.</li> <li>• Feedback of findings into next year's AWP/B.</li> </ul>	<ul style="list-style-type: none"> <li>• 30 PRDC members trained in coordination of decentralized rural development projects and programmes by end 2001.</li> <li>• By loan effectiveness, project focal point and staff of each ExCom unit appointed: local capacity-building 2, finance 2, M&amp;E 2, contract administration 2-3 and 1 support staff.</li> <li>• PSU established before loan effectiveness with a part-time project director, deputy project director, 2 finance, 1 planning, 1 procurement and M&amp;E and 2 support staff and able to coordinate with provincial governments and cofinanciers in all project implementation matters.</li> <li>• By PY2 all PSU and ExCom staff trained in various aspects of decentralized project implementation.</li> <li>• The number and quality of contracts satisfactorily executed each year based on the approved AWP/Bs.</li> <li>• By end 2001 baseline indicators established in the M &amp; E system.</li> <li>• By end 2001 project M&amp;E system operating.</li> <li>• 1 district integration workshop per district per year.</li> <li>• 1 district impact assessment per district per year.</li> <li>• 1 beneficiary monitoring workshop per district per year and 1 provincial workshop per district per year (50% participants are women).</li> <li>• Number of recommendations incorporated into future AWP/Bs and number of policy initiatives identified.</li> </ul> <p><b>Total estimated base cost USD 3.94 million.</b></p>	<p>Project progress reports.</p> <p>Staff recruitment records. Project AWP/Bs. Beneficiary evaluations and MTR and PCR reports.</p> <p>Data on the number of trainees and staff disaggregated by gender.</p>	<p>Government will introduce the <i>Seila</i> programme to Kampong Thom and Kampot provinces starting in 2000.</p>





