



Report and Recommendation of the President to the Board of Directors

Project Number: 42186
September 2008

Proposed Loan and Asian Development Fund Grant Kingdom of Cambodia: Emergency Food Assistance Project

CURRENCY EQUIVALENTS

(as of 1 August 2008)

Currency Unit	–	riel/s (KR)
KR1.00	=	\$0.000242
\$1.00	=	KR4,120

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AQIP	–	Agriculture Quality Improvement Project
CPMU	–	central project management unit
EA	–	executing agency
ECLC	–	early childhood learning center
FAO	–	Food and Agriculture Organization
GACAP II	–	Second Governance Action Plan, 2005–2008
GDP	–	gross domestic product
IA	–	implementing agency
IFAD	–	International Fund for Agricultural Development
IMF	–	International Monetary Fund
MAFF	–	Ministry of Agriculture, Forestry and Fisheries
MEF	–	Ministry of Economy and Finance
MOC	–	Ministry of Commerce
MOEYS	–	Ministry of Education, Youth and Sports
MOWA	–	Ministry of Women Affairs
MOWRAM	–	Ministry of Water Resources and Meteorology
MRD	–	Ministry of Rural Development
NCDM	–	National Committee for Disaster Management
NFSTF	–	National Food Security Task Force
NGO	–	nongovernment organization
PCDM	–	provincial committee for disaster management
PFM	–	public financial management
PPMS	–	project performance monitoring system
PPMU	–	provincial project management unit
SFFSN	–	National Strategic Framework for Food Security and Nutrition
SGIA	–	second-generation imprest account
SOE	–	statement of expenditure
TA	–	technical assistance
TWGAW	–	Technical Working Group on Agriculture and Water
UNDP	–	United Nations Development Programme
USAID	–	United States Agency for International Development
VDC	–	village development committee
WFP	–	World Food Programme

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2008 ends on 31 December 2008.
- (ii) In this report, "\$" refers to US dollars.

Vice-President	C. Lawrence Greenwood, Jr., Operations 2
Director General	A. Thapan, Southeast Asia Department (SERD)
Director	U. Malik, Agriculture, Environment, and Natural Resources, SERD
Team leader	M. Ahmed, Senior Agricultural Economist, SERD
Team members	G. Atay, Principal Counsel, OGC
	G. Bui, Rural Development Economist, SERD
	M. Drilon, Natural Resource Economist, SERD
	A. Guha, Principal Procurement Specialist, Central Operations Services Office
	P. Long, National Project Implementation Officer, Cambodia Resident Mission, SERD
	P. Van Im, Senior National Project Implementation Officer, Cambodia Resident Mission, SERD

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LOAN AND PROJECT SUMMARY

Borrower	Kingdom of Cambodia
Classification	Targeting classification: Targeted intervention Sector: Agriculture and natural resources Subsector: Agriculture sector development Themes: Inclusive social development, sustainable economic growth, capacity development Subthemes: Other vulnerable groups, developing rural areas, institutional development
Environment Assessment	Category C
Project Description	<p>The proposed loan and grant for the Emergency Food Assistance Project will provide short-term transitional support to help the Government of Cambodia meet unexpectedly high expenditure for safety-net programs for the poor and vulnerable affected by higher food, fuel, and agricultural input prices. The proposed Project will finance the Government's expanded compensatory safety-net programs for the consumption and production of food by the poor and vulnerable in selected rural areas of seven provinces in the Tonle Sap Basin, and in selected urban slums of Phnom Penh.</p> <p>The Project will have three components: (i) compensatory consumption support, (ii) productivity enhancement support, and (iii) capacity development for emergency response to the food crisis and project management.</p> <p>The expected major activities supported by the project will include</p> <ul style="list-style-type: none">(i) free distribution of rice to the most vulnerable population groups in the Tonle Sap Basin;(ii) limited food distribution (cash transfer or voucher system) to the poor and vulnerable for food purchase in urban slums of Phnom Penh (Beungkok, Stung Meanchey, and the Riverside);(iii) provision of food for the Government's school feeding and take home ration programs, to benefit students in grades 1–4 and families of selected girl students in grades 4–6;(iv) provision of food to children in selected early childhood learning centers (ECLCs);(v) creation of employment for the landless and low-income households through a food-for-work program;(vi) provision of appropriate seed and fertilizer for small and marginal farmers whose capacity to purchase inputs has been significantly eroded by price increases;(vii) development of a system for emergency food security reserve and rapid response; and(viii) strengthening of the capacity of implementing agencies.
Rationale	Cambodia has been badly affected by soaring food prices. The domestic price of rice and fertilizer has doubled over past year, while meat and fish prices have increased 30%–60%. The rice price increase has accentuated

the vulnerability of food deficit households, including the urban poor. In addition, input price increases threaten immediate future food production as farmers reduce fertilizer use, thereby reducing paddy yield, which is one of the lowest in Asia even in the best years. Gasoline price increases have increased the cost of transport, processing, and water pumping for irrigation. Consequently, poverty and hunger have increased; migration to urban areas and movement of people across the borders (Thailand and Viet Nam) have also increased. School attendance has declined as children are reportedly joining the workforce in order to help families, and in some cases have stopped coming to classes because of the discontinuation of the school feeding program. Some families are selling land and other assets to buy food and necessities. Home-based crafts are on the decline because raw material prices have escalated.

The rate of inflation has been accelerated by the combined effects of the surge in the price of food, inputs, and fuel. The situation has created additional demands on the Government's limited revenue base, and threatened the livelihood of millions of vulnerable Cambodians. The Government recognizes the need to immediately strengthen safety-net programs for the most vulnerable population to cope with the drastic rise in their food bills. It has released 300 tons (t) of rice onto the open market in order to bring down rice prices. In addition, the Government has contributed 4,000 t of rice to the World Food Programme feeding program, including school feeding. It is under these dire circumstances that the Government has requested emergency assistance from the Asian Development Bank (ADB) to augment its ongoing efforts and help offset some of the short-term human costs of this exogenous shock.

The proposed Project is an integral part of the overall commitment made by ADB in May 2008 at its Annual General Meeting in Madrid, Spain to provide assistance to countries hit hard by food price rises. Those most vulnerable to food price shocks need to be protected from nutritional deprivation, erosion of their real purchasing power, and asset alienation. It is proposed that the project financing should be covered by ADB's *Disaster and Emergency Assistance Policy* to support urgent mitigation measures by the Government in order to tackle the food price crisis.

Impact and Outcome

The expected impact is reduced vulnerability of food-insecure households in Cambodia. The expected outcome is improved access to sufficient food and production inputs by food-poor Cambodians in the target provinces. The Project will improve the food security of an estimated 500,000 poor and vulnerable people affected by higher food prices. Food intake by the poor will increase, while the lowest quintile of farmers (the poorest 20% of the national population) will be able to increase food production. Employment and income of households with limited purchasing power will increase. The Project will reduce poverty of low-income groups, and will strengthen the capacity of the Government institutions involved in emergency food assistance. The focus of the Project will be on improving access of the poor to food, income, and livelihood support. The Project will assist in relieving fiscal pressures caused by a sharp rise in safety-net program expenditure.

Project Investment Plan

The investment cost of the Project is estimated at \$40.08 million, including taxes and duties of \$3.54 million.

Financing Plan

It is proposed that ADB provide a loan of \$17.50 million equivalent in special drawing rights and a grant not exceeding the equivalent of \$17.50 million, both from its Special Fund resources, in order to finance 87.32% of the total Project cost. The Government will provide \$5.08 million (12.68% of the total Project cost) to finance taxes and duties of \$3.54 million and recurrent costs of \$1.54 million. The loan portion will carry an interest rate of 1% per year, a maturity of 40 years and a grace period of 10 years, with repayment of principle at 2% per year for the first 10 years after the grace period, and 4% per year thereafter. Interest charges on the loan are to be capitalized.

(\$ million)		
Source	Total	Percent
Asian Development Bank ADF Grant	17.50	43.66
Asian Development Bank ADF Loan	17.50	43.66
Government of Cambodia	5.08	12.68
Total	40.08	100.00

Cambodia is eligible for an Asian Development Fund grant. Its fiscal and foreign exchange resources plus its donor funds are inadequate to meet the required wide-ranging emergency support arising from soaring food, input, and energy prices. Cambodia's debt sustainability analysis suggests the necessity to channel a significant portion of development assistance into grants for years to come.

Period of Utilization

1 October 2008 to 30 September 2011

Estimated Project Completion Date

31 March 2011

Executing Agency

Ministry of Economy and Finance (MEF)

Implementation Arrangements

The project will utilize existing effective delivery mechanisms and institutions, and enhance their capacity, as appropriate. MEF will be the executing agency of the Project. The proposed implementing agencies will be (i) Ministry of Agriculture, Forestry and Fisheries (MAFF) for the seed and fertilizer assistance; (ii) Ministry of Rural Development (MRD) for the food-for-work program; (iii) Ministry of Water Resources and Meteorology (MOWRAM) for the food-for-work program; (iv) the Ministry of Commerce (MOC) for the emergency food security system; (v) National Committee for Disaster Management (NCDM) and provincial committee for disaster management (PCDM) for overall coordination, management, and distribution of food and input assistance, and establishment of the emergency food security reserve and rapid response system; (vi) Ministry of Education, Youth and Sports (MOEYS) for the school feeding program; (vii) Ministry of Women Affairs (MOWA) for the ECLC feeding program; and (vii) commune councils and village development committees for identification of target groups and distribution of food and inputs.

The National Food Security Task Force, headed by MEF, with

representation from concerned Government ministries and agencies and key development partners, will provide overall policy guidance to Project implementation. A central project management unit, led by a Project director, will be established at MEF to oversee daily implementation. Provincial project management units (PPMUs) will be established at the PCDM in all seven Project provinces. Interdepartmental coordination will be assured by NCDM at the central level, and by PCDM (chaired by the provincial governor) at the provincial level.

Project funds will flow from ADB to MEF, which will establish a project imprest account at the Cambodian National Bank. Funds will flow to various implementing agencies to finance activities they are individually responsible for. Each PPMU will establish a second-generation imprest account at the Cambodian National Bank. ADB will audit the use of the loan proceeds in accordance with its fiduciary responsibilities and verify the accuracy of the Government's certification.

Procurement

The Project will entail procurement of rice, seeds, fertilizers, vehicles, office equipment, and a large number of community-based civil works under the food-for-work program. All procurement to be financed under the Project will be carried out in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). Retroactive financing for a maximum of 30% of the total loan, grant, and technical assistance (TA) amounts will be considered for eligible expenditure if incurred not earlier than 22 August 2008 and provided that the expenditure is in compliance with the following conditions: (i) it is in accordance with acceptable procedures specified by ADB, (ii) it is verified by ADB, (iii) it is certified by MEF, and (iv) the certification is acceptable to ADB. ADB will audit the use of the loan proceeds in accordance with its requirements on fiduciary management and control, and verify the accuracy of the Government's certification. The Government has been advised by ADB that provision of retroactive financing does not commit ADB to finance any part of the Project. The borrower will review the relevant agency's capacity to ensure compliance with ADB's *Procurement Guidelines*. Flexible procedures pursuant to the provisions under ADB's *Procurement Guidelines* will be adopted.

Project Benefits and Beneficiaries

The proposed Project will enhance Cambodia's capacity to respond to food emergencies and cope with the global food price increase. The Government will be able to expand its modest safety-net programs, which could not be put in place due to severe budget constraints. The nutritional status of the Cambodian people will improve. This is particularly crucial for the people who are chronically vulnerable and are therefore at risk of undernutrition and malnutrition. Groups that are likely to benefit most from the Project are landless households, daily casual laborers, female-headed households, the handicapped (physical and chronic illnesses like tuberculosis and AIDS), the lowest quintile of farmers (the poorest 20% of the national population), family fishers, ethnic minority groups, vulnerable school children, pregnant and lactating mothers, fixed-salary workers, and urban slum dwellers. Rice production will increase; increased production will come from area expansion and yield increase due to improved rice seeds, fertilizer, and irrigation facilities. The food-for-work program will generate the much-needed employment for vulnerable households and create community assets. Improved market links will aid marketing and

increase family cash incomes. The food price crisis has highlighted the point that the natural resources of Cambodia—land, water, forests, and fisheries—must be conserved and used in a sustainable way in order to enhance food security for all Cambodians and to improve the quality of life. Government, nongovernment, and civil society organizations will become better equipped to deal with any food crisis in the future, especially in terms of reducing human suffering. Budget management will be improved in terms of prioritization and activity expansion in a sustainable way.

Capacity of the people at the grassroots level to help themselves will be enhanced. There will be greater synergy between various development interventions. This, together with the coordinated donor response to the food price crisis, will have greater multiplier effects. Collaboration among government and nongovernment organizations will increase, and the Government's deconcentration and decentralization policy may receive added impetus. Positive macroeconomic impact will flow from reduced inflationary pressures, which threaten Cambodia's growth prospects. About 500,000 residents, or 89,000 households, living in and around the Tonle Sap Basin will benefit from the proposed project assistance. The use of quality seed and fertilizer, combined with extension advice on their optimal use, will open the door for longer-term productivity growth and enhanced food supply.

Risks and Mitigations

The Government's social safety-net programs for protecting the poor and vulnerable groups are underdeveloped, and relevant institutions are weak in their capacity to run the social safety-net programs. The concept of a food security reserve system is relatively new to the country, and concerned institutions lack operational skills and management experience. The Project design provides for addressing these institutional weaknesses through one of the Project outputs (component 3, Capacity Development for Food Crisis and Project Management). The component scope provides for (i) establishment of an independent monitoring system, (ii) establishment of a system of emergency food reserve and rapid response, and (iii) strengthening of the capacity of the executing agency and implementing agencies.

The governance of the program will have built-in transparency and accountability, with output monitoring and independent evaluation of effects and impact. The Project and attached TA include definitive fiduciary oversight of the funds provided and disbursed.

Immediate procurement program may at risk if there is a shortage of grain, seed, and fertilizer for purchase domestically, in which case prices are likely to rise. This risk can be mitigated by staggering the purchase of grains and extensive canvassing among potential suppliers to ensure adequate supply at reasonable price both within the Project provinces and other surplus localities. Given that seed supply sources in the country are limited, AQIP Seed Company has been identified as the main supplier of seed, and provision has been made for direct procurement of seed from seed producers associations, if needed, for distribution to target farmers. Since the divestment of the national agricultural inputs supply company, the private sector has successfully evolved as the importer and supplier of fertilizer to local markets across the country.

Linking of short-term safety-net programs with long-term productivity improvement measures will be a challenge, as it will require speedy design and implementation of investment projects by a multitude of Government agencies whose capacity is limited. The Government recognizes the challenge and has initiated actions to accelerate implementation of ongoing projects aimed at production improvement and livelihood development. The Government has also attached priority to the pipeline projects of its bilateral and multilateral development partners that will target rural development and poverty reduction.

The success of the Project relies on effective community mobilization in the proper identification and selection of target groups. The Project will mobilize local nongovernment organizations (NGOs) to supervise and monitor target-group selection, and distribute food and inputs. A grievance mechanism will be set up by the executing agency to address public grievance with regard to procurement and distribution irregularities.

Due to the large volume of emergency food to be distributed, there are potential risks in the areas of storage and distribution. Enhancement of public sector food storage capacity is now a priority for the Government, and it has taken steps to establish emergency food warehouses in strategic locations. The Government is currently working with the rice millers association and Green Trade to use their storage facilities. The Project procurement system will include delivery to the commune distribution points. Commune council buildings and facilities will be used for temporary storage prior to distribution to villages.

Technical Assistance

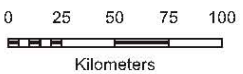
An attached TA project of \$1.6 million will accompany the Project to strengthen the Government's capacity to deal with food crisis and related emergencies with the involvement of MAFF, MRD, MOWRAM, MOC, NCDM, PCDM, and commune councils. ADB will finance the TA of \$1.5 million on a grant basis from its TA funding program, and the Government will contribute \$100,000. The TA fund, together with the allocated fund under component 3, will help to (i) establish an independent monitoring system to oversee target-group selection, distribution of food and inputs, organization and management of the food-for-work program, and compliance with fiduciary requirements; (ii) develop a system of emergency food reserve and rapid response; (iii) strengthen the Government's longer-term capability to deal with food emergencies; and (iv) manage and monitor Project implementation.

MAP

CAMBODIA EMERGENCY FOOD ASSISTANCE PROJECT



- Project City/Town
 - National Capital
 - Provincial Capital
 - City/Town
 - National Road
 - Other Road
 - Railway
 - River
 - Provincial Boundary
 - International Boundary
- Boundaries are not necessarily authoritative.



I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed loan, and (ii) a proposed grant, both to the Kingdom of Cambodia for the Emergency Food Assistance Project. The report also describes proposed technical assistance (TA) for Strengthening Institutional Capacity for Emergency Response to Food Crisis and Improving Food Security, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, will approve the TA.

II. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES

A. Performance Indicators and Analysis

2. **The Global Food Price Crisis.** The surge in food prices since early 2008 has caused the world food situation to take a dramatic turn, impacting the poor and vulnerable people who spend a substantial part of their income on food. Many countries are facing the challenge of sharp increases in food and fuel prices threatening macroeconomic stability and overall growth. Poor households in the cities, smallholders, landless and marginal farmers who are net food buyers, and nonfood producers in rural areas who spend a large share of their incomes on food, are the most adversely affected.

3. Falling stocks of food grains (such as rice and wheat), growing imbalance in supply and demand due to rising demand for food, and unilateral trade policy measures undertaken by countries to ensure domestic food availability, have exacerbated price instability on world markets and threatened global food security. From mid-2007 to early 2008, international food prices soared drastically. The price of rice almost doubled (98%), wheat rose by 130%, and maize by 38%; meat prices have increased by about 40% during this period. The situation has been compounded by the doubling or more than doubling of fertilizer prices in 2007, followed by the almost doubling of oil prices. While the price pressure has eased a bit in the international market, the general consensus is that the high price regime of inputs and outputs is here to stay, pushing up the inflation rate with consequent negative implications for economic growth.