# COSTS AND FINANCING

**Table 1: Expenditure Accounts By Component - Base Costs (USD '000)**

	Community Development		Agr'l Dev		Rural Infrastructure Development						Support to Institutional Development			Physical Cont.				
	Comm. Dev.	Land Reg.	Land Reg.	Agr'l Dev.	Agr'l Dev.	Irrigation and Water Control	Irrigation And Water Control	Rural Water Supply	RuralWater Supply	Rural Access Roads	Rural Access Roads	Supp. to Min. of	Supp. to Mgmt.				Supp. to Mgmt.	
	Kampong Thom	Kampong Thom	Reg Kampot.	Kampong Thom	Kampong Thom	Kampong Thom	Kampong Thom	Kampong Thom	Kampong Thom	Kampong Thom	Kampong Thom	Rural Dev.	Kampong Thom	Kampong Thom				
															Total	%	Amount	
<b>I. Investment Costs</b>																		
<b>A. Civil Works</b>																		
Rural Roads	-	-	-	-	-	-	-	-	-	610.00	560.00	-	-	-	1 170.00	10.0	117.00	
Drinking Water	-	-	-	-	-	-	-	298.50	254.00	-	-	-	-	-	552.50	10.0	55.25	
Irrigation	-	-	-	-	-	1 175.00	1 097.50	-	-	-	-	-	-	-	2 272.50	10.0	227.25	
Buildings	48.00	84.00	2.00	2.00	120.00	102.00	-	10.00	-	-	-	-	30.00	30.00	428.00	10.0	42.80	
<b>Subtotal Civil Works</b>	48.00	84.00	2.00	2.00	120.00	102.00	1 175.00	1 107.50	298.50	254.00	610.00	560.00	-	30.00	4 423.00	10.0	442.30	
B. Vehicles and Motorcycles	60.40	125.92	7.56	7.56	188.68	178.60	10.08	30.08	17.56	16.30	10.08	10.08	27.00	35.12	35.12	760.14	-	-
C. Equipment	19.90	23.50	27.70	27.70	86.56	65.71	14.60	36.88	7.08	7.08	5.88	5.88	21.60	25.90	25.90	401.87	-	-
D. Materials	5.00	9.20	31.20	31.20	668.38	561.14	-	-	-	-	-	-	-	-	1 306.12	-	-	
<b>E. Training and Studies</b>																		
Agricultural Training	-	-	-	-	250.68	210.29	-	-	-	-	-	-	-	-	-	460.97	-	-
Other Training	381.99	410.29	0.75	0.75	-	-	1.17	2.17	2.02	1.02	2.17	2.17	-	2.44	2.44	809.36	-	-
Studies	-	-	-	-	-	-	12.00	150.00	64.00	64.00	-	-	142.00	203.76	207.96	843.72	-	-
<b>Subtotal Training and Studies</b>	381.99	410.29	0.75	0.75	250.68	210.29	13.17	152.17	66.02	65.02	2.17	2.17	142.00	206.20	210.40	2 114.05	-	-
<b>F. Technical Assistance</b>																		
National	56.70	56.70	-	-	96.60	96.60	-	4.20	-	-	-	-	-	84.00	50.40	445.20	-	-
International	528.00	528.00	36.00	36.00	1 120.00	1 528.00	64.00	136.00	-	-	54.00	54.00	-	1 040.00	1 264.00	6 388.00	-	-
Pilot Activities	-	-	-	-	15.00	15.00	-	-	-	-	-	-	-	-	-	30.00	-	-
<b>Subtotal Technical Assistance</b>	584.70	584.70	36.00	36.00	1 231.60	1 639.60	64.00	140.20	-	-	54.00	54.00	-	1 124.00	1 314.40	6 863.20	-	-
<b>Total Investment Costs</b>	1 099.99	1 237.61	105.21	105.21	2 545.90	2 757.34	1 276.85	1 466.83	389.16	342.40	682.13	632.13	190.60	1 421.22	1 615.82	15 868.38	2.8	442.30
<b>II. Recurrent Costs</b>																		
A. Staff Salaries	47.43	106.11	18.36	18.36	149.58	139.68	9.36	13.86	14.22	11.79	9.36	9.36	20.58	25.20	27.72	620.97	-	-
B. Project Allowances	122.98	240.34	52.84	52.84	329.94	310.14	20.52	31.44	33.72	26.82	20.34	20.34	156.27	71.43	78.24	1 568.21	-	-
<b>C. Operation and Maintenance</b>																		
O&M Rural Infrastructure	-	-	-	-	-	-	168.75	268.25	89.22	78.44	69.30	69.30	-	-	-	743.25	10.0	74.33
O&M Buildings	4.20	7.80	0.12	0.10	12.00	10.80	-	1.20	-	-	-	-	-	3.60	3.60	43.42	5.0	2.17
O&M Vehicles	55.20	114.50	6.05	6.05	183.78	175.04	8.74	27.74	26.47	24.20	8.74	8.74	41.00	67.61	67.61	821.46	5.0	41.07
O&M Equipment	6.51	8.19	5.82	5.82	34.73	26.13	7.15	17.29	2.66	2.66	13.88	13.88	8.18	10.06	10.06	173.03	5.0	8.65
Office Running Costs	7.94	17.39	3.60	3.60	26.32	24.44	1.25	2.92	2.92	1.94	-	-	30.49	25.20	25.20	173.20	5.0	8.66
Utilities	6.44	9.86	0.54	0.54	17.46	16.29	1.95	2.03	2.03	2.03	2.03	2.03	22.75	8.40	8.40	102.75	5.0	5.14
<b>Subtotal Operation and Maintenance</b>	80.29	157.74	16.13	16.11	274.28	252.71	187.84	319.42	123.29	109.27	93.94	93.94	102.41	114.87	114.87	2 057.10	6.8	140.02
<b>Total Recurrent Costs</b>	250.70	504.19	87.33	87.31	753.80	702.53	217.72	364.72	171.23	147.88	123.64	123.64	279.27	211.50	220.83	4 246.28	3.3	140.02
Physical Contingencies	1 350.70	1 741.80	192.54	192.52	3 299.70	3 459.86	1 494.56	1 831.54	560.39	490.28	805.77	755.77	469.87	1 632.72	1 836.65	20 114.66	2.9	582.32
<b>Price Contingencies</b>																		
<b>Inflation</b>																		
Local	102.70	141.63	11.27	9.63	213.68	190.73	229.16	187.55	74.28	62.38	97.39	91.10	58.37	72.48	68.16	1 610.51	-	-
Foreign	46.51	57.52	5.80	4.28	172.50	207.81	6.73	16.07	3.65	3.38	7.94	7.94	8.06	116.67	154.97	819.85	-	-
<b>Subtotal Inflation</b>	149.22	199.15	17.08	13.92	386.17	398.54	235.89	203.62	77.93	65.76	105.33	99.04	66.43	189.16	223.14	2 430.36	-	-
Devaluation	-17.65	-24.07	-1.88	-1.59	-36.09	-32.19	-40.12	-32.26	-12.86	-10.78	-16.80	-15.72	-10.01	-12.34	-11.58	-275.92	-	-
<b>Subtotal Price Contingencies</b>	131.57	175.08	15.20	12.33	350.08	366.35	195.76	171.36	65.07	54.98	88.53	83.32	56.43	176.81	211.56	2 154.43	2.8	60.71
<b>Total Price Contingencies</b>	1 482.27	1 916.88	207.74	204.05	3 649.78	3 826.21	1 690.32	1 999.90	625.46	545.26	894.30	839.09	526.30	1 809.53	2 048.21	22 269.09	2.8	663.03
Taxes	37.39	70.47	8.75	8.71	122.73	111.39	152.28	155.10	49.19	42.77	55.68	49.66	28.75	38.34	38.34	969.55	5.8	56.22
Foreign Exchange	688.98	804.29	90.63	89.11	1 884.35	2 256.21	103.69	239.63	45.39	42.15	92.06	92.06	97.83	1 271.85	1 534.15	9 332.39	0.5	43.74





**Table 2: Disbursement Accounts by Financier  
(USD '000)**

	IFAD		WFP		German Government		AusAID		Beneficiaries		Government		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
<b>A. Civil Works</b>																	
1. Rural Roads	836.30	59.4	481.63	34.2	-	-	-	-	-	-	90.25	6.4	1 408.17	6.2	-	1 317.93	90.25
2. Drinking Water	420.65	62.4	76.53	11.4	-	-	-	-	10953	16.2	67.41	10.0	674.12	3.0	-	606.71	67.41
3. Irrigation	1 483.11	54.0	741.55	27.0	-	-	-	-	247.18	9.0	274.65	10.0	2 746.49	12.0	-	2 471.84	274.65
4. Buildings	439.74	90.0	-	-	-	-	-	-	-	-	48.86	10.0	488.60	2.1	-	439.74	48.86
<b>Subtotal Civil Works</b>	<b>3 179.80</b>	<b>59.8</b>	<b>1 299.71</b>	<b>24.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356.71</b>	<b>6.7</b>	<b>481.17</b>	<b>9.0</b>	<b>5 317.39</b>	<b>23.3</b>	<b>-</b>	<b>4 836.22</b>	<b>481.17</b>
<b>B. Vehicles</b>	648.91	80.0	-	-	-	-	-	-	-	-	162.67	20.0	811.58	3.6	612.62	36.28	162.67
<b>C. Equipment and Materials</b>	1 823.89	96.6	-	-	-	-	-	-	-	-	63.68	3.4	1 887.57	8.3	799.75	1 024.14	63.68
<b>D. Training and Studies</b>																	
1. Studies and Agricultural Training	1 450.71	100.0	-	-	-	-	-	-	-	-	-	-	1 450.71	6.3	-	1 450.71	-
2. Other Training	-	-	-	-	909.90	100.0	-	-	-	-	-	-	909.90	4.0	-	909.90	-
<b>Subtotal Training and Studies</b>	<b>1 450.71</b>	<b>61.5</b>	<b>-</b>	<b>-</b>	<b>909.90</b>	<b>38.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 360.61</b>	<b>10.3</b>	<b>-</b>	<b>2 360.61</b>	<b>-</b>
<b>E. Technical Assistance</b>	-	-	-	-	6 972.46	92.7	551.62	7.3	-	-	-	-	7 524.08	32.9	7 001.54	522.54	-
<b>F. Staff Salaries</b>	-	-	-	-	-	-	-	-	-	-	697.17	100.0	697.17	3.1	-	697.17	-
<b>G. Project Allowances</b>	1 759.14	100.0	-	-	-	-	-	-	-	-	-	-	1 759.14	7.7	-	1 759.14	-
<b>H. Incremental Operating Expenses</b>																	
1. O&M Rural Infrastructure	-	-	-	-	-	-	-	-	944.28	100.0	-	-	944.28	4.1	-	944.28	-
2. O&M Buildings	-	-	-	-	-	-	-	-	-	-	51.69	100.0	51.69	0.2	-	46.52	5.17
3. O&M Vehicles	774.99	80.0	-	-	-	-	-	-	-	-	193.75	20.0	968.74	4.2	678.12	96/87	193.75
4. O&M Equipment	173.43	85.0	-	-	-	-	-	-	-	-	30.61	15.0	204.04	0.9	142.83	30.61	30.61
5. Office Running Costs	183.61	90.0	-	-	-	-	-	-	-	-	20.40	10.0	204.01	0.9	61.20	122.41	20.40
6. Utilities	-	-	-	-	-	-	-	-	-	-	121.12	100.0	121.12	0.5	36.33	72.67	12.11
<b>Subtotal Incremental Operating Expenses</b>	<b>1 132.03</b>	<b>45.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>944.28</b>	<b>37.9</b>	<b>417.56</b>	<b>16.7</b>	<b>2 493.87</b>	<b>10.9</b>	<b>918.48</b>	<b>1 313.35</b>	<b>262.03</b>
<b>Total disbursement</b>	<b>9 994.48</b>	<b>43.7</b>	<b>1 299.71</b>	<b>5.7</b>	<b>7 882.36</b>	<b>34.5</b>	<b>551.62</b>	<b>2.4</b>	<b>1 300.99</b>	<b>5.7</b>	<b>1 822.24</b>	<b>8.0</b>	<b>22 851.41</b>	<b>100.0</b>	<b>9 332.39</b>	<b>12 549.47</b>	<b>969.55</b>