4. In the current situation of high food prices, providing emergency assistance and supporting agricultural productivity enhancement and income earning by food-insecure people are the main means to reduce hunger and ensure an improved world food situation. Protecting the most vulnerable people in rural and urban areas will require targeted direct food distribution, food subsidies, cash transfers, and nutrition programs, including school feeding. Strengthening social protection is especially important for vulnerable groups, including children, pregnant women, the HIV infected, and the elderly. As a short-term response, support for boosting local food production is urgently needed. These measures should include the distribution to small-scale farmers of seed, fertilizer, animal feed, and other inputs through vouchers or other forms of subsidies. If implemented effectively, such programs are expected to (i) increase supply in poor countries and, thus, improve food availability; and (ii) increase the income of small producers. They may also reduce price increases in local markets.

5. The UN Food and Agriculture Organization (FAO), World Bank, ADB, International Fund for Agricultural Development (IFAD), and many others have called for urgent and immediate assistance for social safety-net and production enhancement programs. FAO has called for \$1.7 billion to provide low-income food-deficit countries with rice seeds, fertilizers, and other inputs to boost production. ADB has pledged to provide \$0.5 billion in immediate support to member countries on a priority basis in 2008, and an additional \$1 billion in 2009 to support medium- to long-term investment in agricultural and rural development.

6. **Cambodian Gross Domestic Product Growth.** Cambodia has experienced continued and significant economic growth in recent years, but growth of the agriculture and natural resources (ANR) sector has lagged and it has been fluctuating widely depending on variations in weather patterns and occurrence of natural calamities. The importance of the ANR sector in the development process for poverty reduction and food security, and the need for a holistic approach to rural development, is reinforced by the food price crisis. Total gross domestic product (GDP) grew steadily at an average annual rate of nearly 10%, ranging between 6.6% and 13.3%, during 2001–2007; the corresponding rate for agriculture was 5.8%, fluctuating between –2.5% and 15%. Fluctuations in agricultural growth performance, coming mainly from the crops sector (especially paddy) will have implications for household food security, and can exacerbate the poverty situation further in the absence of alternative employment opportunities. The modest single-digit inflation rate of the early 2000s has more than trebled to a record rate of 18.7% in January 2008, according to unofficial estimates of the National Institute for Statistics; the inflation rate has now exceeded 25%, according to the International Monetary Fund (IMF). Higher international oil and food prices, higher prices of imported goods due to the depreciation of the riel and dollar, and very high growth in commercial bank lending are the main sources of inflation in Cambodia. The annual food price inflation of 24%, combined with slowing garment exports due to weaker external demand and heightened regional competition, led the IMF to reduce GDP growth projections for 2008 from 9.5% to 7%.¹ The Government has undertaken a number of measures, including credit control by raising reserve requirements, to curb inflation.

7. **The Food Price Crisis and Implications for Cambodia.** As a result of the unprecedented increase in food and fuel prices, Cambodian-marketed paddy has quickly found its way to neighboring countries lured by relatively high prices. Cambodian farmers, many of whom sell paddy right after harvest under compulsion to pay back loans taken from moneylenders and traders, have benefited little from the rise in international prices. On the contrary, these farmers, along with other food deficit families, had to buy rice on the domestic market at a much higher price. Across the country, 85% of the population live in rural areas, 40% of the households are landless or land poor, and nearly 60% of total household expenditure is for food. Over one third of the rural population lives under the poverty line. The consequences of rising prices of food and agricultural production inputs have been severe for poorer households and smallholder farmers. The situation has triggered the sale of household assets, increased the taking out of high-interest loans (exacerbating the debt trap), decreased school attendance, and increased child labor, and resulted in internal migration pressure.

8. Household food stocks are declining. The lack of exchange entitlement² is a major source of concern for the vulnerable population in rural and urban areas. The Tonle Sap Basin provinces have been adversely hit by the crisis, since most people of this region either have small agricultural holdings (less than 1 hectare [ha]) or very limited sources of cash income. Rice is the main staple food item in Cambodia and constitutes 50% of the total food consumption of poor families. The high price of rice will impact poverty reduction efforts, and it was predicted that a 10% increase in the rice price would increase the national poverty rate by 0.5%³ (in both rural and urban areas). The increase in rice prices has pushed up the food poverty line, resulting in a substantial addition to the population below the food poverty line. Persistence of this situation could lead to macroeconomic turmoil if it is not properly handled through effective urgent measures, and will

¹ IMF. 2008. Statement by IMF Staff Mission. *Press Release 08/137*. Cambodia. (6 June).

² "A person's exchange entitlement for food is the amount of food the person already owns or can acquire using what the person does own (including labor power) for production and trade." Sen, A. 1981. *Poverty and Famines - An Essay on Entitlement and Deprivation*. Oxford, 257.

³ World Bank. 2008. *Development Research Group Implications of High Global Food Prices for Poverty in Low Income Countries*. Washington DC.

exacerbate hunger and malnutrition among the food-poor population (2.6 million), comprising the urban poor, economic migrants and their families, fixed-income people, wage workers, landless or land poor, poor rural families, and families affected by HIV.

9. **The Longer-Term Burden of Poverty and Hunger.** Cambodia mirrors the global image of underinvestment in agriculture. Degradation of the natural resource base, misallocation in the use of land, declining household food stocks, and lack of exchange entitlement of the poor, combined with a host of cyclical and long-term factors, have affected the supply and demand and prices, and pushed millions of people into the food poverty trap. Paddy rice production increased from 3.5 million t in 1996 to about 6.73 million t in 2007. The milled rice surplus was estimated at 1.64 million t in 2007 (Appendix 2). Much of the marketed surplus finds its way across the border to Viet Nam and Thailand unprocessed. However, this surplus does not mean absence of hunger among vulnerable groups during the wet season (July–November), when household food reserves and market supply are at their lowest, and income sources in rural areas are limited.

10. The Government's efforts to maintain steady macroeconomic growth and stability are being hampered by the need to support the poor and vulnerable groups through feeding programs and income support programs. Due to the high cost of food and budgetary stress, Cambodia's children feeding program has been substantially scaled down, and this is already affecting school attendance and child health. The World Food Programme (WFP) has asked for help, as its resources are inadequate to continue with the feeding program for schoolchildren given the rising price of food, and the necessity to expand its safety-net programs in the country. About 2.6 million Cambodians were food-poor in 2004 on the basis of the food poverty line of \$0.50 per capita per day, according to WFP. The increase in rice prices has pushed up the food poverty line and pushed down the exchange entitlement, resulting in a substantial addition to the population below the food poverty line. Rural poverty in Cambodia is embedded in slow and variable growth of agriculture and the low level of rural sector development, causing persistent low incomes, increasing inequality of income, food insecurity, asset alienation, and marginalization.

11. In Cambodia, population groups at risk from the sharp increase in food prices are landless households, daily casual laborers, female-headed households, the handicapped (those with physical and chronic illnesses such as tuberculosis and AIDS), the lowest quintile of farmers (the poorest 20% of the national population), fisher families, ethnic minority groups, vulnerable school children, pregnant and lactating mothers, fixed-salary workers, and migrant families. These groups include (i) the chronically vulnerable, who lack adequate access to food throughout the year; (ii) the seasonally vulnerable, who lack access to food during the lean season (August–November) when household reserves and market supply of rice are at their lowest; and (iii) others who may be periodically vulnerable due to sudden increases in food prices, such as the one currently experienced. The sudden spike in food prices has significantly deepened suffering of groups (i) and (ii), and has added group (iii) to the pool of the food insecure, creating an unprecedented emergency. Cambodia lacks the means to deal with the underlying cyclical and structural factors causing the food emergency.

12. **Institutional Inadequacies to Deal with Food Insecurity and Emergency.** The Government's long-term strategy for food security, which is to provide local grain storage and reduce post-harvest losses at the farm gate, is yet to be realized. Limited private and public storage and processing capacity is a major constraint in dealing with seasonal production fluctuations. Consequently, parts of the country still experience food deficits due to production shortfalls as well as distribution and infrastructure constraints. In the absence of an effective and functioning emergency procurement system or strategic reserve to deal with the food crisis, WFP and other donors have worked with the National Committee for Disaster Management (NCDM) to develop modest capacity for procurement, transport, storage, and distribution of food at the

national, provincial, district, and local levels. However, due to resource constraints, progress in this regard has been modest. The food price crisis has strained WFP resources and reduced its coverage. The impact of any cutback of WFP's budget, and the absence of substantial Government and other development partner food assistance programs, will be more severe in the Tonle Sap Basin where there is a high concentration of food-insecure people,

B. Analysis of Key Problems and Opportunities

1. Food Price Shocks

13. High food prices have hit the poor and food-insecure households the hardest. In some of the provinces, more than half of the rural households suffer from food deficit during any given year, and this percentage has increased. Field data suggests that the proportion of hungry households is at an all-time high of one third or more. Higher food prices have led families to reduce their consumption, and there is real danger of widespread undernutrition as the country moves into the lean production season over the August–November period. Food assistance must reach food-deprived families at the earliest possible time. In order to fill the rice gap, families' diets may also become less diversified (meat and fish consumption has declined), raising the specter of malnutrition, which is a problem in Cambodia among children, women, and the poor, even at the best of times. As an importer of beef, chicken, pork, and cooking oil, Cambodia has suffered from soaring food prices. As a dollarized economy, Cambodia also received a shock from the recent dollar depreciation, which made non-dollar-denominated imports more costly.

14. Domestic prices of rice have doubled over the past year, as has the price of fertilizer. In some provinces fertilizer prices have trebled; seed prices have gone up by an average of 50% or more, and meat and fish prices have increased by 30%–60%. Notwithstanding the Government subsidy, gasoline prices have nearly doubled. The increase in the price of rice has accentuated the vulnerability of food deficit households, including the urban poor. At the same time, the stability in the food supply at the farm household level in the coming season(s) is being hampered by the high prices of inputs. Input price increases threaten immediate food production, as farmers can no longer afford to buy the required quantities of fertilizers. Reduced fertilizer use is likely to reduce paddy yield, particularly for the poor and marginal farmers. Fuel price increases have, at the same time, increased the cost of transport, processing, and water pumping for irrigation. The reduced paddy yield will reduce both household and market supplies of rice, increase price volatility, and affect the rural economy of Cambodia, which already suffers from many structural factors hindering the growth of the agriculture sector.

15. Vulnerability of the food-poor Cambodians arises not only from export of rice immediately after the harvesting season and the existence of pockets of hunger, but also from the lack of processing and storage capacity in the country. The Government does not have an emergency procurement system or a strategic reserve large enough to deal with a potential food crisis. Rice traders and millers lack capital and banks do not extend adequate finance to them to build private storage and processing capacity. Vietnamese and Thai traders can come in and purchase paddy in bulk. Hence the paradox of food deficit in a country that potentially has surplus. The situation is most acute at the household level, where a combination of debt burden and inadequate storage capacity forces families (food surplus or deficit) to sell much of the grain immediately after harvest. They buy back food later in the season at a much higher price and thus remain extremely vulnerable to any sharp rise in food prices. Chronic and seasonally food-insecure families become even more insecure and suffer nutritional deprivation, while food surplus or potentially food surplus families become food insecure. Their plight is further aggravated by the tendency of local traders to hoard paddy and/or rice through the harvest season and well into the lean season in order to gain maximum price.

2. Poverty and Macroeconomic Impacts

16. **Poverty Impact.** As in other Asian countries, high food prices are undermining gains in poverty reduction efforts in Cambodia. The percentage of the population below the poverty line declined between the mid-1990s and 2004, but the trend seems to have been reversed in recent months due to the slow growth of the agriculture sector and food and input price rises. Food and energy accounts for a disproportionately large share of total household expenditure—up to 80% and above in rural Cambodia. More than 6 million poor people are vulnerable to food and energy price increases. The extent of price increase over the last one year suggests that an additional 2 million people may have slipped below the poverty line, while the existing poor have been experiencing deeper poverty. This is in line with findings from simulation models of the Philippines and Pakistan, and is similar to the experience of Bangladesh. In consultation with the provincial authorities and commune council leaders, ADB has assessed the poverty rate in the rural areas of seven selected provinces at 38%, which is higher than the estimated 35% in the 2004 socioeconomic survey. In Cambodia, due to the increase in rice prices, many families have reduced their usual three daily rice-based meals to two or less, with each consisting of less and less food. It has been reported that children have stopped going to school in order to work elsewhere and bring home additional income for the household. Disease incidence has increased as family expenditure on health has declined. The pressure from food price increases obviously undermines poverty reduction efforts. It is reported that remittances by garment workers to their families in rural areas have declined drastically due to the rising cost of living.

17. **Macroeconomic Impact.** Food demand has increased over the past few years as a result of higher economic growth, the increase (18% in 2007) in tourist numbers to 2 million/year, and higher income among urban and suburban households. Inflation accelerated in 2008, mainly as a result of increases in food prices. At the end of 2007, inflation stood at 10.8% on a year-on-year basis; in the following months, the inflation rate went much higher. Rice prices rose due to domestic supply shortages, and prices of other food items also rose, reflecting rising consumption, including imported food items (mostly from Thailand). The price of meat (pork and chicken) also increased, in part following a ban on meat imports from Viet Nam to prevent the spread of animal diseases. Higher global fuel prices added to inflationary pressures, as did the weakening of the dollar, which is widely used in Cambodia (its depreciation against the Thai baht contributed to imported inflation). High oil prices have driven up the cost of transportation and energy, which are largely oil-dependent. This has added to production costs, which are already high in the present situation of poor rural road infrastructure and expensive electricity. The Government had to allocate \$14 million from the current budget for purchase of grain at a time when much of the road and irrigation infrastructure is deteriorating due to poor maintenance which itself is caused by inadequate budget allocation. This fund represents a subsidy to traders who would have otherwise bought paddy or built warehouses up to that amount had they not diverted their own resources to speculative land purchases. Land grabbing and speculation, combined with frequent turnover of ownership, have caused land prices to increase phenomenally, contributing to inflation. On the other hand, the sale of farm land is affecting production, and dispossessed landowners are now joining the ranks of net food buyers, putting additional pressure on prices. Green Trade, a state-owned company which has had to sell grain at less than market price, has been incurring losses and putting an additional strain on the Government budget. Higher food prices have slowed economic activity in Cambodia as savings and investments are reduced.

3. Immediate Response to Food Price Shocks

18. **The Government Responses.** The food price crisis has created an urgent need for the Government to support and strengthen social safety-net programs, and this has strained its

resources. Despite the absence of established social safety-net programs and institutionalized response mechanisms, the Government has adopted a number of short-term measures to ease the crisis. The National Task Force for Emergency Food Assistance has recently been established to provide strategic direction and policy guidance in coordination with development partners to interventions aimed to support the vulnerable population. The Ministry of Economy and Finance (MEF), Ministry of Commerce (MOC), NCDM, and a number of Government agencies have coordinated their efforts to undertake the following direct and indirect measures:

- (i) Rice export was temporarily banned from all provinces. However, this initial ban was completely lifted in stages, first from the three provinces bordering Viet Nam, followed by the northern provinces bordering Thailand.
- (ii) At the instruction of the Government, Green Trade released approximately 300 t of rice to the market at lower than market price (KR1,800/kilogram [kg] compared with the prevailing market price of around KR2,500/kg). The rice millers association also contributed to this effort. The Government's administrative actions, such as the export ban and release of stock by Green Trade during the height of the food price crisis, had some dampening impact on the market but not enough to fully insulate the poor from food price shocks.
- (iii) The Government provided WFP with 4,000 t of rice to support (a) the school feeding program and take home ration or food scholarships, and (b) people with AIDS or tuberculosis.
- (iv) Duties on food imports were reduced to zero.
- (v) The Government removed the ban on pork imports.
- (vi) Some business taxes were suspended so that concerned companies could increase the salaries of employees.
- (vii) In order to stem the flow of paddy to neighboring countries, the Government provided a \$10 million cash flow facility to the Rural Development Bank to extend short-term loans to the private sector for purchase of paddy.
- (viii) Green Trade received a cash flow facility of \$4 million from the Government to purchase rice.
- (ix) In moderating inflation caused by rising food prices, the Government continued to implement tight control on fiscal policy and stabilize the exchange rate. There is also a growing role for monetary policy in controlling the rapid growth in money supply (63% in 2007).⁴
- (x) The Government has continued past policies geared towards expanding food and other agricultural production. These include improving the availability of high-yield seed supply, strengthening disease and pest control, providing more irrigation facilities for dry paddy lands, and increasing the popularity of the system of rice intensification, which contributed to improving land productivity.
- (xi) The Government's spending on agriculture has trebled since 2001, which excludes capital spending for construction of rural roads and irrigation facilities.

19. In addition, the Government approached its development partners for support in tackling the problem of soaring food prices. ADB received a request from the Government to provide assistance of \$30 million to finance its emergency measures against the negative effects of soaring food and agricultural inputs prices on the poor and vulnerable groups in Cambodia. A similar request was sent by the Government to the World Bank. WFP, FAO, and other donors have worked with the Government to develop a modest capacity for procurement, transport, storage, and distribution of food at the national, provincial, district, and local levels. However, due to resource constraints, the progress with the program development and its coverage has been

⁴ IMF. 2007. *Monetary Survey, 2007*. Cambodia.

modest. WFP has identified food-insecure people and their locations throughout the country. It has targeted to provide assistance to 1.5 million of the 2.6 million food-insecure people under its Protracted Relief and Recovery Operation⁵ through food-for-work and school feeding programs, support to tuberculosis and HIV victims, vocational training, and mother and child health activities. However, funding shortages may halve that target.

20. **ADB and Development Partner Response.** Following the Government's request for assistance to deal with the food price crisis, ADB, World Bank, United Nations Development Programme (UNDP), IFAD, FAO, WFP, United States Agency for International Development (USAID), and a number of development partners have coordinated their efforts to assess the country's immediate needs for supporting the food-insecure population. The ADB Reconnaissance Mission which visited Cambodia from 26 May to 6 June 2008 joined the development partners and conducted a preliminary needs assessment for the emergency food assistance project. The ADB mission conducted joint and separate field visits to provinces around the Tonle Sap Basin, where the food poverty rate is one of the highest. According to WFP, 40% of the food-insecure people live in the Tonle Sap Basin, which is home to 30% of the national population. A severe erosion of the purchasing power measured by change in terms of trade of milled rice against daily wages was observed in the Tonle Sap Basin (23.08%) as compared to the national average (15.04%). At the invitation of the Government, an ADB fact-finding mission visited Cambodia from 23 June to 4 July 2008. The mission had meetings with relevant stakeholders and representatives of donor partners, nongovernment organizations (NGOs), and the private sector.

21. The mission agreed with the Government and the development partners that the target of ADB assistance will be mainly the Tonle Sap Basin, which has been the main priority for medium- to long-term ADB intervention under the Tonle Sap Initiative, considering the high incidence of poverty and greater vulnerability of the basin ecosystem.⁶ A summary matrix of external assistance to food security is outlined in Appendix 3. The mission visited seven provinces in the Tonle Sap Basin—Banteay Meanchey, Battambang, Kampong Chhnang, Kampong Thom, Pursat, Odor Meanchey and Siem Reap, — to discuss with local stakeholders (i) the impacts of soaring prices of food and crop inputs, (ii) delivery mechanisms of ADB's assistance to ease negative impacts in the short term, and (iii) integration of appropriate measures in the Government's existing strategies to address medium- and long-term food security issues. In addition, the mission visited those extremely vulnerable slum communities (Beungkok, Stung Meanchay, and Riverside) in Phnom Penh where the Government plans to extend its social safety-net program.

4. Needs Assessment

22. The needs assessment was conducted in cooperation with key development partners, particularly WFP, to examine the impacts of soaring prices on Cambodia as a whole and on the poor section of the economy in order to provide a basis for prioritizing external assistance. In

⁵ WFP. 2008. *Protracted Relief and Recovery Operation*. Cambodia.

⁶ The three ongoing Tonle Sap Initiative projects: (i) ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Kingdom of Cambodia for the Tonle Sap Environmental Management Project*. Manila; (ii) ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Asian Development Fund Grant to the Kingdom of Cambodia for the Tonle Sap Sustainable Livelihoods Project*. Manila.; and (iii) ADB. 2007. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Asian Development Fund Grant to the Kingdom of Cambodia for the Tonle Sap Lowland Rural Development Project*. Manila. Have focused on resource management, capacity building, and rural infrastructure improvement in various agroecological and environmental zones of the Tonle Sap Basin. In addition, the upcoming Tonle Sap Poverty Reduction and Smallholder Development Project: ADB. 2007. *Technical Assistance to the Kingdom of Cambodia for Preparing the Tonle Sap Poverty Reduction and Smallholder Development Project*. Manila will support productivity improvement and household income diversification with better risk management; improved market access with biosecurity and information and communication technology, and institutional strengthening with good governance and effective service delivery.

particular, it analyzed the situation in the Tonle Sap Basin, where poverty incidence is already very high and where ADB has ongoing and planned intervention projects under the Tonle Sap Initiative. The findings of the assessment are summarized as follows:

- (i) In 2007, Cambodia had a surplus of approximately 1.3 million t of rice, but this scenario is likely to change. Estimates show that production in 2008–2010 might decline as a consequence of higher prices of inputs such as rice seeds and fertilizer, putting further pressure on domestic food price inflation. The higher the input prices, the less quality inputs smallholders will use, resulting in lower per-hectare yield. A conservative estimate indicated that the national surplus will fall to 754,000 t in 2010 if the price trend continues upwards. This level will drop further in the event of a minor price shock.
- (ii) Rising food prices have seen the purchasing power of households nationwide decline significantly. This is most evident in the poor section of the economy, where people lack resources to generate additional income to compensate for the loss due to high prices. It is estimated that, other things being equal, the Cambodian poor need \$387 million in the current year to equalize their rice purchasing power of 2007.
- (iii) Aside from the loss in rice purchasing power, the rising prices of inputs such as rice seeds and fertilizers have significantly increased the financial burden of the low-income and poor farming communities, and is estimated at \$119 million.
- (iv) Together, the two shocks of soaring food and input prices have increased the burdens of the poor households nationwide by \$506.5 million.
- (v) The equivalent estimate for households in and around the Tonle Sap Basin alone is \$209.9 million, or 41.4% of the nationwide purchasing power loss. The food, seed, and fertilizer purchasing power for the lowest 20% quintile of the population is estimated at \$86 million. With around 30% of the national population, this suggests that the Tonle Sap Basin is suffering more seriously than the rest of the country and needs emergency responses from the Government and development partners. Detailed estimates are outlined in Supplementary Appendix A.

5. Government Strategy

23. In 2004, the prime minister of Cambodia presented the Rectangular Strategy for Growth, Employment, Equity and Efficiency at the Third Legislature of the National Assembly. The strategy stressed the need “to improve agricultural productivity and diversification, thereby enabling the agriculture sector to serve as the dynamic driving force for economic growth and poverty reduction”. This priority has now taken on greater importance in light of the current global situation where soaring food and fuel prices are severely affecting the poor, and undercutting achievements made in poverty reduction. The Technical Working Group on Agriculture and Water of the Ministry of Agriculture, Forestry, and Fisheries (MAFF) and the Ministry of Water Resources and Meteorology (MOWRAM) has formulated the Strategy for Agriculture and Water 2006–2010⁷ which includes five action programs, including one on food security. The Working Group on Food Security has prepared Cambodia’s National Strategic Framework for Food Security and Nutrition (SFFSN)⁸ covering the period 2008–2012, the stated goal of which is that by 2012, poor and food-insecure Cambodians will have substantially improved physical and economic access to sufficient, safe, and nutritious food at all times, in order to meet their dietary needs and food preferences for an active and healthy life. This is to be achieved through increased food production and employment creation, better natural resource management, improved food use and utilization,

⁷ Technical Working Group on Agriculture and Water. 2008. *Strategy for Agriculture and Water 2006–2010*. Cambodia

⁸ Technical Working Group on Food Security. 2008. *National Strategic Framework for Food Security and Nutrition, 2008–2012*. Council of Agriculture and Rural Development. Cambodia.

enhanced capacity to cope with food shocks, and policy and institutional reform. However, Cambodia's efforts to maintain the SFFSN's goal and objectives are being threatened by escalating food prices, high prices of crop inputs, and budgetary stress. Over the medium- to long-term, the Government's main priorities in the ANR sector are improved productivity, increased value addition from production, improved food security and nutrition, enhanced energy security, and the introduction of measures to combat the effects of climate change. These are to be achieved through improved research and extension, increased public investment in land and water, increased private investment in marketing and the export chain, crop diversification, and policy and institutional reforms.

6. Medium- and Long-term Assistance to Address Food Security

24. In the ANR sector, Cambodia received \$184 million for nine loans, \$30 million for two grant projects, and \$18 million for 26 technical assistance (TA) projects from ADB since 1994. ADB's operations in Cambodia are defined by a three-pronged strategy of (i) policy and institutional reform including governance reform, (ii) rehabilitation and construction of physical and social infrastructure, and (iii) natural resource management. The first Agriculture Sector Program⁹ (1996–2000), addressed land legislation, agricultural inputs, rural infrastructure, rural finance, public enterprises, and decentralization. The subsequent Agricultural Sector Development Program¹⁰ is an attempt to fill the gaps of the Agriculture Sector Program and to deepen the reform process with a view to improving productivity and promoting diversification, private agro-based enterprise growth, and agricultural commercialization by improving access to production factors, quality inputs, and good research results, and by eliminating state intervention in input and output markets.

25. ADB's country strategy and program¹¹ for 2005–2009 aims to (i) foster broad-based private sector-led economic growth, (ii) support inclusive social development, and (iii) strengthen governance for development. ADB's country operations business plan¹² for 2008–2010 for Cambodia seeks to enhance rural development to foster more inclusive growth, and to accelerate poverty reduction, especially around the Tonle Sap Basin. In addition to providing immediate assistance through the Emergency Food Assistance Project, subsequent interventions will be sequenced to ease some of the key binding constraints to accelerated agricultural and rural development. Interventions will mostly be geared towards (i) improving the management of water resources and irrigation assets, as well as mitigating flood and drought risk; (ii) expanding the connectivity internally between rural roads and the provincial and national network, and externally with emerging subregional transport corridors; (iii) fostering the development of smallholder agricultural producers; and (iv) widening access for the poorest to rural water supply and sanitation and strengthening local community management capacity. These will be accompanied by private sector development and risk management through governance reform. In agriculture, the focus will shift to rural infrastructure and transport, rural credit, skills development, rural electrification, and service delivery (Appendix 2).

26. In the medium to long term, ADB's assistance will provide the basis for (i) productivity growth; (ii) promoting biosecurity; (iii) improving access to information and communication technology; (iv) improving market access and income diversification; (v) better risk management; (vi) continued dialogue with the Government to deepen and widen policy reform; and (vii)

⁹ ADB. 1995. *Report and Recommendation of the President to the Board of Directors for the Proposed Loan and Technical Assistance Grant to the Kingdom of Cambodia for the Agriculture Sector Program*. Manila.

¹⁰ ADB. 2003. *Report and Recommendation of the President to the Board of Directors for the Proposed Loans and Technical Assistance Grant to the Kingdom of Cambodia for the Agriculture Sector Development Program*. Manila.

¹¹ ADB. 2005. *Country Strategy and Program (2005-2009): Cambodia*. Manila.

¹² ADB. 2008. *Country Operations and Business Plan (2008-2010): Cambodia*. Manila. (expected to be circulated shortly)

strengthening institutions, enhancing capacity and skills, and promoting good governance. Such assistance would be considered in the broader framework of agricultural linkages to the rural and wider national economy, and in cooperation with other development partners through cofinancing arrangements.

7. Governance and Corruption

27. Good governance is at the core of ADB's operations in its developing member countries including Cambodia. ADB's governance and anticorruption policies and the Second Governance Action Plan, 2005–2008¹³ (GACAP II) adopted in 2006 outline a comprehensive approach to improving public financial management (PFM), strengthening procurement systems, and combating corruption. ADB helped the Government establish the National Audit Authority, which is currently active and functional. ADB also helped formulate the Medium Term Expenditure Framework,¹⁴ which is regularly issued by MEF. Despite efforts by the Government, weak governance continues to be a key challenge. Cambodia adopted the Public Financial Management Reform Program: Strengthening Governance through Enhanced Public Financial Management in December 2004, outlining an action plan for PFM reform in order to raise standards of management and accountability in the mobilization, effectiveness, and efficiency in the utilization of Government resources. In April 2007, the Government agreed to implement GACAP II under the ADB-financed regional TA Governance and Capacity Development¹⁵ project. The World Bank, Department for International Development of the United Kingdom, and ADB have jointly determined that PFM, public administration reform, and decentralization require immediate priority attention. ADB's country strategy and program for 2005–2009 recognizes good governance as critical to improving the responsiveness, cost-effectiveness, and quality of public service delivery.

28. Public procurement, which is an area generally associated with a high level of corruption, is undergoing major reforms. The procurement process lacks effective control mechanisms, and there is no effective regulatory framework to regulate procurement practices. In order to avoid corruption and fraud in the procurement process, the Government mandated the use of Standard Operating Procedures (SOP) and Procurement Manual¹⁶ on 26 February 2007. Both documents are in line with ADB guidelines. Internal control procedures specified in the SOP and Financial Management Manual¹⁷ are applied in project management, internal control, and reporting. ADB looks at public financial management as an enabling condition for poverty reduction and good governance. Under a proposed ADB-funded project,¹⁸ assistance will be provided to improve PFM capacities for achieving aggregate fiscal discipline in rural priority sectors in order to improve service delivery to the rural population.

8. Lessons

29. Public procurement and distribution of food through an emergency food reserve system and regular safety-net programs are relatively new to Cambodia. WFP and a number of NGOs have been supporting safety-net programs, such as food-for-work and food-for-education programs, and tuberculosis and AIDS sufferers for a number of years. These programs are usually run through

¹³ ADB. 2006. *Second Governance and Anti-Corruption Action Plan (2005–2008)*. Manila.

¹⁴ ADB. 2006. *Medium Term Expenditure Framework*. Manila.

¹⁵ ADB. 2006. *Technical Assistance for Governance and Capacity Development Initiative*. Manila.

¹⁶ (i) Kingdom of Cambodia. 2005. *Standard Operating Procedures for Externally Financed Projects/Programs in Cambodia*. Phnom Penh (August).; and (ii) Kingdom of Cambodia. 2005. *Procurement Manual, Volume I, Policies and Procedures for Externally Financed Projects/Programs in Cambodia*. Phnom Penh (September).

¹⁷ Kingdom of Cambodia. 2005. *Financial Management Manual for Externally Financed Projects/Programs in Cambodia*. Phnom Penh (September).

¹⁸ ADB. 2007. *Technical Assistance to the Kingdom of Cambodia for Preparing the Strengthening of Public Financial Management for Rural Development*. Manila.

the participation of ministries and agencies of the Government, such as the Ministry of Education, Youth and Sports (MOEYS), Ministry of Rural Development (MRD), MOWRAM, the Ministry of Women Affairs (MOWA), and MAFF. At the onset of the food price crisis, the Government mobilized NCDM, MOC, Green Trade, and the rice millers association to undertake procurement and distribution of food, including support to WFP (para 18). The present crisis is a learning experience for the Government, and the situation warrants the need to develop its capacity for an emergency response system for food security and expand its social safety-net programs. The experiences from countries such as India and Bangladesh, where governments have relatively good records of managing public food distribution through well-targeted and well-managed programs, will be useful for Cambodia. These models can provide a solid basis for supporting the development of an envisaged food security reserve system, and provide Cambodia with several adaptable models for its safety-net programs, many of which have added social benefits, such as the use of food-for-work programs to support the construction and maintenance of essential infrastructure—rural roads, river embankments, irrigation, and other public facilities.

30. An important factor limiting immediate and medium-term productivity enhancement is the absence of financing from microfinance institutions for operational inputs for small and marginal farmers. Mobilizing effective credit delivery from among the microfinance institutions to provide short-term credit to the target farmers and households has proven to be difficult. The segment of population to be covered by the Project will have difficulty fulfilling the eligibility criteria of the microfinance institutions, an issue currently being examined by the ongoing project preparatory TA for the Tonle Sap Smallholder Development and Poverty Reduction Project¹⁹ due to start in 2009 with cofinancing possibilities from IFAD and the Government of Finland. In addition to supporting a strategy that combines technology, infrastructure, and market access, this upcoming project is expected to address policy concerns in rural microfinance, develop sustainable credit financing for smallholders, and support the transitional requirements of credit to farmers for increasing and sustaining farm productivity.

III. THE PROPOSED PROJECT

A. Impact and Outcome

31. The expected impact is reduced vulnerability of food-insecure households in Cambodia. The expected outcome is improved access to sufficient food by food-insecure Cambodians in the target provinces. The Project will improve the immediate food security of an estimated 500,000 poor and vulnerable people affected by higher food prices through higher food intake. The lowest quintile of farmers (the poorest 20% of the national population), who are also net food buyers, will be able to increase food production, and employment and income of households with limited purchasing power will increase. The Project will reduce the poverty of low-income groups and contribute to the efforts of the Government to strengthen the safety-net programs for poor and vulnerable population in the face of rising food prices. The Project will emphasize improving access of the poor to food, income, and livelihood support. It will assist in relieving fiscal pressures caused by a sharp rise in safety-net program expenditure.

B. Components and Outputs

32. The Project consists of three components: (i) compensatory consumption support comprising (a) food distribution, and (b) a food-for-work program; (ii) productivity enhancement support; and (iii) capacity development for emergency response to the food crisis, and Project management. Three expected outputs are (i) increased availability of food to vulnerable households;

¹⁹ ADB. 2007. *Technical Assistance to the Kingdom of Cambodia for Preparing the Tonle Sap Poverty Reduction and Smallholder Development Project*. Manila,

(ii) supported input needs of smallholders and marginal farmers; and (iii) an operational national food security response system. The Project design and monitoring framework is in Appendix 1.

33. **Component 1: Compensatory Consumption Support.** Under this component food will be provided for free distribution among selected families and for the food-for-work program. This component will encompass (i) identification of target groups for free food distribution and the food-for-work program; (ii) procurement of rice, transport, and storage; (iii) free rice distribution to target groups; (iv) free food distribution (cash transfer or voucher system) to selected urban poor in Phnom Penh; (v) provision of food to the Government's school feeding and take home ration programs; (vi) provision of food to children in selected early childhood learning centers (ECLCs); (vii) organization of target groups for the food-for-work program; and (viii) organization of technical support and management of the food-for-work program. Activities under the food-for-work program will include rehabilitation of small tertiary irrigation canals and village roads, which will mainly involve manual dredging, resurfacing, cutting grass, and filling up road holes within the existing right-of-way. The rehabilitation of small tertiary irrigation canals will help optimize the Project assistance by completing the essential package of water–seed–fertilizer that will contribute to increased production in the coming crop seasons. The rehabilitation of village roads will help enhance connectivity among villages and communes, ensuring better access to markets and social services. Construction of new canals or roads will not be undertaken under this food-for-work program. Specific work accounts will be identified during implementation based on the needs assessment and selection criteria. It is envisaged that each individual work account will not exceed \$5,000. The program will comply with national labor laws and regulations, particularly on child labor, and provide equal pay for equal work regardless of gender and ethnicity.

34. **Component 2: Productivity Enhancement Support.** Under this component, seed and fertilizer will be sold to selected farmers at subsidized prices. This component will include (i) identification of target groups (farmers) for subsidized seed and fertilizer distribution; (ii) procurement, transport, and storage of seed and fertilizer; and (iii) sale of seed and fertilizer at subsidized prices to target beneficiaries. Smallholders and marginal farmers, the majority of whom are net food buyers, will receive subsidized fertilizer and seed together with extension services, and, where feasible, these will be combined with supplementary irrigation which will be enhanced by field channels and subsidiary canals rehabilitated under the food-for-work program.