## ORGANIZATION AND MANAGEMENT

### A. Project Organization and Executing Agencies

1. The project implementation and management responsibilities will be decentralized to the provincial governments within the framework of the *Seila* programme for decentralized development. The project organization will involve the PSU in the MRD and the STF and its secretariat at the national level. In each of the two provinces, project implementation will involve: (i) PRDC, ExCom, and PDRD, PDAFF, PSWRAM and PDLMUPC; (ii) at district level, the district development committee and the district-based staff of the provincial line agencies; (iii) in the communes, the CDCs and their administrations; (iv) at the village level, the beneficiaries, self-help groups, pagoda committees, VDCs, extension groups, FWUCs and VTCs who will play a major role in project planning and implementation. Private-sector contractors, artisans, NGOs or VTCs will implement all construction work of rural infrastructure facilities. Support will be provided by the technical ministries and other projects in specialist technical training as required.

### B. Project Implementation Arrangements

2. **Planning.** The local participatory planning process for the project will follow that of the *Seila* programme from village, commune, district and provincial to national level, and will use streamlined annual PRAs and farming systems analysis as the basis for data collection, problem/solution identification, setting priorities and sub-project formulation. Each implementing agency will prepare an AWP/B for the forthcoming year based on the participatory planning process from the villages. The agreed district plans prepared during the district integration workshops, which will determine where the various infrastructure investments will be made and the location for the different types of crop and livestock demonstrations, will form the basis of the provincial AWP/Bs. The PRDCs will review these AWP/Bs for inclusion in the provincial public investment programmes and subsequently submit the provincial AWP/Bs to the PSU for consolidation and subsequent endorsement by the STF and inclusion in the national public investment programmes and budgets.

3. **Contract implementation arrangements.** On behalf of the PRDC, the ExCom in each province will coordinate the implementation of all project activities and manage the project through contracts between the PRDC and the implementing agencies, private-sector contractors, VDCs and NGOs based on the approved project AWP/B. The ExCom Units and the Departments of Planning and Finance will also work under contracts with PRDC for specific tasks under the project. All project contracts will be on competitive terms and conditions, with specific provisions for the specific type, location, timeframe, quality and quantity of activities or services to be undertaken each year, roles and responsibilities of each party, the expected outputs, estimated inputs and budgets, payment schedule, and procurement and reporting requirements. The contracting procedures will follow the established *Seila* procedures.

4. **Staff selection.** Staff selection will follow a transparent recruitment and selection process with an agreed timetable involving advertising of posts, shortlisting of candidates and interviews. All key project staff selected will have qualifications and experience that match those of the job descriptions. A specially assigned recruitment committee will be constituted to select and recruit the PSU staff at the national level, and similar committees will be established at provincial level under the chairmanship of the governor for the selection and recruitment of the provincial and district staff working for the project.

5. **Technical assistance.** One CAAEP regional adviser will cover each province to assist the PDAFFs in running the province-wide extension programme. GTZ will provide the international and national TA to support provincial development planning and management, help the PRDCs and the ExComs develop their capacity to coordinate participatory rural development programmes, develop the abilities of the CD teams to mobilize communities and support the development of grass-roots organizations and provide technical backstopping to the land registration and the agricultural, livestock and irrigation staff in the districts. German Development Service will provide assistance to the seed multiplication programme and



irrigation development, and support development of the capacity of each PDRD to implement the rural access road sub-components. APIP will provide additional volunteer TA to the irrigation development in Kampong Thom.

### C. Management and Coordination Responsibilities

6. **At the national level**, the roles and responsibilities of the STF will include: (i) provision of policy guidance in respect of government policy on the decentralization of government functions and development; (ii) provision of inter-ministry coordination where the PSU is unable to resolve coordination issues; and (iii) endorsement of the project AWP/Bs.