35. **Component 3: Capacity Development for Emergency Response to Food Crisis and Project Management.** This component has three parts: (i) establishment of an independent monitoring system to oversee target-group selection, distribution of food and inputs, organization and management of the food-for-work program, and compliance with fiduciary requirements; (ii) establishment of a system of emergency food reserve and rapid response, which will involve (a) surveys and diagnosis of the current nationwide food security situation; (b) institutional analysis of the food procurement, storage, transportation, and distribution system; (c) essential hardware and logistics support and related facilities to enhance the capacity of NCDM and PCDMs in the Project provinces to respond to the food crisis; and (d) baseline surveys and monitoring and data collection in the Project areas; and (iii) strengthening financial management capacity of the executing agency (EA), implementing agencies (IAs), and provincial project management units (PPMUs) in Project management and monitoring. These are designed to enhance the Government's longer-term capability to deal with food emergencies, and provide support to ongoing efforts at sustaining the growth of productivity by minimizing the impacts of natural disaster.

C. Special Features

36. **ADB's Framework of Response to the Soaring Food Prices.** The design of the proposed Project follows ADB's response to the soaring food prices presented in *Soaring Food*

*Prices, Response to the Crisis*²⁰ which was released by the President of ADB at its Annual Meeting in Madrid in May 2008. The Project provides a strong link between short-term emergency relief assistance and medium- to long-term production and productivity growth, generating a supply response together with institution building for food emergency response.

37. **Consultation, Coordination, and Partnerships.** The Project was designed in close consultation with the Government, civil society, and development partners active in Cambodia both at the central level and Project provinces. The Project preparation team visited seven provinces²¹ and 11 communes²² holding in-depth discussion with officials, civil society members, local government representatives, and beneficiaries in order to assess the need for assistance, and issues related to food emergency preparedness, immediate productivity increase, method of identification of beneficiaries, and fiduciary controls. The needs assessment was shared with, and feedback on the Project design was obtained from, development partners including representatives of the World Bank, European Commission, UNDP, WFP, FAO, and Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation). The World Bank and European Commission are expected to complement the Government's effort to provide food, inputs, and income assistance to the vulnerable population using the Project-developed methodology. In addition, the Project will provide a special opportunity for deepening Government and NGO partnership.

38. **Disaster and Emergency Assistance Policy (DEAP).** The Project will be implemented pursuant to the DEAP²³ and in accordance with the Action Plan²⁴ for its implementation, which defines disaster as a series of disruptions to the functioning of a community or a society causing widespread human, material, economic or environmental losses that exceed the ability of the affected community or society to cope using its own resources. ADB's *Disaster and Emergency Assistance Policy*, expressly contemplates the inclusion of quick-disbursing components in emergency assistance loans to finance immediate and urgent procurements.²⁵ The draw down for the retroactive financing and the advance to the imprest account will be quick-disbursing as provided under the policy.

39. **One-off Emergency Measure.** All interventions are one-off short-term emergency measures, while long-term measures, such as operational national food security response systems and productivity enhancement programs, are in place. The proposed one-off subsidy on rice seeds and fertilizers will help farmers recover and maintain and increase crop yields, enabling reinvestments of surplus in the succeeding crop seasons, and ensuring adequacy of community food-grain stocks. The Government, ADB, and a number of development partners are working together on policy issues and productivity enhancement concerns in agriculture, particularly in the Tonle Sap Basin. The one-off support for a national food security response system will help the Government develop a more sustainable safety-net program to tackle food emergencies in the future through the implementation of component 3 and the attached TA.

²⁰ ADB. 2008. *Soaring Food Prices, Response to the Crisis*. Manila.

²¹ Banteay Meanchey, Battambang, Kampong Chhnang, Kampong Thom, Odor Meanchey, Pursat, and Siem Reap.

²² Village Ka Chap in commune Achar Lek of Stung Suen district in Kampong Thom province, Pre Ta Hu commune in Stung Suen district in Kampong Thom province, Saeng Sok commune in Kralanh district of Siem Reap province, village Chok Chombok of Samrong district in Odor Meanchey province, Bossbov commune in Serei Saophoan district of Banteay Meanchey province, Kok Balagnk commune in Mongkoi Borei district of Banteay Meanchey province, Chrey commune in Mong Russei district in Battambang province, Sandan commune in Krakor district in Pursat province, village Tra Pand Krapeo in commune Tac Hout of Rolie Phier district of Kampong Chhnang province, and Pea Ny commune in Kampong Trach district of Kampong Chhnang province.

²³ ADB. 2004. *Disaster and Emergency Assistance Policy*. Manila

²⁴ ADB 2008. *Action Plan for Implementing ADB's Disaster and Emergency Assistance Policy*. Manila (IN.103-08, 23 April 2008).

²⁵ ADB's *Procurement Guidelines* (2007, as amended from time to time). Manila. Section v3.18. Procurement under Disaster and Emergency Assistance provide exemption for emergency assistance that is adopted for the Project.

40. **Participatory Selection of Beneficiaries.** The screening and/or selection process will be conducted by commune councils with support from village chiefs. The process will be subject to supervision and monitoring by an independent monitor acceptable to ADB. Project beneficiaries will be selected through a participatory process using criteria set by the Project. Conflicts arising from target-group selection will be referred to respective commune councils for resolution. The list of selected communes is in Supplementary Appendix B, and the screening and/or selection process and beneficiary eligibility criteria are in Supplementary Appendix C.

D. Project Investment Plan

41. The project investment cost is estimated at \$40.08 million, including taxes and duties of \$3.54 million (Table 1). Detailed cost estimates are in Appendix 4.

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Compensatory Consumption Support	19.36
1.1. Free Food Distribution	8.36
1.2. Food for Work Program	11.00
2. Productivity Enhancement Support	15.00
2.1. Seed	8.72
2.2. Fertilizer	6.28
3. Capacity Development and Project Management	4.58
Subtotal (A)	38.94
B. Contingencies^c	0.75
Physical Contingencies	0.38
Price Contingencies	0.37
C. Financing Charges During Implementation^d	0.39
Total (A+B+C)	40.08

^a Includes taxes and duties of \$3.54 million.

^b In June 2008 prices.

^c Physical contingencies computed at 1% for all expenditure categories. Price contingencies computed at 2% on local currency and foreign exchange costs.

^d Includes interest charges. Interest during implementation is computed at 1% per annum.

Source: Asian Development Bank estimates.

E. Financing Plan

42. It is proposed that ADB provide a loan of \$17.5 million equivalent in special drawing rights and a grant not exceeding the equivalent of \$17.5 million, both from its Special Fund resources, to finance 87.32% of the total Project cost. The Government will finance taxes and duties of \$3.54 million, and recurrent costs of \$1.54 million accounting for 12.68% of the total Project cost. The loan and grant will finance the Project on a joint basis. The loan portion will carry an interest rate of 1% per year, a maturity of 40 years and a grace period of 10 years, with repayment of principal at 2% per year for the first 10 years after the grace period, and 4% per year thereafter. The Government will bear the foreign exchange risk related to the loan. Interest charges on the loan are to be capitalized. The summary financing plan is in Table 2, and details are in Appendix 4.

Table 2: Financing Plan

Source	Total (\$million)	%
Asian Development Bank ADF Loan	17.50	43.66
Asian Development Bank ADF Grant	17.50	43.66
Government of Cambodia	5.08	12.68
Total	40.08	100.00

ADF = Asian Development Fund.

Source: Asian Development Bank estimates.

43. Cambodia is eligible for Asian Development Fund (ADF) grants. Cambodia's fiscal and foreign exchange resources as well as donor funds are inadequate to meet wide-ranging emergency requirements arising from soaring food, input, and energy prices. Cambodia's debt sustainability analysis suggests the need to channel a significant portion of development assistance in grants for years to come.

44. **Cofinancing Opportunities.** The Government has requested financing from other development partners, especially from the World Bank. During a needs assessment mission, a number of development partners showed their willingness to complement ADB's fund for emergency food assistance. The World Bank has recently held discussions with ADB on needs assessment and cofinancing. It has indicated that up to \$40 million from its poverty reduction grant operation could be made available for Cambodia, and it is willing to work with ADB and the Government in using these funds for additional activities under the Project.

F. Implementation Arrangements

1. Project Management

45. The Project will utilize existing effective delivery mechanisms and institutions, and enhance their capacity as appropriate. MEF will be the Project EA, while the proposed IAs will be: (i) MAFF for the seed and fertilizer assistance; (ii) Ministry of Rural Development (MRD) for the food-for-work program; (iii) MOWRAM for the food-for-work program; (iv) MOC for the emergency food security system; (v) NCDM and PCDMs in seven Project provinces for overall coordination, management, and distribution of food and input assistance, and establishment of the emergency food security reserve and rapid response system; (vi) MOEYS for the school feeding program; (vii) MOWA for the ECLC feeding program; and (viii) commune councils and village development committees (VDCs) for identification of target groups and distribution of food and inputs. The Project implementation and funds flow diagram are in Appendix 5.

46. The National Food Security Task Force (NFSTF), headed by MEF and with representation from concerned Government ministries and agencies and key development partners, will provide overall policy guidance to Project implementation. A central project management unit (CPMU), led by a Project director, will be established at MEF to oversee daily implementation. Provincial project management units (PPMUs) will be established in all seven Project provinces, and will be responsible for organizing Project activities comprising target-group selection, procurement, storage, and distribution of food, rice seeds, and fertilizer in their respective provinces, and reporting to the CPMU on all matters relating to the Project management in their respective provinces. In view of the fast-track processing under the *Disaster and Emergency Policy*, and procurement requirements of the Project, the Government established the CPMU and appointed the Project director immediately after the signing of the memorandum of understanding, and has advised ADB thereon.

47. Technical support units will be established at each implementing ministry or department. Interministerial and interdepartmental coordination will be assured by NCDM at the central level and by the PCDM (chaired by the provincial governor) at the provincial level. Selected commune councils, assisted by respective VDCs, will be responsible for receiving, storing, and distributing (free) rice, seed, and fertilizers to the target groups in accordance with a list of potential beneficiaries prepared through a participatory process by commune councils and VDCs, and agreed upon by the PCDM on the basis of the criteria outlined in Supplementary Appendix C.

48. The food-for-work program will be implemented through available effective existing Government structures of MRD, MOWRAM, MOEYS, and MOWA in the Project areas, including the commune councils. Where such capacities are lacking, other competent organizations, including UN agencies, will be contracted to implement the food-for-work program. MAFF will provide extension services to assist farmers in the optimal utilization of the seed, fertilizers, and water package. Quality control of rice, seed, and fertilizers will be carried out jointly by designated departments of MAFF and MOC.

49. Preparation of the list of target beneficiaries and procurement and distribution of rice, seed, and fertilizers will be supervised and monitored by independent monitors reporting to ADB and NFSTF (paragraph 56), and technically supported by qualified experts from the respective IAs, as may be required. Consultant support will be provided to the respective IAs for capacity-building purposes and to ensure timely execution of Project activities. NCDM will receive support to develop a framework to establish a national emergency food security reserve and rapid response system, including expansion of existing community rice banks.

50. The Government envisages closer guidance and supervision by ADB throughout the implementation of the Project. In view of the emergency nature of the Project, the Government has requested ADB to administer the specialist inputs and consulting services. To ensure timely implementation, staff at ADB headquarters will work closely with staff at the ADB Cambodia Resident Mission, which will assign one dedicated staff member to monitor Project compliance with ADB requirements to ensure quality control and accelerated implementation through regular follow-up, and provide guidance to the relevant IAs on project implementation matters. Extended missions by ADB will be required to provide constant supervision during the early phase of Project implementation. ADB will redeploy one professional staff member to the resident mission early 2009, and a staff consultant experienced in audit will also be recruited. The Tonle Sap Initiative Coordination Unit, based at the Cambodia Resident Mission, will assist the resident mission in providing necessary oversight functions.

2. Implementation Period

51. The Project implementation period will be from 1 October 2008 to 31 March 2011. The Project implementation plan is in Supplementary Appendix D.

3. Procurement

52. The Project will entail the procurement of rice, seed, fertilizers, vehicles, office equipment, and a large number of community-based civil works under the food-for-work program. All procurement to be financed under the Project will be carried out in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). Retroactive financing for a maximum of 30% of the total loan and grant amounts will be considered for eligible expenditure incurred not earlier than 22 August 2008, provided that the expenditure is in compliance with the following conditions: (i) it is in accordance with acceptable procedures specified by ADB, (ii) it is

verified by ADB, (iii) it is certified by MEF, and (iv) the certification is acceptable to ADB. ADB will audit the use of the loan proceeds in accordance with its fiduciary responsibilities and verify the accuracy of Government certification. The Government has been advised by ADB that provision of retroactive financing does not commit ADB to finance any part of the Project.

53. No international procurement is envisaged under the Project. Rice will be procured directly from a list of prequalified and approved rice millers who will be selected based on capacity assessment and financial status. This selection will be conducted in consultation with provincial and central rice millers associations. Procurement of rice will involve multiple awards for partial quantities based on the needs of the provinces and various programs. In accordance with the *Procurement Guidelines*, suppliers will be invited to quote prices linked to the market price. These contracts may also include delivery options. Fertilizer will also be procured in phases. National competitive bidding procedures, acceptable to ADB, will be adopted. Similar procedures will also be adopted for procurement of vehicles. Flexible procedures pursuant to the provisions under ADB's *Procurement Guidelines* will be adopted.

54. During 2000–2008, AusAID assisted in developing and implementing the Agriculture Quality Improvement Program (AQIP) which developed a number of seed production centers that were successful in developing high-yielding rice seeds suitable for Cambodia. Subsequently, the AQIP Seed Company was incorporated as a registered commercial entity. This entity is largely owned by the private sector, with some ownership maintained by research institutes. The company has developed a commercially viable business for the production and distribution of high-quality rice seeds. Regional production centers have been established which provide cleaned, tested, and packaged rice seeds to farmers, dealers, government, and nongovernment agencies. Under this Project, procurement of the rice seeds will be serviced by the AQIP Seed Company following direct contracting procedures, along with provision for direct procurement of rice seeds from local seed producers associations. The food-for-work program will involve a large number of small, community-based small contracts for which compensation will be in the form of food, in accordance with existing procedures under various government programs as well as under UN-sponsored programs. Before the commencement of any procurement activity under national competitive bidding, ADB and the borrower will review the relevant agency's capacity to ensure compliance with ADB's *Procurement Guidelines*. The procurement plan is in Appendix 6.

4. Consulting Services

55. The Project will require 325 person-months of consulting services, comprising 75 person-months of international consultants and 250 person-months of national consultants. The Project will also provide independent monitoring services by local NGOs. It is proposed that the cost of consulting services and independent monitoring will be financed by both the allocated fund under component 3 and an attached TA project for strengthening the Government's capacity to respond to food crisis and improving food security, and enhancing fiduciary oversight of the Project. All consultants, including the independent monitors, will be recruited by ADB in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time). Para 64 describes the technical assistance and Appendix 7 provides cost estimates and a financing plan; outline terms of reference for consultants are provided in Supplementary Appendix E.

5. Project Monitoring and Anticorruption Measures

56. **Strong Oversight Mechanisms to Manage Fiduciary Risks.** Emergency assistance must be supported by sound financial management and operational procedures, as well as monitoring and evaluation mechanisms. The Cambodia Resident Mission will closely monitor compliance with ADB's requirements under the Project to reduce fiduciary risks in the implementation of the safety-

net programs. Strengthened fiduciary risk mitigation measures, such as quality government audit assurance, as well as performance audits and independent monitoring by local NGOs, will be adopted under the proposed project. Considering the Government's expanded safety-net programs, joint fiduciary oversight arrangements will be established with the participation of ADB, independent audit experts, and the Government. To strengthen field monitoring of food and input distribution and execution of the food-for-work program, the Government has agreed to utilize the services of competent NGOs as independent monitors who will report directly to the NFSTF and ADB. The Project quarterly report will cover the progress and expected completion date of the procurement of food grains, and on their distribution through different safety-net programs.

57. Governance issues are of major concern in the Project. Necessary safeguards and supervision will be provided under the attached TA to ensure transparent food procurement and distribution operations. The Cambodia Resident Mission will closely monitor anticorruption measures undertaken by the EA, and will carry out random checks on procurement and accounts of the EA, IAs, and PPMUs, and inspect procurement activities and storage facilities under the Project. Other anticorruption measures will include (i) strict financial management with submission of annual audited accounts and internal audit report by the EA; (ii) strengthened Government monitoring; (iii) strong Project supervision; (iv) periodic reviews of accounts and statements of expenditure (SOEs); (v) close monitoring of the investments and safety-net programs under the Project; and (vi) close coordination of the Project with the proposed Public Financial Management for Rural Development Project²⁶. The list of specific governance risk mitigation measures that have been taken into consideration in designing the Project is in Appendix 8.

6. Anticorruption Policy

58. ADB's *Anticorruption Policy* (1998, as amended to date) was explained to and discussed with the Government of Cambodia. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. The Government and the EA agree to cooperate with any such investigation and extend the necessary assistance, including access to all relevant books and records, as well as engagement of independent experts that may be needed for satisfactory completion of such investigations. To support these efforts, relevant provisions of ADB's *Anticorruption Policy* are included in the loan regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project. The Project incorporates several specific anticorruption measures, including (i) strict financial management with strengthened Government accounting, auditing, monitoring, and independent monitoring and review by TA consultants; (ii) strong project supervision of public procurement and distribution of food grains financed from this loan with appropriate consultancy input; (iii) delegation of project administration to the Cambodia Resident Mission; and (iv) random and independent spot checks by ADB officials and the project consultants.

6. Disbursement Arrangements

59. Project funds will flow from ADB to MEF (CPMU), which will establish a Project imprest account at the National Bank of Cambodia. The initial ceiling of the imprest account will be the lower of the estimated expenditures to be funded from the imprest account for the first 6 months, or

²⁶ ADB. 2007. *Technical Assistance to the Kingdom of Cambodia for Preparing the Strengthening of Public Financial Management for Rural Development*. Manila.

10% of the grant or loan amount. A specific increase in these ceilings may be sought at a later time based on the needs of the Project. Funds will flow to various IAs to finance the activities they are individually responsible for. Each PPMU will establish a second generation imprest account (SGIA) at the National Bank of Cambodia. A total of seven SGIA (one for each PPMU) will be opened under the Project. The initial ceiling of each SGIA will be equivalent to 6 months estimated expenditures to be funded from the imprest account, or \$50,000, whichever is lower. Funds will flow to subproject bank accounts held at the various IAs to finance the activities they are individually responsible for. The IA's will be required to submit full supporting documentation to the CPMU or PPMU as the basis of funding the accounts. The CPMU and each PPMU will open two sets of imprest accounts (one for the grant fund and another for the loan fund, as appropriate). The SOE procedure will be used to liquidate and replenish the imprest accounts for eligible expenditures. Any individual payment to be reimbursed or liquidated under this procedure shall not exceed the equivalent of \$50,000. SOE documentation will be retained at the CPMU and PPMUs. Imprest account and SOE records will be audited during the annual audit process. All disbursements will be in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). The EA and IAs will be responsible for managing and administering the imprest account in accordance with ADB's *Loan Disbursement Handbook*.

7. Accounting, Auditing, and Reporting

60. The EA will maintain records and accounts adequate to identify the goods financed by the loan proceeds. Project accounts will be set up in accordance with sound accounting principles. The EA will ensure that the consolidated Project accounts and related financial statements will be audited annually by an independent audit authority of Cambodia. The audited reports and related financial statements in English will be submitted to ADB not later than 6 months after the end of the fiscal year to which they relate. In addition to the Government audit, for the procurement of goods financed from the loan and grant, ADB or its agents will undertake a special audit which could involve independent financial and performance auditing and review to ensure transparency, financial integrity, and objective performance assessment of the goods procured and distributed from this loan. A separate audit opinion is to be issued on the use of imprest accounts, including SGIA, and the use of SOE procedure. Financial and performance monitoring and review, including spot checks, will be conducted from time to time during and after the Project period and be carried out by external private sector auditors or by ADB. The Government will provide ADB, through the EA, with a midterm and an overall Project completion report, providing a detailed evaluation of the Project design, costs, performance, social and economic impact, and other details as requested by ADB.

8. Project Performance Monitoring System

61. A project performance management system (PPMS) will be developed on the basis of the Project design and monitoring framework to examine the Project's technical performance, evaluate delivery of Project facilities, assess achievement of Project objectives, and measure the Project's social, economic, financial, and institutional impacts. The EA will be responsible for developing and operating the PPMS with information provided by PPMUs and IAs, and will report monthly to ADB. Progress monitoring, safeguard monitoring, and benefit monitoring and evaluation will be carried out during project implementation. Post-evaluation review will be carried out 3 years after project completion. Baseline, covering both target and control groups, and periodic surveys will be carried out through subcontracting competent local NGOs, who will collect data disaggregated by income group, gender, types of vulnerability, and other characteristics as appropriate. The EA will maintain a Project-specific webpage, in English and Khmer, on its official website for wider dissemination of procurement and distribution-related information, and to provide a feedback mechanism. Consultant services will be provided to assist the EA and IAs to develop and implement the PPMS.

62. In addition, an independent monitoring system will be established to conduct monitoring of beneficiary screening and selection, and project procedures, including fiduciary compliances. The independent monitors will report to NFSTF and ADB. The IAs will provide the CPMU with monthly and quarterly progress reports, as appropriate, which will be consolidated into a single progress report for the Project. The consolidated report will be submitted to ADB. The CPMU, together with PPMUs and IAs, will establish the baseline indicators at the commune level within 3 months of Project inception from secondary sources, baseline survey, and participatory observations. A Project completion report will be prepared by the CPMU and submitted to ADB within 3 months after completion of the project.

9. Project Review

63. ADB will conduct regular reviews throughout Project implementation, at least twice a year. The reviews will assess implementation performance and achievements of Project outcomes and objectives, examine financial progress, identify issues and constraints affecting the Project, and work out time-bound action plans for their resolution. Given the implementation period and emergency nature of the Project, no midterm review will be conducted unless ADB and the Government deem it necessary.

IV. TECHNICAL ASSISTANCE

64. An attached TA project of \$1.6 million will strengthen the Government's capacity to deal with food crises and related emergencies. ADB will finance \$1.5 million of the TA project on a grant basis from its TA funding program, and the Government will contribute \$100,000. The TA fund, together with the allocated fund under component 3, will help (i) establish an independent monitoring system to oversee target-group selection, distribution of food and inputs, organization and management of the food-for-work program, and compliance with fiduciary requirements; (ii) develop a system of emergency food reserve and rapid response; (iii) strengthen financial management capacity of the EA, IA, and PPMUs, including capability to deal with food emergencies; and (iv) manage and monitor Project implementation. The TA will finance international and national consulting services and independent monitoring services in conjunction with the consulting services financed through the Project funds. Appendix 7 provides cost estimates and a financing plan. The outline terms of reference is in Supplementary Appendix E. Consultants will be recruited by ADB in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Retroactive financing for a maximum of 30% of the TA amounts will be considered for eligible expenditure incurred not earlier than 22 August 2008.

V. PROJECT BENEFITS, IMPACTS, ASSUMPTIONS, AND RISKS

A. Socioeconomic Benefits and Impacts

1. Impacts on Consumers

65. Rice is the staple food item in Cambodia and constitutes 50% of the total food consumption of poor families. Between March 2007 and May 2008, rice prices in Cambodia doubled. Such fluctuations in the price of rice will have an impact on poverty reduction efforts; it was predicted that a 10% increase of the rice price would increase the national poverty rate by 0.5% (in both rural and urban areas). In addition to critically low levels of global food stocks and higher production and transport costs, the problem posed by high global rice prices has been compounded by export restrictions from large exporting countries and significant rice purchases from importing countries at higher prices.

66. The Project will enhance food entitlement of the vulnerable, increase production, and contribute to medium- and long-term productivity growth. About 500,000 residents, or 89,000 households, living in and around the Tonle Sap Basin²⁷ and three slum areas²⁸ in Phnom Penh will benefit from the proposed Project assistance. The Project will contribute to the restoration of the purchasing power of the poor and vulnerable who are at greater risk of hunger and malnutrition. In so doing, it will ease the negative impacts of rising food prices mentioned earlier. Greater food availability will ease the pressure of starvation and reduce the risk of loss of lives, particularly in rural areas. Nutritional status will improve for the urban slum dwellers, economic migrants and their families, fixed-income people, wage workers, landless, poor rural families, and families affected by HIV. This is particularly crucial for the people who are chronically vulnerable and are therefore at risk of undernutrition and malnutrition.

2. Impacts on Producers

67. A major part of the Project financing (approximately 67%) will be used to finance productivity enhancement by way of appropriate seed, fertilizer, and irrigation and rural roads (under the food-for-work program). The assistance will cover about 200,000 hectares (ha) of productive rice land, which is cultivated by smallholders and marginal farmers for two crops annually (rainy and dry season crops). Within the context of rising crop input prices, Project assistance will help smallholders and marginal farmers continue to produce rice to take advantage of the rising rice market price. Discussions with various farmer groups during the fact-finding mission indicated that rising input prices have made them think of alternatives, including reducing inputs for the same crop area, using no inorganic inputs for rice crops, selling land, and looking for a daily wage job in urban centers. The assistance through the Project will enable smallholders and marginal farmers to afford crop inputs for continued rice production. The application of crop inputs (seed and fertilizer) along with extension services will directly improve rice harvests, and enable targeted households to meet food needs and reinvest surpluses in subsequent production seasons. This will serve as a springboard for many to uplift their livelihoods.

68. Rising input prices have seriously reduced affordability and willingness of farmer households (particularly smallholders and marginal farmers) to purchase appropriate crop inputs and, in the majority of cases, farmers will decide to grow rice with low-quality seed and without essential nutrient input (fertilizer). Based on the Project financing plan, it is estimated that Project assistance will cover a rice production area of about 200,000 ha.²⁹ The Project will help ease the financial pressure of rising input prices and enable target farmer households to use quality seed and fertilizer to restore crop productivity. Support for proposed productivity enhancement component under the project will contribute significantly to increased crop yield and stability of Cambodia's national rice production and rice stock.

69. An impact analysis was conducted on rising prices of seed and fertilizer on rice crop yields for the without-project and with-project scenarios. Field data collected during the fact-finding mission indicated that seed prices increased from \$300/t in 2007 to \$400/t in June 2008, and fertilizer prices increased from \$434/t in 2007 to \$627/t in June 2008. According to the Institute for Mekong Delta Rice Research in 2007, about 60% of the land used for growing rice in the Tonle Sap Basin is cultivated using 50 kilograms (kg)/ha of fertilizer per crop, and the average yield is 2.5 t/ha of paddy rice per crop. Based on available information provided by the institute and field information on targeted low-income farmers in the Tonle Sap Basin provinces, it is assumed that

²⁷ Provinces of Banteay Meanchey, Battambang, Kampong Chhnang, Kampong Thom, Odor Meanchey, Pursat, and Siem Reap.

²⁸ Beungkok, Stung Meanchey, and the Riverside.

²⁹ The total land area available for rice cultivation in Cambodia is estimated at 2.54 million ha.

40% of 200,000 ha operated by the targeted farmers is cultivated using 50 kg/ha of fertilizer per crop, and the average yield is 2.5 t/ha per crop. Due to the increase in prices of seed and fertilizer, the area cultivated using fertilizer by low-income farmers would fall from 40% to 20% in 2008, 15% in 2009, and 10% in 2010. As a consequence, the total annual yield would fall from the 2007 level of 404,500 t to 101,100 t in 2010. The Project assistance is assumed to help restore the 2007 productivity level. From the perspective of Cambodia's national rice stock, the analysis indicates that in the without-project scenario, the national rice stock surplus is estimated to fall from 1.27 million t at year-end 2007 to an average annual level of 0.88 million t for the 2008–2010 period. As a result of the above analysis, the Project support would contribute to restore this level during 2008–2010 to ensure national food security (Supplementary Appendix F).

B. Poverty and Social Impacts

70. The Project will help to restore the purchasing power of the poor and vulnerable who are at greater risk of hunger and malnutrition. Those most vulnerable to food price shocks will be protected from nutritional deprivation, erosion in real income, and asset shedding. No negative social impact is foreseen from any Project activity. The major social impacts of the Project are expected to be positive. The nutritional status and food security of the target population will improve, and poverty will be reduced. Women, especially those who are heads of households, will benefit through improved entitlement to food and enhanced income-earning opportunities supported by credit, skills development, and market access. Pregnant and lactating women will receive nutritional supplements. Particular effort will be made to ensure participation of ethnic minorities. There will be no resettlement issue under any of the activities supported by the Project. The summary poverty reduction and social strategy is outlined in Appendix 9.

C. Land Acquisition and Involuntary Resettlement

71. A resettlement framework was not prepared since the Project will not involve any land acquisition and resettlement.

D. Environmental Impacts

72. The proposed Project aims to reduce vulnerability of food-insecure households through increased access to food and production inputs. As part of the food-for-work program, rehabilitation of needed rural infrastructure will be carried out to provide employment opportunities for communities and facilitate improved productivity, connectivity, and access to markets and social services. Specific work accounts and communes will be identified during implementation based on the needs and selection criteria, including environmental screening criteria. Since rehabilitation is small in scale and community-based, and mainly done by manual labor in a participatory manner in target villages, significant potential impacts that would require field analysis are not anticipated. Therefore, the Project is classified as Category C.

E. Risks and Mitigations

73. The Government's social safety-net programs for protecting the poor and vulnerable groups are underdeveloped, and relevant institutions are weak in their capacity to run the social safety-net programs. The concept of a food security reserve system is relatively new to the country, and concerned institutions lack operational skills and management experience. The Project design provides for addressing these institutional weaknesses through one of the Project outputs, component 3 (Capacity Development for Food Crisis and Project Management). The component scope provides for (i) establishment of an independent monitoring system, (ii) establishment of a system of emergency food reserve and rapid response, and (iii) strengthening the capacity of the

EA and IAs. Governance of the program will have built-in transparency and accountability with output monitoring and independent evaluation of effects and impact. The Project and attached TA include definitive fiduciary oversight of the funds provided and disbursed.

74. The immediate procurement program may face risks if there is a shortage of grain, seed, and fertilizer for purchase internally and externally, in which case prices will be high, thereby using a significant share of project resources. This risk can be mitigated by staggering the purchase of grains and extensive canvassing among potential suppliers to ensure adequate supply at reasonable price both within the Project provinces and other surplus localities. Given that seed supply sources in the country are limited, AQIP Seed Company has been identified as the main supplier of seed, and provision has been made for direct procurement of rice seeds from seed producers associations, if needed, for distribution to target farmers. Since the divestment of the national agricultural inputs supply company, the private sector has successfully evolved as the importer and supplier of fertilizers to local markets across the country.

75. Linking of short-term safety-net programs with long-term productivity improvement measures will be a challenge as it will require speedy design and implementation of investment projects by a multitude of Government agencies whose capacity is limited. The Government recognizes the challenge and has initiated actions to accelerate implementation of ongoing projects aimed at production improvement and livelihood development. The Government has also attached priority to the pipeline projects of its bilateral and multilateral development partners that will target rural development and poverty reduction.

76. The success of the Project relies on effective community mobilization in the proper identification and selection of target groups. The Project will mobilize local NGOs to supervise and monitor target-group selection and distribute food and inputs. Due to the large volume of emergency food to be distributed, there are potential risks in the areas of storage and distribution. Enhancement of public sector food storage capacity is now a priority for the Government, and it has taken steps to establish emergency food warehouses in strategic locations. The Government is currently working with the rice millers association and Green Trade to use their storage facilities. The Project procurement system will include delivery to commune distribution points. Commune council buildings and facilities will be used for temporary storage prior to distribution to villages.

VI. STAKEHOLDER PARTICIPATION AND CONSULTATION DURING IMPLEMENTATION

77. The Government has set up the NFSTF with membership drawn from relevant agencies including MEF, MAFF, Ministry of Interior, MRD, Ministry of Planning, MOWRAM, NCDM, the National Institute of Statistics and the Supreme National Council to assist in, among other things, the implementation of the Project, and provide feedback and advice, as appropriate, during Project implementation. Senior officials of concerned ministries have been designated members of the NFSTF, which is supported by technical experts. The task force is chaired by MEF and will meet as often as necessary, with participation of the Project implementation team. All stakeholders will be directly involved in key decisions, especially the selection of target groups, assistance package, policy reform, institutional strengthening, and monitoring and evaluation. Beyond formal consultation forums, such as NFSTF and PCDM meetings, community discussion, debate, and conflict resolution will be encouraged through informal local committees.

VII. ASSURANCES

78. In addition to the standard assurances of the financing agreement, the Government has given the following assurances, which are incorporated in the legal documents:

- (i) The Government will ensure that the target beneficiaries under Components 1 and 2 are selected in strict compliance with the screening and selection criteria agreed between the Government and ADB.
- (ii) The Government will ensure that an independent monitoring system will be established to monitor selection and distribution activities under Components 1 and 2, and independent NGO monitors will be recruited for this by ADB, and the monitors will report to ADB and the NFSTF.
- (iii) The Government will ensure that the type of work that will be offered to the targeted group under the food-for-work program will be decided in participation with the affected communities. The work so identified will not have any adverse environmental impact and will be carried out on vacant land owned by the Government, free from all encumbrances, habitation, dispute or controversy; and proposals for civil works will include confirmation that no land acquisition or resettlement will be required under the Project. In the event of unforeseen land acquisition or involuntary resettlement, the Government will immediately inform ADB and prepare the necessary planning documents in compliance with ADB's *Involuntary Resettlement Policy* (1995). If there are any indigenous peoples issues identified, they will be appropriately addressed in a manner acceptable to ADB.
- (iv) The Government will ensure that women and men will be paid equal remuneration for work of equal value. Child labor will not be allowed.
- (v) The Government will ensure that a good governance framework will be prepared as part of the Project in order to promote good governance and mitigate corruption risks.³⁰
- (vi) The Government will ensure that (a) information about categories of target groups, names of beneficiary households or recipients under each category, and procurement activities will be made publicly available for public scrutiny; (b) a grievance mechanism will be set up and effectively implemented at the provincial level, in each province, and a focal point will be appointed in each of the IAs to address any public complaints on financial irregularities in procurement and distribution of goods, construction of works and other services, including conflicts arising from target group selection that cannot be resolved by the respective commune councils; (c) specific phone lines are dedicated, at the CPMU and ADB's Cambodia Resident Mission, to be used by the public for reporting of irregularities and misappropriation of the project resources, if any, and advertised to the public; and (d) the EA provides a bi-annual review and report to the NFSTF and ADB on all relevant complaints received and resolutions undertaken.
- (vii) The Government will ensure that (a) counterpart funds required during the Project implementation period are provided on time at the central and provincial levels; (b) annual budgetary appropriation requests are submitted in a timely manner; and (c) appropriated funds are disbursed promptly when needed for Project implementation purposes.
- (viii) The Government will comply with, or will cause the EA and the IAs to comply with, ADB's *Anticorruption Policy* (1998, as amended from time to time). The Government (a) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project; and (b) agrees to cooperate fully with, and to cause the EA and the IAs to cooperate fully with, any such investigation and to extend all necessary assistance, including

³⁰ A draft Good Governance Framework has been prepared and agreed by the Government (Supplementary Appendix G).

- providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation.
- (ix) Without limiting the generality of the preceding paragraph, the Government will (a) ensure that the EA conducts periodic inspections on the contractors' activities related to fund withdrawals and settlements; and (b) ensure and cause the EA to ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project.
 - (x) In addition to the above requirements, to deter corruption and increase transparency, the Government will cause the EA to maintain a Project-specific webpage on its website to disclose information about procurements related to the Project. For each contract, the webpage shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and services procured. In addition to the web-based disclosure, stakeholders, which include civil society and NGOs, will be provided with detailed information on procurement on public notice boards in their respective provinces. The Government will also ensure that criteria and procedures for selection of the target beneficiaries under Components 1 and 2 are also similarly posted on the webpage and on public notice boards in the respective provinces.