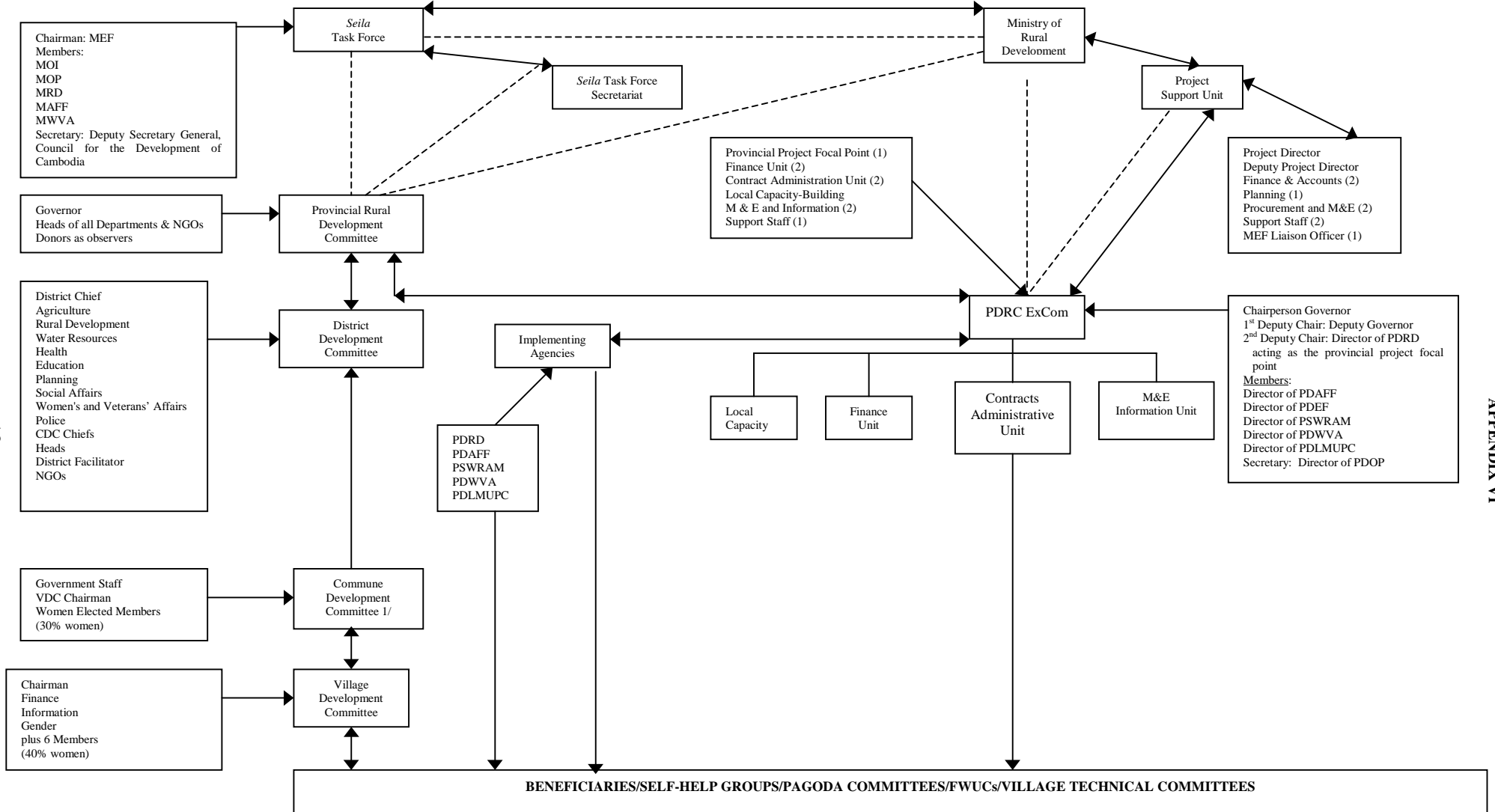
7. On behalf of MRD, the PSU will: (i) provide inter-ministry and inter-provincial coordination, and coordination and linkages with other programmes; (ii) liaise with donors and coordinate donor assistance through quarterly meetings with cofinancing partners in planning, budgeting, and management and implementation of project activities; (iii) process major procurement packages of goods and services in cooperation with the two provinces; (iv) review and consolidate the project AWP/Bs; (v) prepare and maintain accounts for project expenditures; (vi) consolidate physical and financial progress reports and prepare for audit of the project accounts; (vii) establish and supervise the operation of the system of M&E and beneficiary impact assessment; (viii) prepare a MOU between MEF, MRD and the provincial governments for execution; (ix) arrange for external evaluations of the project (mid-term and completion); and (viii) operate the project account for the PSU.

8. **At the provincial level**, the PRDC in each province will: (i) provide policy guidance to the line agencies and coordinate policy and major operational issues for all rural development programmes; (ii) review and decide the target area of the project interventions; (iii) endorse the project AWP/Bs; (iv) review and endorse six-monthly and annual progress reports; (v) ensure that the project activities are coordinated with those of the other donor agencies operating in the province; and (vi) organize quarterly coordination meetings among all cofinanciers and partners to coordinate policy, planning, budgeting, management and operational issues related to project implementation. The project focal point in each province will be the PDRD representative on the ExCom and will serve as the coordination point for the PRDC, ExCom, PSU and external financiers in respect of the project implementation in the province.