VIII. RECOMMENDATION

79. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the loan in various currencies equivalent to Special Drawing Rights 11,126,000 to the Kingdom of Cambodia for the Emergency Food Assistance Project from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum, a maturity of 40 years, and a grace period of 10 years, with repayment of principal at 2% per annum for the first 10 years after the grace period and 4% per annum thereafter, and such other terms and conditions as are substantially in accordance with those set forth in the draft Financing Agreement presented to the Board; and
- (ii) the grant not exceeding the equivalent of \$17,500,000 to the Kingdom of Cambodia, from ADB's Special Funds resources, for the Emergency Food Assistance Project on terms and conditions as are substantially in accordance with those set forth in the draft Financing Agreement presented to the Board.

Haruhiko Kuroda
President

24 September 2008

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Reduced vulnerability of food-insecure households in the target provinces</p>	<p>Target beneficiary households not falling below food poverty line (\$0.42 per capita per day)</p> <p>Increased local supply and household reserve of food</p>	<p>Reports of the National Institute of Statistics (NIS)</p> <p>Provincial and district statistics covering economic activities and poverty status</p> <p>Project baseline and periodic survey and monitoring data provided by independent NGO and NCDM</p> <p>Post-project survey by NCDM</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Macroeconomic and political stability • Strong Government commitment to poverty reduction <p>Risks</p> <ul style="list-style-type: none"> • Lack of coherent strategies and policies in addressing food security • Nontransparency in the management of public resources
<p>Outcome</p> <p>Improved access to sufficient food by food-insecure Cambodians in the short term</p>	<p>National emergency food security and response system prepared and adopted</p> <p>10% yield increase of rice by target farmers in the Project provinces from the pre-crisis level by 2010</p> <p>Operational national food security response system</p>	<p>Annual report on agriculture production by MAFF</p> <p>Periodic survey of beneficiaries in the Project provinces by partner NGOs and NCDM</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Effective institutional support and coordination by NCDM, PCDM, and relevant line ministries (e.g., MAFF, MRD, MOWRAM, MOEYS and MOWA) <p>Risk</p> <ul style="list-style-type: none"> • Inadequate storage and distribution system for food, fertilizer and rice seeds
<p>Outputs</p> <p>1. Increased availability of food to vulnerable households</p>	<p>89,000 households reached through food distribution and food-for-work program</p> <p>Rice consumption needs of 3–4 months for the target population are met</p> <p>3.6 million labor days exchanged and claimed for food/cash under the food-for-work scheme</p>	<p>Progress reports of the provincial coordination offices in each Project province</p> <p>Reports of MAFF on agricultural production and rural development</p> <p>Reports of MOEYS and WFP on the school feeding programs</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Grains, fertilizer, and seeds can be readily procured from local sources <p>Risks</p> <ul style="list-style-type: none"> • Delay in delivery of food, fertilizer, and rice seeds by suppliers • Government failure to establish food

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>2. Support the input needs of smallholders and marginal farmers</p> <p>3. Capacity development for food crisis and project management</p>	<p>50,000 farmers are provided with fertilizer, rice seeds, and extension services</p> <p>A consolidated national framework and an implementation system to handle food security is prepared</p>	<p>Reports of Ministry of Labor and Vocational Training on employment situation</p>	<p>storage and food reserve system</p>
<p>Activities with Milestones</p> <p>1. Food Made Available to Vulnerable Households</p> <p>1.1. Identification of target groups for free food distribution and food-for-work program, by end of September 2008</p> <p>1.2. Procurement of rice, transport, and storage for free distribution, by end of October 2008</p> <p>1.3. Procurement of rice, transport, and storage for food-for work program, by end of January 2009</p> <p>1.4. Free rice distribution to target groups, by end of November 2008</p> <p>1.5. Free food distribution or cash transfer to selected urban poor in Phnom Penh, by end of November 2008</p> <p>1.6. Provision of food to Government's school feeding and take home ration programs, continuous throughout the Project period</p> <p>1.7. Provision of food to children in selected early childhood learning centers (ECLCs), continuous throughout Project period</p> <p>1.8. Organization of target groups for food-for-work program, by end of January 2009</p> <p>1.9. Organization of technical support and management of food-for-work program, by end of January 2009</p> <p>1.10 Baseline survey conducted in seven Project provinces through NGOs/NCDM, by November 2008</p> <p>2. Input Needs of Smallholders and Marginal Farmers Supported</p> <p>2.1. Identification of target groups (farmers) for subsidized seed and fertilizer distribution, by end of January 2009</p> <p>2.2. Procurement, transport, and storage of seed, by end of January 2009</p> <p>2.3. Procurement, transport, and storage of fertilizer, by end of January 2009</p> <p>2.4. Sale of seed and fertilizer at subsidized prices to target beneficiaries at the beginning of production season, from January 2009 to the end of project period</p>			<p>Inputs</p> <p>Loan and Grant</p> <p>ADB: \$35.0 million</p> <p>1. Materials: \$31.524 million</p> <p>2. Equipment and Vehicles: \$423,100</p> <p>3. Consulting Services: \$2.278 million</p> <p>4. Recurrent Cost: \$385,800</p> <p>5. Interest During Implementation: \$388,500</p> <p>Government:</p> <p>\$5.081 million (\$3.54 million for taxes and duties and \$1.543 million for recurrent costs)</p> <p>TA: \$1.6 million</p> <p>ADB: \$1.5 million</p> <p>Government: \$0.10 million</p>

3. A National Food Security Response System in Place and Operational

3.1. Establishment of an independent monitoring system to oversee target-group selection, distribution of food and inputs, organization and management of the food-for-work program, and compliance with fiduciary requirements, by end of September 2008

3.2. Development of a system of emergency food reserve and rapid response, by end of Project period

3.3. Strengthening project management and monitoring capacity of the executing agency and implementing agencies through on-the-job training and workshops, throughout the project period

ECLC = early childhood learning center; MAFF = Ministry of Agriculture; Forestry and Fisheries; MOEYS = Ministry of Education, Youth and Sports; MOWA = Ministry of Women Affairs; MOWRAM = Ministry of Water Resources and Meteorology; MRD = Ministry of Rural Development; NCDM = National Committee for Disaster Management; NGO = nongovernment organization; NIS = National Institute of Statistics; PCDM = provincial committee for disaster management; WFP = World Food Programme.

AGRICULTURE SECTOR ANALYSIS

A. Background

1. Since 2001, Cambodia has experienced double-digit or near double-digit growth of its gross domestic product (GDP). The International Monetary Fund (IMF) projects 9.1% growth for 2007, 7.9% growth for 2008, and 7.5% annual growth for 2009–2012.¹ The construction, garments, and tourism sectors have contributed most to GDP growth. Rapid economic growth has led to a significant reduction in the poverty rate over the decade of 1993/94–2004.²

2. Cambodia has a total land area of 181,035 square kilometers. The country consists of 20 provinces, three cities, and one municipality, and is divided into 184 districts, 1,621 communes, and 13,707 villages. Of the total land area, 67% (12.1 million hectares [ha]) is classified as forest area; the cultivated area is 21% (3.78 million ha), with 91.2% of this devoted to paddy cultivation. The main crops are paddy (wet season, dry season, receding, and floating), corn, soybean, mung bean, cassava, sugarcane, peanut, sesame, sweet potato, Chinese cabbage, cauliflower, lettuce, watermelon, and tobacco. Plantation and industrial crops include rubber, cashew nut, pepper, palm sugar, palm oil, and fruit (mango, pineapple, jackfruit, durian, rambutan, and banana). Forest products include teak wood and acacia (timber), and nontimber forest products such as bamboo, grass, fodder, honey, mushrooms, and firewood. Fish production (freshwater, community, and ricefield production, aquaculture, and marine) in 2004 was 321,000 tons (t). The share of agriculture, fisheries, and forestry in the total economy declined from close to half (46%) in 1993 to under a third (30%) in 2006. Within agriculture, the share of the crop sector increased from about 40% of total GDP to about 50%. Correspondingly, the share of the noncrop sectors declined from about 60% of total GDP to 50%. This is contrary to the expectation that, over time, the contribution of the non-crops subsector to the growth of the agriculture sector and the overall economy will rise. The share of agriculture, fisheries, and forestry in total employment declined from 70% in 2001 to 57% in 2006.³

3. The importance of the agriculture and natural resources sector to poverty reduction and food security and the need for a holistic approach to rural development are highlighted by the current global food price crisis, which is straining resources and public order in many developing countries. Underinvestment in agriculture, degradation of the natural resource base, misallocation of land, declining food stocks, and lack of exchange entitlement of the poor, have combined with a host of cyclical and long-term factors affecting supply and demand and prices to put the lives of millions in jeopardy. Within the above context, the situation confronting Cambodia merits close scrutiny. Paddy rice production increased from 3.5 million t in 1996 to about 6.7 million t in 2007; the milled rice surplus was estimated at 1.6 million t in 2007.⁴ Much of the marketed surplus finds its way out across the border to Viet Nam unprocessed. This surplus, though, does not mean absence of hunger, as it is pervasive among vulnerable groups during the wet season. In parallel with the international market, rice prices in the domestic

¹ IMF. 2007. IMF Country Report No. 07/290. *Cambodia: 2007 Article IV Consultation—Staff Report; Staff Supplement; and Public Information Notice on the Executive Board Discussion*. Washington, DC (August).

² Ministry of Planning. National Institute of Statistics. 2004. *Cambodia Socioeconomic Survey 2003–2004*.

³ IMF. 2007. IMF Country Report No. 07/291. *Cambodia: Selected Issues and Statistical Appendix*. Washington, DC Table 1; and Economic Institute of Cambodia. 2007. *Cambodia Economic Watch*. Phnom Penh. Issue 7. Table 1.1, (August).

⁴ Ministry of Agriculture, Forestry and Fisheries. 2006. *Agricultural Statistics 2005–2006*. Phnom Penh; and Food and Agriculture Organization (FAO)/World Food Program (WFP) Consultative Mission. May 2008. Draft Final Report. Phnom Penh. Table 1.

market increased throughout 2008,⁵ while grain continued to be exported to Viet Nam, informally lured by high prices, forcing the Government to finally call for a temporary ban on rice exports for 2 months (although it was lifted later). The vulnerability of Cambodia arises not only from exports and pockets of hunger but also from the fact that the Government does not have an emergency procurement system or strategic reserve to deal with potential food crisis. It has very little private and public storage and processing capacity in the country, which aggravates the situation.

B. Issues

4. The slow pace of rural development has resulted in the declining capacity of agriculture to support the growing population and absorb the additional labor force. Agricultural growth has lagged behind GDP growth and has shown wide yearly variations. The Government has made attempts to move away from a rice-based agricultural economy by promoting diversification together with the expansion of non-farm rural activities. These initiatives did not receive the necessary resource, policy, and institutional support, with the result that low rural incomes persist and income inequality has increased. Low incomes and increasing inequality have led to the high incidence of rural poverty (37%). As IMF puts it, despite robust economic growth in the past several years, rural poverty in Cambodia has remained stubbornly high. That is not all. Food insecurity affects about a fifth to a third of rural households, and persists even during cropping seasons. With a low level of commercial and industrial development, the pressure is heavier on the natural resources sector to provide additional means of subsistence to the poverty stricken farmers and landless population.

5. Factors that hinder growth in agriculture are (i) low factor productivity; (ii) bio-insecurity; (iii) lack of access to information and communication technology (ICT); (iii) lack of market access for products, inputs, services, and alternative employment and livelihood; (iv) poor risk management to hedge against uncertainties and fluctuations; (v) policy inadequacies and slow implementation of the reform process; and (vi) weak governance and institutions and lack of participation. Each of these can be traced back to a set causes. Low productivity is caused by poor resource management, lack or inadequate access to resources, lack of education and skills, poor health and nutrition, weak extension and research, and lack of social and physical infrastructure. Bio-insecurity emanates from loss of biodiversity, threat to food safety, and loss of environmental sustainability. Access to ICT is constrained by low investment, lack of hardware and software, lack of ICT skills and training, lack of markets, and lack of power and connectivity. Lack of market access is due to the low level of comparative and competitive advantage and the low level of regional integration, market fragmentation, and inadequate infrastructure, asymmetry of information, and slow private sector development. Poor risk management is caused by lack of capacity to analyze and manage risks and low resilience to natural disasters. Policy inadequacies are manifested in the absence of supporting legislation, weak capacity to implement new laws, lack of incentives for improved resource management, and inadequate budget allocation for infrastructure and public works. Weak governance and institutions are linked to lack of appropriate institutions; weak structure and organization; poor management and leadership; a weak financial sector; weak civil society and community-based organizations; and overlap, duplication, and poor agency and sector coordination.

⁵ According to the Economic Institute of Cambodia (available: <http://www.eicambodia.org/>), as of 5 May 2008 the rice price had increased by 100% to KR3,150/kilogram (kg) in a year; fish and meat prices had increased by 30%–60%. Field investigation by an Asian Development Bank (ADB) fact-finding mission revealed that over the past year the price of average-quality rice had increased by: 163% in Odor Meanchey, 164% in Banteay Meanchey, 103% in Battambang, 45% in Kampong Chhnang, 113% in Kampong Thom, 63% in Pursat, and 105% in Siem Reap province, with the seven-province average rise being 113%.

C. Government Strategy

6. During the past decade, the Government articulated a number of strategies and programs aimed at promoting socioeconomic development and poverty reduction⁶. In 2004, Prime Minister Samdech Hun Sen presented The Rectangular Strategy for Growth, Employment, Equity and Efficiency at the Third Legislature of the National Assembly. The strategy stressed that the role of agricultural policy is “to improve agricultural productivity and diversification, thereby enabling the agriculture sector to serve as the dynamic driving force for economic growth and poverty reduction”.

7. In addition, the Technical Working Group on Agriculture and Water (TWGAW) of the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Water Resources and Meteorology (MOWRAM) formulated the Strategy for Agriculture and Water, 2006–2010,⁷ as required by the Second Socioeconomic Development Plan, together with five subsector action programs, including one on food security. The Working Group on Food Security and Nutrition prepared Cambodia’s National Strategic Framework for Food Security and Nutrition (SFFSN)⁸, 2008–2012. The stated goal of the framework is that by 2012, poor and food-insecure Cambodians will have substantially improved physical and economic access to sufficient, safe, and nutritious food, at all times, to meet their dietary needs and food preferences for an active and healthy life. This is to be achieved through increased food production and employment creation, better natural resource management, improved food use and utilization, enhanced capacity to cope with food shocks, and policy and institutional reform. However, Cambodia’s efforts to maintain SFFSN’s goal and objectives are being challenged by escalating prices of food, high prices of crop inputs, and budgetary stress.

D. ADB Strategy

8. By the end of 2007, Cambodia had received \$945 million for 42 loans, \$104 million in nine grant projects, and \$94 million for 144 technical assistance projects. In the agriculture and natural resources sector, Cambodia had received \$184 million for nine loans, \$30 million in two grant projects, and \$18 million for 26 technical assistance projects. The (Asian Development Bank’s) ADB’s operations in Cambodia are guided by a three-pronged strategy: (i) policy and institutional reform including governance reform (program loans, technical assistance [TA] grants, and contribution to the Financial Sector Blueprint 2001–2010); (ii) rehabilitation and construction of physical and social infrastructure (rural roads, irrigation, water supply and sanitation, and commune council buildings and others); and (iii) natural resource management (projects and TA under the Tonle Sap Initiative). Policy and institutional reforms are an ongoing process to which ADB’s contribution has been substantial, especially in agricultural policies, research, and financial sector reform. ADB-financed rural roads have strengthened market linkages and improved mobility; irrigation schemes are providing water for irrigation, thereby increasing agricultural production and reducing poverty; water supply and sanitation works have contributed to better health; while the recently completed commune council buildings will

⁶ These are (i) National Program to Rehabilitate and Develop Cambodia, 1994–1995; (ii) First Socioeconomic Development Plan, 1996–2000; (iii) Long-Term Triangle Strategy, 2001–2015; (iv) Second Socioeconomic Development Plan, 2001–2005; (v) National Poverty Reduction Strategy, 2003–2005 promulgated in December 2002; and (vi) National Strategic Development Plan, 2006–2010.

⁷ Technical Working Group on Agriculture and Water. 2008. *Strategy for Agriculture and Water 2006–2010*. Cambodia.

⁸ Technical Working Group on Food Security. 2008. *National Strategic Framework for Food Security and Nutrition, 2008–2012*. Council of Agriculture and Rural Development. Cambodia.

enhance operational efficiency of local authorities. Finally, the Tonle Sap Initiative, with projects and TA, provides the blueprint for protecting the Tonle Sap environment and resources, hence protecting the livelihood of communities in six provinces surrounding the lake. Notwithstanding these accomplishments, ADB operations in the agriculture and natural resources and other sectors suffer from lack of synergy, which limits realization of the multiplier effect.

9. ADB's country strategy and program for 2005–2009⁹ has three components: (i) fostering broad-based private sector-led economic growth, (ii) pursuing inclusive social development, and (iii) strengthening governance for development. The country operations business plan for Cambodia for 2008–2010¹⁰ seeks to realign the focus on agriculture and rural development, private sector development, and risk management through governance reform. In agriculture, the focus will shift to rural transport, rural credit, skills development, other infrastructure, rural electrification, and service delivery. In terms of country programming, major elements of sequential interventions are being conceived in (i) emergency assistance in response to the global food price rise, (ii) rural development, (iii) rural energy, (iv) non-farm activities, (v) rural credit, (vi) private sector development, and (vii) governance and capacity building. Under the current country strategy and program sector outcomes are (i) increased agricultural production through increasing agricultural land under irrigation and rice yield, (ii) improved market environment for private agro-based enterprise growth, (iii) effective decentralized rural service delivery, (iv) sustainable management and conservation of natural resources, (v) reduced economic losses from floods and droughts, (vi) deepening of the Tonle Sap Initiative as an operational piloting of such multisector rural poverty reduction, (vi) expansion of the public financial management reform program for rural development to ensure effective delivery of agriculture and rural development and catalyze additional donor support, and (vii) subregional initiatives in new agriculture solutions.

10. At its Annual Meeting in Madrid in May 2008, ADB announced a comprehensive strategic approach to deal with soaring food prices. Within its long-term strategic framework 2008–2020 (Strategy 2020)¹¹, ADB outlined short-term responses and medium- to long-term responses to the food price crisis in *Soaring Food Prices, Response to the Crisis*¹². The short-term response will include targeted interventions to protect the food entitlements of the most vulnerable groups and income and livelihood programs for the poor. In the medium to long term, ADB's assistance to the agriculture and natural resources sector would seek to (i) enhance productivity growth; (ii) promote biosecurity; (iii) improve access to ICT; (iv) improve market access and income diversification; (v) encourage better risk management; (vi) continue the dialogue to deepen and widen policy reform; and (vii) strengthen institutions, enhance capacity and skills, and promote good governance. Such assistance would be considered in the broader framework of agriculture's links to the rural and wider national economy.

⁹ ADB. 2004. *Country Strategy and Program (2005–2009): Cambodia*. Manila.

¹⁰ ADB. 2007. *Country Operations and Business Plan (2008–2010): Cambodia*. Manila

¹¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

¹² ADB. 2008. *Soaring Food Prices, Response to the Crisis*. Manila.

EXTERNAL ASSISTANCE TO FOOD SECURITY

Project	Duration	Source	Objective	Amount (\$ million)	Area of operation
Food price increase response					
Protracted Relief and Recovery Operation	2008–2010	WFP	The aim is to improve the food security of vulnerable households and communities through combined interventions in education, health, and disaster risk reduction.	25.4 (as of July 2008) but Cambodia operations require 75.0	12 provinces
Support Food Security for Women and Rural Poor in Cambodia and Lao PDR	2008	EU	Promote food and nutrition security for women and rural poor.	€1.3 million	Oddar Meanchey, Mondulakiri, and Ratanakiri
Agricultural inputs in provision of seed and fertilizers	2008–2009	FAO	To boost agricultural food production through provision of high-quality rice seeds and fertilizers to mitigate the impact of the high food prices, especially on vulnerable smallholders.	0.2	Takeo
Support to Agricultural Productivity Improvement under the Initiative on Soaring Food Prices		FAO	TBD	0.5	
Irrigation system construction and rehabilitation					
Strengthening the Participatory Irrigation Management and Development (PIMD) Strategy	2007–2009	FAO	The objective of the project is to improve productivity and sustainability of irrigated agriculture through strengthening PIMD; improve national capacity on irrigation management and development through capacity building for government departments, especially MOWRAM, farmer water users' committees, and individual farmers.	0.3	
Kompong Pouy irrigation rehabilitation and rural development	1998–2006	JICA, APS (Italy), WFP	Rehabilitate and extend the Kompong Pouy irrigation system and strengthen management capacity and systems	5.6	Battambang
Multipurpose water resources development, Krang Ponley	2004–2009	KOICA	Design and construction of irrigation system		Kompong Chhnang
Multipurpose dam development, Battambang	2006–2007	KOICA	Feasibility study of storage options for Stung Sangke River.		Battambang

Project	Duration	Source	Objective	Amount (\$ million)	Area of operation
Northwest Irrigation Sector (NWISP)	2005–2010	ADB, AFD	To reduce poverty in selected rural areas in the northwest through rehabilitation and sustainable operation of small and medium-scale irrigation systems and other water-control infrastructure within priority river basins in order to enhance agricultural production	22.6	Battambang Banteay Meanchey, Pursat, Siem Reap, Kandal
Stung Chinit irrigation and rural infrastructure	2001–2008	ADB, AFD	To increase income and improve quality of life by providing sustainable irrigation infrastructure and management, agricultural extension and FWUCs, and rural infrastructure (roads and markets)	23.8	Kompong Thom
Stung Staung Water Resources Development	2005–2008	PRC	Irrigation system construction and capacity building		Kampong Thom
Water resources sector project	2007–2008	ADB, AFD	A PPTA project to (i) design an irrigation investment project in the Northwestern provinces, based on comprehensive river basin studies, (ii) provide capacity building assistance to MOWRAM, (iii) establish a Tonle Sap Basin management organization	1.3 (anticipate follow-up loan for irrigation of around 20.0)	Tonle Sap Basin
Integrated Irrigation Development Project in Battambang Province in Support of SPFS in Cambodia	2006–2009	FAO, funded by Italy		3.3	Battambang
Agricultural and rural development					
Agricultural development support to Seila (ADESS)	2000–2006	IFAD, UNDP, AusAID	To increase food and income security for about 64,500 poor households through a more diversified pattern of crop and livestock production and better access to credit services, leading to capital formation at the household and local levels	10.4	Battambang Banteay Meanchey, Pursat, Siem Reap
Agricultural Productivity Improvement Program (APIP)	1997–2004	World Bank	To build institutional and community capacity, provide data and information (including water resources data), and assist in managing I&D systems and related infrastructure	8.3	Nationwide
Cambodia land management and administration	2002–2007	World Bank	To improve land tenure security and promote the development of efficient land markets	33.4	Nationwide

Project	Duration	Source	Objective	Amount (\$ million)	Area of operation
Cambodia-Australia Agricultural Extension Project (CAAEP) Phase II	2001–2006	AusAID	To improve access to agricultural knowledge through a sustainable district-oriented extension system as a focal point for coordinating and facilitating extension services	15.2	All Tonle Sap Basin provinces and seven others
Community-based rural development	2001–2008	IFAD GTZ AusAID WFP	To increase food production and farm incomes through intensified and diversified crop and livestock production, and increase the capacity of the poor to use services from the Government and other sources for their social and economic development	22.8	Kampong Thom, Kampot
Economic and social relaunch of the Northwest Provinces (ECOSORN)	2006–2010	EU	To reduce poverty by intensifying and diversifying agricultural, livestock, and fisheries production; creating economic and employment opportunities; empowering local communities; improving access to social amenities, markets, potable water, and credit facilities; and providing safer and permanent access to arable land and social infrastructure.	Euro 26 million	Battambang Banteay Meanchey Siem Reap
Emergency Flood Rehabilitation Project, rural infrastructure and irrigation and flood control components	2001–2003	ADB	Rehabilitate selected irrigation infrastructure and rural roads damaged during major floods and establish/upgrade flood protection works	10.8 (irrigation and flood), 6.4 (rural infrastr)	Tonle Sap Basin provinces (except BM) and six others
Flood emergency rehabilitation project, irrigation and flood control component	2001–2004	World Bank	Rehabilitate rural roads, and selected irrigation infrastructure damaged during major floods and establish/upgrade flood protection works; establish FWUCs	8.1 (rural infrastr), 11.6 (irrigation and flood control)	Tonle Sap Basin provinces (except BM) and others
Improving the livelihood of poor farmers in Southern Cambodia	2003–2008	ADB/ JFPR	To reduce rural poverty through sustainable livelihood opportunities for poor and vulnerable groups of farmers, particularly rural women; small-scale village infrastructure, village revolving funds, village-based agro-enterprises; social mobilization program and agricultural, horticultural, and livestock training, including intensive support for disadvantaged and landless farm workers; and capacity building of local community-based organizations and NGOs	1.8	Kampong Chhnang, Kampong Thom, and three others

Project	Duration	Source	Objective	Amount (\$ million)	Area of operation
Integrated pest management farmer training project, phase II	2003–2005	Danida	To empower farmers to apply sustainable agricultural production systems through better integrated crop management	1.65	Battambang, Banteay Meanchey, Kampong Chhnang, Kampong Thom, and three others
Northeast village development	2002	World Bank	To promote rural development through directly productive activities, training in agriculture, fisheries and vegetable cultivation, microenterprise development, small-scale rural infrastructure, and harbor improvement	6.0	Kampong Thom and two others
Northwestern Rural Development (NRDP)	2002–2008	ADB	To reduce poverty through accelerated rural development	35.3	Battambang, Banteay Meanchey, Siem Reap, and Oddar Meanchey
Provincial and Rural Infrastructure Project (PRIP)	2004–2007 (suspended)	World Bank, IDA, IFAD	To provide access to markets through rehabilitation and maintenance of rural roads, and associated capacity building	23.0	Kampong Thom, Siem Reap, and two others
Reducing chronic undernourishment	2002–2007	World Food Programme	To increase agricultural production by building, maintaining, and rehabilitating existing irrigation systems; building the capacity of farmers to maintain these systems; and strengthening the capacity of RGC counterpart staff	17.5	All Tonle Sap Basin provinces and four others
Rural Development Program	2002–2007	GTZ	To improve the economic activities of village organizations and their institutions through income-generating activities, natural resource management, and agricultural production	7.0	Kampong Thom, Kampot
Rural Infrastructure Development	2001–2008	IFAD	To provide water management infrastructure and promote establishment of the institutional and community capacity to manage I&D systems and infrastructure	4.0	Kampong Thom
Rural Water Supply and Sanitation	2005–2015	ADB	To increase percentage of rural population with access to safe water supplies (target 50%) and sanitation (target 30%), through infrastructure, community mobilization, and assistance with implementation	10.0	Tonle Sap basin provinces (except Banteay Meanchey)
Seila Program	1996–2007	IFAD/ World Bank, PLG, UNDP, bilateral donors, NGOs	To achieve economic development through demand-driven investments, including institutional capacity building and decentralization, effective delivery of services and infrastructure for local development, enhanced policy-regulatory environment for D&D	45.6 in 2006	Nationwide

Project	Duration	Source	Objective	Amount (\$ million)	Area of operation
Support program for the agricultural sector in Cambodia (PRASAC)	1995–2008, 1999–2003	EU	To increase the income of farming communities and to promote growth and prosperity in rural villages.	39.0	Kampong Chhnang and five other provinces
Tertiary rural infrastructure program (TRIP) phases III and IV	1992–2005 2005–2007	KfW WFP	To rehabilitate 650 km of rural roads and maintain rural roads	15.6	Kampong Thom, Kampong Cham
Tonle Sap environmental management (TSEMP)	2005–2008	ADB, GEF, UNDP	To develop the capacity for natural resource management coordination and planning, community-based natural resource management, and biodiversity conservation in the TSBR	18.7	Tonle Sap Basin provinces
Tonle Sap sustainable livelihoods (TSSLP)	2006–2010	ADB Finland	To support community-driven development and delivery of demand-driven services, safeguard core areas of the Tonle Sap Basin, build skills and awareness for sustainable livelihoods, and strengthen institutions and processes at all levels	20.3	Battambang, Pursat, Siem Reap, Kampong Chhnang, Kampong Thom
Tonle Sap rural water supply and sanitation sector	2006–2011	ADB	To provide sustained access to safe water and sanitation and better hygiene to all communities and their members, including the poorest	18.0	Battambang, Pursat, Siem Reap, Kampong Chhnang, Kampong Thom
Food security program	Current	CIDA	Coordinated by a local NGO		Kampong Chhnang

ADB = Asian Development Bank, AFD = Asian Development Fund, ADESS = agricultural development support to Seila, APIP = Agricultural Productivity Improvement Program, APS = Associazione per la Partecipazione allo Sviluppo (Italian NGO), CAAEP = Cambodia-Australia Agricultural Extension Project, D&D = Decentralization and Deconcentration, CIDA = Canadian International Development Assistance, ECOSORN = Economic and social relaunch of the Northwest Provinces, EU = European Union, FAO = Food and Agriculture Organization, FWUC = Farmer Water Use Community, IDA = International Development Assistance, IFAD = International Fund for Agricultural Development, GTZ = German International Cooperation, JICA = Japan International Cooperation Agency, KfW = German Development Bank, KOICA = Korean International Cooperation Agency; MOWRAM = Ministry of Water Resources and Meteorology, NGO = nongovernment organization, NRDP = Northwestern Rural Development, NWISP = Northwest Irrigation Sector Project, PIMD = Participatory Irrigation Management and Development, PLG = partnership for local governance, PPTA = project preparatory technical assistance, PRASAC = program for the agricultural sector in Cambodia, PRC = People's Republic of China, PRIP = Provincial and Rural Infrastructure Project, SPFS = Special Program on Food Security, TRIP = Tertiary rural infrastructure program, TSEMP = Tonle Sap environmental management, TSSLP = Tonle Sap Sustainable Livelihoods, UNDP = United Nations Development Programme, WFP = World Food Programme.

Source: Asian Development Bank estimates.

DETAILED COST ESTIMATES

Table A4.1: Detailed Cost Estimates by Expenditure Category

Item	KR Million			\$ '000			% Total Base Costs
	Foreign	Local	Total	Foreign	Local	Total	
A. Investment Costs							
1. Materials	0.0	123,692.4	123,692.4	0.0	30,923.1	30,923.1	79.4
a. Food for Free Distribution	0.0	30,092.4	30,092.4	0.0	7,523.1	7,523.1	19.3
b. Food for Work	0.0	39,600.0	39,600.0	0.0	9,900.0	9,900.0	25.4
c. Rice Seed	0.0	31,382.8	31,382.8	0.0	7,845.7	7,845.7	20.2
d. Urea Fertilizer	0.0	22,617.2	22,617.2	0.0	5,654.3	5,654.3	14.5
2. Equipment and Vehicles	0.0	1,660.0	1,660.0	0.0	415.0	415.0	1.1
a. 4WD Vehicles	0.0	900.0	900.0	0.0	225.0	225.0	0.6
b. Motorbikes	0.0	360.0	360.0	0.0	90.0	90.0	0.2
c. Office Equipment	0.0	400.0	400.0	0.0	100.0	100.0	0.3
3. Consulting Services	4,470.0	4,470.0	8,940.0	1,117.5	1,117.5	2,235.0	5.7
a. Support to Establish Food Security System	1,830.0	1,830.0	3,660.0	457.5	457.5	915.0	2.4
b. Consulting Services for Capacity Development	2,640.0	2,640.0	5,280.0	660.0	660.0	1,320.0	3.4
4. Duties and Taxes^a	0.0	13,883.6	13,883.6	0.0	3,470.9	3,470.9	8.9
Subtotal (A)	4,470.0	143,706.0	148,176.0	1,117.5	35,926.5	37,044.0	95.1
B. Recurrent Costs							
1. Project Management Support Staff Remuneration	0.0	5,400.0	5,400.0	0.0	1,350.0	1,350.0	3.5
2. O&M of Equipment and Vehicles	0.0	2,168.0	2,168.0	0.0	542.0	542.0	1.4
Subtotal (B)	0.0	7,568.0	7,568.0	0.0	1,892.0	1,892.0	4.9
Total Base Costs	4,470.0	151,274.0	155,744.0	1,117.5	37,818.5	38,936.0	100.0
C. Contingencies							
1. Physical Contingencies	44.7	1,498.7	1,543.4	11.2	374.7	385.9	1.0
2. Price Contingencies	42.7	1,443.7	1,486.4	10.7	360.9	371.6	1.0
Subtotal (C)	87.4	2,942.4	3,029.8	21.8	735.6	757.5	1.9
Total Project Costs	4,557.4	154,216.4	158,773.8	1,139.3	38,554.1	39,693.4	101.9
D. Interest During Implementation	1,553.8	0.0	1,553.8	388.5	0.0	388.5	1.0
Total Project Cost (A+B+C+D)	6,111.2	154,216.4	160,327.6	1,527.8	38,554.1	40,081.9	102.9

4WD = four-wheel drive, O&M = operation and maintenance.

^a The amount of duties and taxes is exclusive of contingencies.

Source: Asian Development Bank estimates.

Table A4.2: Detailed Cost Estimates by Financier
(\$'000)