9. The PRDC ExCom in each province, assisted by the four ExCom management units, will manage and coordinate the implementation of the project AWP/B. Each ExCom will: (i) review the sectoral investment plans prepared by each implementing agency and the project AWP/B consolidated by the Department of Planning for submission for approval by the PRDC; (ii) initiate the preparation of contract proposals with the implementing agencies; (iii) review the contract proposals submitted by the implementing agencies and recommend them for approval and signature by the Chair of the ExCom; (iv) operate the Project Account for financing of the project activities against the approved project AWP/B; (v) ensure that the finance system and payments against approved contracts are efficiently managed, monitored, accounted for and periodically audited; (vi) ensure the smooth operation of the M&E and reporting systems; and (vii) ensure that the four management units of the ExCom are properly staffed, managed and financed, and effectively perform their duties in accordance with their assigned roles and responsibilities.

10. Each implementing agency will have a component or sub-component manager responsible for implementing project activities under their respective responsibilities, including planning, staff supervision and reporting. Each implementing agency will: (i) with the approval of the provincial staff selection committee, select provincial and district project staff; (ii) supervise all district staff; (iii) design and implement capacity-building programmes for the project staff, farmers and community leaders in their specific fields; (iv) prepare their specific section of AWP/Bs based on local planning processes and district integration workshops; and (v) manage the implementation of activities, including supervision of staff, payment of project allowances, vehicle, motorcycle and other running costs on contracts with the PRDCs. Chart 1 shows the project organization structure and links between the implementing agencies and the project beneficiaries. Chart 2 shows the flow of funds from IFAD to the beneficiaries.

**CHART I: PROJECT ORGANIZATION STRUCTURE**



12

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT  
APPENDIX VI

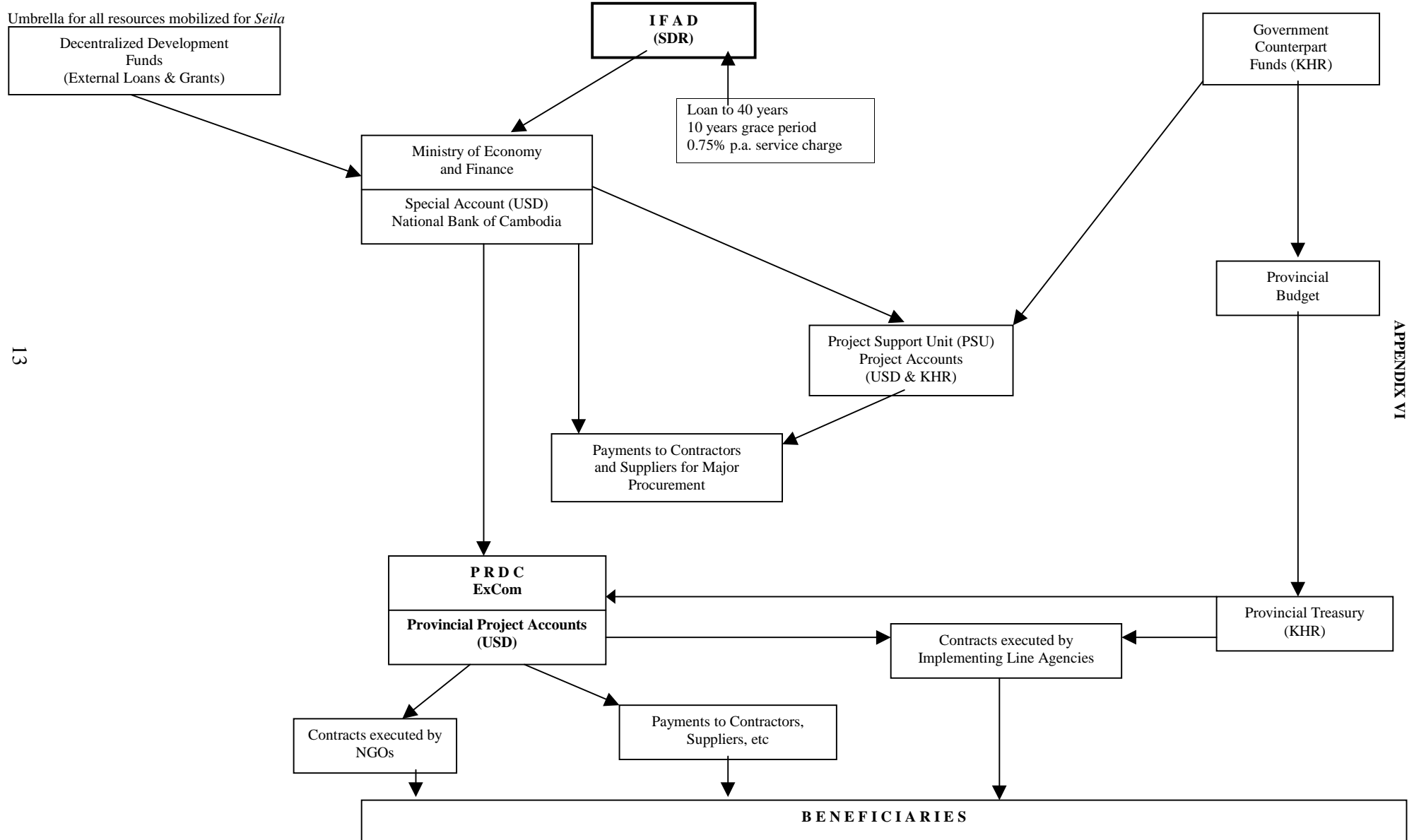
—————> Composition or delivery of services  
 - - - - - Information/Coordination. In line with the Government decentralization policy, the Provincial Government in the project area will be fully responsible for the implementation of the project.  
 <----- Reporting

CDC = Commune Development Committee  
 ExCom = Executive Committee  
 FWUC = Farmer Water-user Community  
 FWUG = Farmer Water-user Group  
 MAFF = Ministry of Agriculture, Forestry and Fisheries  
 MEF = Ministry of Economy and Finance  
 MOI = Ministry of Interior  
 MOP = Ministry of Planning  
 MRD = Ministry of Rural Development

MWRAM = Ministry of Water Resources and Meteorology  
 MWVA = Ministry of Women's and Veterans' Affairs  
 PDAFF = Provincial Department of Agriculture, Forestry and Fisheries  
 PDLMUPC = Provincial Department of Land Management, Urban Planning and Construction  
 PDOP = Provincial Department of Planning  
 PDRD = Provincial Department of Rural Development  
 PDWVA = Provincial Department of Women's and Veterans' Affairs  
 PRDC = Provincial Rural Development Committee  
 PSWRAM = Provincial Services of Water Resources and Meteorology  
 VDC = Village Development Committee

1/ To be replaced by Commune Council after the elections in 2001.

**CHART 2: FLOW OF FUNDS**



**ECONOMIC AND FINANCIAL ANALYSIS****A. Financial Analysis**

1. A detailed financial and economic analysis was undertaken during both project formulation and appraisal. Two groups of farm models have been prepared to analyse the impact of the project on the income of target group households, each with three variations depending on whether the farm adopts crop, livestock or crop and livestock technologies. These farm models were designed to pattern the landholdings and resource availability of poor and very poor farm households within the project area. The farm models illustrate the project's expected impact on the incomes, food security and labour use of adopting farm households. For the poorest households, two sensitivity analyses have also been run, the first for a household with no draught power and the second for a household with only a single adult. The models show increases in household incomes ranging from 19-61% while the incremental returns to incremental labour range from USD 1.74 to 4.67 per day, which exceed the opportunity cost of labour (USD 0.75-1.00 per day) in the growing season by a substantial amount. Therefore, farmers should have an incentive to adopt the improved crop and livestock production practices. The table below provides a summary of the analysis of the farm models and shows the estimated "with project" and "without project" income from farming activities of the households with different resources and assets.

**Household Benefits and Returns to Labour**

Model  Types of Improvement	Without Project				With Project			
	Total Household Income/ <sup>a</sup> USD	Total Farm Labour Days	Return to Farm Labour USD/day	Total Household Income USD	Total Farm Labour Days	Return to Farm Labour USD/day	Incremental Family Income %	Incremental Return per Incremental Day (USD)
<b>Farm Model 1</b>								
Crop	270	184	0.64	340	200	0.94	26	4.67
Livestock	270	184	0.64	322	215	0.79	19	1.74
Crops and livestock	270	184	0.64	389	231	1.05	44	2.69
- no draught animal	247	148	0.64	370	195	1.12	31	2.66
- labour constraint	187	183	0.64	273	218	1.05	46	3.23
<b>Farm Model 2</b>								
Crop	365	246	0.95	500	289	1.37	37	3.75
Livestock	365	246	0.95	455	301	1.16	25	2.09
Crops and livestock	365	246	0.95	587	331	1.50	61	3.09

<sup>a</sup> Including farm and non-farm income in both the "with" and "without" project situations.

2. Labour should not be a constraint as households with two people working, of whom one is only available for 50% of the time, can provide the extra labour required and more. The analysis shows that a farm family with one working member and with 0.71 ha should also be able to provide all the labour required. This type of household with a "without project" annual household income of USD 187 is among the poorest 10% of the population. While such households have a good incentive to adopt improved crop and livestock technology, with a 46% increase in income and an incremental return to incremental labour in excess of USD 3 per day, the household will still be poor (among the poorest 20% of the population), but no longer destitute. In a low-output labour-intensive farming system, there are limits to the scope for increasing incomes of households with limited labour resources.

**B. Economic Analysis**

3. The economic viability of the project has been evaluated over a 20-year period. Benefit streams have been calculated on the basis of the net annual value of the incremental crop and livestock production based on the assumption that 15% of farmers in the project area take up the production packages by PY10. Benefits from drinking water supply and road access are based respectively on reduction in the costs of water collection and transport of goods. Crop production benefits include those from areas benefiting from investments in irrigation and water control. Cost streams have been adapted from the annual project costs and include all the project costs and the cost of support services beyond the life of the project.





4. The overall economic internal rate of return of the project, including all costs and quantified benefits, is 17%. Switching values at a discount rate of 10%, the estimated opportunity cost of capital in Cambodia, indicate that the project can sustain a 63% reduction in benefits or a 59% increase in project costs before becoming uneconomic.

5. Separate analyses have been prepared for each type of infrastructure investment. Investment in irrigation and water control gives a return of 13% with a capital cost of USD 600 per ha, i.e., the maximum level in Kampong Thom and the preliminary estimated costs for Stung Phe and Boeng Nimol but without including any benefits from flood control. Investment in village water supplies gives a rate of return of 15% based on the value of the labour saved in collecting water, but excluding any benefits from improved health or from the economic value of the incremental water used. Finally, while the saving in transport costs gives a return of only 2% on the investment in road improvements, this excludes any benefits from any increased traffic generated as a result of the road improvement or from the social benefits that access roads provide, e.g., access to marketing opportunities, education, health and other services.

### C. Benefits and Beneficiaries

6. The project will have both direct and indirect beneficiaries. About 39 150 households will benefit directly from the agricultural development programme. It has been conservatively assumed that improved production technology is adopted on about 15% of the available paddy land (3 195 ha) and that the average households cultivate about 1 ha each. It is likely that most of these households will adopt both crop and livestock improvements. Similarly, those benefiting from project investments in irrigation (of a command area of 4 700 ha) are included within this number.

7. The project will also benefit households by improving roads and market access. Over the project period, a total of 200 km of rural access roads will be improved. The economic analysis of roads assumes that each village has about 1.7 km of roads, and that on average the number of rural households per village is 143 and 219 in Kampong Thom and Kampot respectively. On this basis, about 21 176 households will benefit from the rural access road sub-component. Clearly many of the households benefiting from agricultural extension will also benefit from the roads. These others will include petty traders, village transporters, civil servants, migrant labourers, schoolchildren, and landless people doing casual labouring jobs within the village. The same is true of those who will benefit from the rural water supply sub-component. Members of villages who do not adopt agricultural extension recommendations may nevertheless benefit from access to clean water supplies. Landless households, the elderly and/or those who may be unwilling to change their cultivation practices may well be among those who live near to a well. It is assumed that about 30% of the total number of beneficiaries from roads and drinking water will be incremental, i.e., benefiting from these sub-components only.

8. **Government budgetary implications and cost recovery.** As the government will continue to finance the basic salaries of all staff and there will be no incremental staff, the costs to the government for staff salaries will remain unchanged throughout the project period and thereafter. The only activity that will continue after the end of the project period is the agricultural and livestock demonstration and extension programme. To ensure continued full-time working by the project staff, the government will need to finance the running costs for the agricultural extension programme after PY7 with an estimated annual cost of USD 176 750 in the two provinces, of which USD 96 000 is for project allowances. In addition, the government will continue to incur the costs of building maintenance estimated at USD 2 200 p.a. The total annual recurrent costs will be USD 178 950 from PY8. However, with the expected reform of the civil service, the government should be able to finance the costs of project allowances from savings achieved by reducing staff numbers and increasing salaries to levels where project allowances are no longer needed to ensure full-time working. This assumption reduces the annual costs to USD 82 950 p.a. for the two provinces. The beneficiary groups will be responsible for financing the O&M costs of the infrastructure constructed with project assistance so there will be no added burden to the government budget. Cost recovery will be achieved through beneficiary contributions to the cost of the infrastructure investments, i.e., 10% for irrigation and USD 5-10/household for drinking water supply, depending upon the type of facilities constructed.