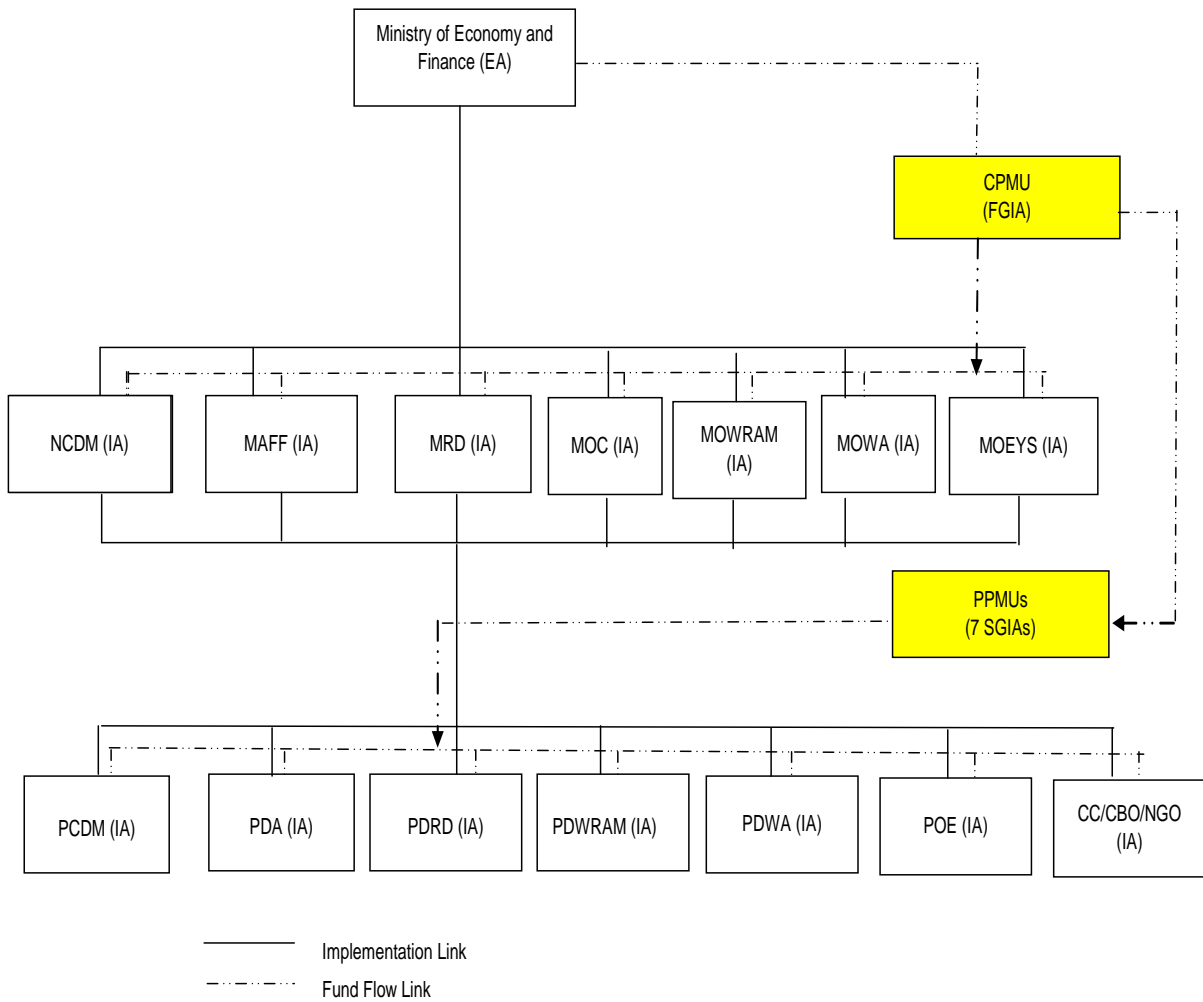
Item	Cost	Government		ADB Loan		ADB Grant	
		Amount ^a	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs							
1. Materials	35,027.0	3,502.7	10.0	17,111.8	48.9	14,412.5	41.1
a. Food for Free Distribution	8,522.4	852.2	10.0	0.0	0.0	7,670.1	90.0
b. Food for Work	11,211.5	1,121.1	10.0	3,348.0	29.9	6,742.3	60.1
c. Rice Seed	8,887.8	888.8	10.0	7,999.0	90.0	0.0	0.0
d. Urea Fertilizer	6,405.4	640.5	10.0	5,764.8	90.0	0.0	0.0
2. Equipment and Vehicles	458.8	35.7	7.8	0.0	0.0	423.1	92.2
a. 4WD Vehicles	254.9	25.5	10.0	0.0	0.0	229.4	90.0
b. Motorbikes	102.0	10.2	10.0	0.0	0.0	91.8	90.0
c. Office Equipment	102.0	0.0	0.0	0.0	0.0	102.0	100.0
3. Consulting Services	2,278.8	0.0	0.0	0.0	0.0	2,278.8	100.0
a. Support to Establish Food Security System	933.0	0.0	0.0	0.0	0.0	933.0	100.0
b. Consulting Services for Capacity Development	1,345.8	0.0	0.0	0.0	0.0	1,345.8	100.0
Subtotal (A)	37,764.6	3,538.4	9.4	17,111.8	45.3	17,114.4	45.3
B. Recurrent Costs							
1. Project Management Support Staff Remuneration	1,376.4	1,101.1	80.0	0.0	0.0	275.3	20.0
2. O&M of Equipment and Vehicles	552.6	442.1	80.0	0.0	0.0	110.5	20.0
Subtotal (B)	1,929.0	1,543.2	80.0	0.0	0.0	385.8	20.0
Total Base Costs	39,693.6	5,081.6	12.8	17,111.8	43.1	17,500.2	44.1
C. Interest During Implementation	388.5	0.0	0.0	388.5	100.0	0.0	0.0
Total Project Costs	40,082.0	5,081.6		17,500.0		17,500.0	
% Total Project Costs			12.7%		43.7%		43.7%

4WD = four-wheel drive, O&M = operation and maintenance.

^aThe Government financing total is \$5,081,600 of which (i) \$3,538,000 is for duties and taxes and (ii) \$1,543,200 is for recurrent costs.

Source: Asian Development Bank estimates.

PROJECT IMPLEMENTATION AND FUND FLOW DIAGRAM



CPMU = central project management unit; EA = executing agency; FGIA = first generation imprest account; MAFF = Ministry of Agriculture; Forestry and Fisheries; MOC = Ministry of Commerce; MOEYS = Ministry of Education, Youth and Sports; MOWA = Ministry of Women Affairs; MOWRAM = Ministry of Water Resources and Meteorology; MRD = Ministry of Rural Development; NCDM = National Committee for Disaster Management; PCDM = provincial committee for disaster management; PDA = provincial department of agriculture; PDRD = provincial department of rural development; PDWRD PPMU = provincial project management unit.
 Source: Asian Development Bank estimates.

PROCUREMENT PLAN

Project Name:	CAM-Emergency Food Assistance Project
Loan (Grant) Number:	
Loan and Grant Amount	Project: \$40.08; Attached TA: \$1.6 million
Executing Agency:	Ministry of Economy and Finance
Date of first Procurement Plan	31 July 2008
Date of this Procurement Plan	22 August 2008

A. Process Thresholds, Review, and 18-Month Procurement Plan

1. Project Procurement Thresholds

1. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
National Competitive Bidding for Fertilizer	Not applicable
National Competitive Bidding for Vehicles	\$500,000
Commodity Procurement for Rice	Not applicable
Direct Contracting for Rice seeds	
Shopping	Below \$100,000

2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior- or post-review requirements apply to the various procurement and consultant recruitment methods used for the project

Procurement of Goods and Works		
Procurement Method	Prior or Post	Comments
NCB Goods	Prior	Fertilizer, four-wheel vehicles, motorcycles
Commodity Procurement	Prior/ Post	Rice
Direct Contracting	Prior	Rice seeds from AQIP Seed Company
Shopping	Prior	
Recruitment of Consulting Firms (including attached TA)		
Quality and Cost Based Selection	Not applicable	Recruitment by ADB
Quality Based Selection NGOs	Not applicable	Recruitment by ADB
Recruitment of Individual Consultants		
Individual Consultants	Not applicable	Recruitment by ADB

ADB = Asian Development Bank; AQIP = Agriculture Quality Improvement Project; NCB =national competitive bidding; NGO = nongovernment organization; TA = technical assistance.

3. Goods and Works Contracts Estimated to Cost More Than \$1 Million

3. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

Item	Contract Value (\$ million)	Procurement Method	Prequalification Of Bidders (y/n)	Advertisement Date	Comments
Rice	19.733	Others-Commodity	n	Q3 2008	Numerous contracts from approved rice millers
Fertilizer	6.405	NCB	n	Q3 2008	
Rice seeds	8.887	Direct Contracting	n	Q3 2008	From AQIP Seed Co.

AQIP = Agriculture Quality Improvement Project, NCB =national competitive bidding.

4. Consulting Services Contracts Estimated to Cost More Than \$100,000

4. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$ million)	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
International Consultants	1.134	ICS		International	
National Consultants	0.774	ICS		National	
Independent Monitor (NGOs)	0.450	CQS		National	To be recruited by ADB

ADB = Asian Development Bank, CQS = consultants' qualification selection, ICS = individual consultant selection
NGO = nongovernment organization.

5. Goods and Works Contracts Estimated to Cost Less than \$1 Million

5. The following table groups smaller-value goods, works, and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (\$, cumulative)	Number of Contracts	Procurement / Recruitment Method	Comments
4WD Vehicles (8)	255,000	1	NCB	
Motorcycles (35)	102,000	1	NCB	
Office Equipment	102,000	Numerous	Shopping	

4WD = four-wheel drive, NCB = national competitive bidding.

6. Other Services Contracts

6. The following table lists other services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$ million)	Recruitment Method	Advertisement Date	Procurement Method	Comments
Establishment of Emergency Food Reserve and Rapid Response System	0.933	QCBS	Q3 2008	Others	

QCBS = quality- and cost-based selection.

B. Project Procurement Plan

1. Indicative List of Packages Required Under the Project

7. The following table provides an indicative list of all procurement (goods, works, and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the Comments section.

General Description	Estimated Value (\$ million, cumulative)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
Goods					
Rice	19.733	Numerous	Commodity Procurement	N	
Fertilizer	6.405	1	NCB	N	
Rice seeds	8.887	1	Direct Contracting	N	
4WD Vehicles	0.255	1	NCB	N	
Motorcycles	0.102	1	NCB	N	
Office Equipment	0.102	Numerous	Shopping	N	
Consulting Services					
International and National Consultants	1.908	Numerous	ICS	N	
Independent Monitor (NGOs)	0.450	7	CQS	N	
Other Services					
Establishment of Emergency Food Reserve and Rapid Response System	0.933	Numerous	Others	N	

4WD = four-wheel drive, CQS = consultants' qualification selection, NCB =national competitive bidding, ICS = individual consultant selection.

C. National Competitive Bidding Annex

1. Cambodia

8. **General.** The procedures to be followed for national competitive bidding shall be those set forth for the national competitive bidding method in the Government's Procurement Manual of September 2005 issued under Decree Number 14 ANKR.BK dated 26 February 2007 with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB's *Procurement Guidelines* (2007, as amended from time to time).

9. **Application.** Contract packages subject to national competitive bidding procedures will be those identified as such in the project procurement plan. Any changes to the mode of procurement from those provided in the procurement plan shall be made through updating of the procurement plan, and only with prior approval of ADB.

10. **Eligibility.** Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

11. **Advertising.** Bidding of national competitive bidding contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the procurement plan.

12. **Anti-Corruption.** Definitions of corrupt, fraudulent, collusive, and coercive practices shall reflect the latest ADB Board-approved *Anticorruption Policy* (1998, as amended to date) definitions of these terms and related additional provisions

13. **Rejection of all Bids and Rebidding.** Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

14. **Bidding Documents.** The bidding documents provided with the Government's Procurement Manual shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted for ADB review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the project, and need not be subjected to further review unless specified in the procurement plan.

15. **Member Country Restrictions.** Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

STRENGTHENING INSTITUTIONAL CAPACITY FOR EMERGENCY RESPONSE TO FOOD CRISIS AND IMPROVING FOOD SECURITY

A. Impact, Outcome, and Outputs

1. The impact of the proposed technical assistance (TA) is reduced human suffering from food deprivation. The outcome is strengthened institutions dealing with food crisis. The TA will have four outputs: (i) establishment of an independent monitoring system to oversee target-group selection, distribution of food and inputs, organization and management of the food-for-work program, and compliance with fiduciary requirements; (ii) development of a system of emergency food reserve and rapid response; (iii) strengthening of financial management capacity of the executing agency (EA), implementing agency (IA), and provincial project management units (PPMUs), including longer-term capability to deal with food emergencies; and (iv) management and monitoring of Project implementation.

B. Methodology and Key Activities

2. The TA will involve oversight and capacity building. The oversight function will cover monitoring and auditing by independent agents. Capacity building will cover direct consultancy expert input for system development and human resource upgrading through on-the-job training. Key tasks include (i) assessing the overall state of food security in Cambodia; (ii) monitoring the state of poverty and hunger in project provinces; (iii) assessing the potential for agricultural productivity improvement in project area; (iv) assisting in identification of rural market link roads and irrigation channels which could be rehabilitated immediately through the food-for-work program; (v) assessing the existing food and input procurement and distribution system including logistics; (vi) assessing the capacity of nongovernment organizations and/or community-based organizations in the Project area to undertake beneficiary mobilization for participation in and implementation of project activities; (vii) examining the impact of free food distribution, the food-for-work program, and subsidized input distribution on prices, supply, and demand in the market; (viii) monitoring (a) target-group selection, (b) procurement and distribution of food and inputs, (c) organization and management of the food-for-work program, and (d) compliance with fiduciary requirements; (ix) establishing a food security database; (x) strengthening financial management capacity of EA, IA, and PPMUs, including longer-term capability to deal with food emergencies; and (xi) developing a system of emergency food reserve and rapid response, including size of reserve, strategic location, procurement, utilization and replenishment, organizational and institutional structure, legal and regulatory framework, operational modalities, physical infrastructure and equipment, early warning systems, identification and monitoring of indicators, crop assessment, and reporting and dissemination.

C. Costs and Financing

3. It is estimated that the consulting services for capacity development and project management will cost \$4.72 million, of which the attached TA will finance \$1.50 million, the fund allocated under component 3 will finance \$3.12 million, and the Government will provide \$100,000 as part of the TA to cover incremental administrative expenses, office space, local travel, and per diem for counterpart staff. Retroactive financing for a maximum of 30% of the total TA amounts will be considered for eligible expenditure incurred not earlier than 22 August 2008, provided that the expenditure is in compliance with the following conditions: (i) it is in accordance with acceptable procedures specified by ADB, (ii) it is verified by ADB, (iii) it is certified by MEF, and (iv) the certification is acceptable to ADB. Cost estimates and a financing plan is in Table A7.1.

Table A7.1: Cost Estimates and Financing Plan for Technical Assistance for Capacity Development and Project Management
(\$'000)

Item	Financed from		Total
	ADF Grant Comp. 3	Attached TA	
A. ADB Financing			
1. Consultants			
a. Remuneration and per diem			
(i) International consultants	756.0	378.0	1,134.0
(ii) National consultants	387.0	387.0	774.0
b. International and local travel	53.0	150.0	203.0
2. Office equipment	102.0	0.0	102.0
3. Training, seminars and workshops	0.0	30.0	30.0
4. Reports and communications	0.0	10.0	10.0
5. Vehicles			0.0
a. 4 WD Vehicles	255.0	0.0	255.0
b. Motorbikes	102.0	0.0	102.0
6. Support to Establish Food Security System		0.0	0.0
a. Baseline Surveys and monitoring and data collection	170.0	0.0	170.0
b. Analysis and recommendation of food procurement, storage, transportation, and distribution system	213.0	0.0	213.0
c. Essential hardware and logistics support	400.0	0.0	400.0
d. Monitoring and Auditing System	150.0	0.0	150.0
7. Project audit at completion	150.0	0.0	150.0
8. Miscellaneous administrative support costs ^a	0.0	450.0	450.0
9. Project management support staff remuneration	1,376.4	0.0	1,376.4
10. O&M of equipment and vehicles	552.6	0.0	552.6
11. Contingencies	0.0	95.0	95.0
Subtotal (A)	4,666.9	1,500.0	6,166.9
B. Government Financing			
Incremental administrative expenses, office space, local travel, and per diem for counterpart staff	0.0	100.0	100.0
Subtotal (B)	0.0	100.0	100.0
Total	4,666.9	1,600.0	6,266.9

4WD = four-wheel drive, ADB = Asian Development Bank, Comp. = component, O&M = operation and maintenance.

^aIndependent monitor.

Source: Asian Development Bank estimates.

D. Implementation Arrangements

4. MEF will be the EA of the TA. The proposed implementing agencies include MEF for capacity building, and MEF, the National Committee for Disaster Management, and provincial committee for disaster management for independent monitoring and emergency food reserve and rapid response system. The National Food Security Task Force will provide overall policy guidance for the TA implementation and monitor activities of the TA.

5. The TA will be implemented over a period of 24 months beginning in October 2008. To ensure harmonious inputs and outputs of consulting services and independent monitoring

services, the TA fund and the fund allocated under component 3 will be utilized as a merged source to achieve outputs stated in para 1.

6. Overall, a total of 312 person-months of consulting services, comprising 54 person-months of international and 258 person-months of national consultants, will be provided by the attached TA fund and the fund allocated under component 3. The attached TA will provide 119 person-months of consulting services, comprising 30 person-months of international and 89 person-months of national consultants. The work of the consultants will be coordinated and led by an international team leader and a national project manager. Other individual consultants will have core expertise in procurement and logistics, sociology and community facilitation, food security, and project facilitation at the provincial level. NGOs will be contracted as independent monitors of key project activities. A tentative schedule of consultant expertise (in person-months) is provided in Table A7.2. The international team leader, national project manager, procurement/logistics expert, sociologist/community facilitator, and provincial facilitators will be engaged directly by ADB in accordance with the *Guidelines on the Use of Consultants* (2007, as amended from time to time). For the remaining consulting services, a firm will be recruited following quality- and cost-based selection method using the 80:20 ratio for scores related to technical and financial proposals. The NGOs will be recruited following consultants' qualifications selection procedures.

Table A7.2: Tentative Schedule of Consultant Expertise (person-months)

Expertise	Total Consulting Inputs		From Attached TA		From ADF Grant (Component 3)	
	Int'l Consultants	National Consultants	Int'l Consultants	National Consultants	Int'l Consultants	National Consultants
1. Agro-economist and international team leader	18	0	6	0	12	0
2. Agro-economist and national project manager	0	24	0	12	0	12
3. Procurement/logistics expert	12	24	4	12	8	12
4. Sociologist/community facilitator	12	18	4	9	8	9
5. Food security expert	12	12	4	6	8	6
6. Provincial facilitators	0	180	0	90	0	90
	54	258	18	129	36	129
Total	312		147		165	
6. Independent monitors	Lump-sum contract					

Int'l = international, TA = technical assistance.

Source: Asian Development Bank estimates.

GOVERNANCE RISK MITIGATION MEASURES

Area	Measures
Financial Management and Audit	<p>Regular access to the EA's accounting and control systems to monitor expenditures and other financial transactions and safe custody of Project-financed assets.</p> <p>Capacity development of the EA, IAs, and PPMUs in accounting and internal control systems, financial management, and audit capabilities.</p> <p>Financial statements to be audited by external auditors acceptable to ADB and regularly published and reported to the shareholders.</p> <p>Introduction of an appropriate internal audit system and conduct of internal audit by engaging an external audit firm.</p> <p>Preparation of an operational risk mitigation action plan under the TA and undertaking operational risk assessment with the Government.</p> <p>Close coordination with the proposed Public Financial Management for Rural Development project.</p>
Institutional Mechanisms	<p>Public disclosure of operational and financial performance of the sector entities to improve transparency.</p> <p>Strong government monitoring, including spot checks of the safety-net programs.</p> <p>Improvement of records keeping system, development of database.</p> <p>NGO and independent expert oversight of food and input procurement and distribution.</p> <p>Strong interagency coordination through NCDM at the center and PCDM in provinces.</p> <p>Following up on the experience of WFP in Cambodia and adapting some of the oversight and monitoring arrangements instituted by WFP in its projects.</p> <p>Encouragement of civil society monitoring, including establishment of telephone hotlines at CARM and CPMU office in Phnom Penh to report irregularities and misappropriation of Project resources.</p>

CARM = Cambodia Resident Mission, CPMU = central project management unit, EA = executing agency, IA = implementing agency, NCDM = National Committee for Disaster Management, NGO = nongovernment organization, PCDM = provincial committee for disaster management, PPMU = provincial project management unit, TA = technical assistance, WFP = World Food Programme.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title:	Cambodia: Emergency Food Assistance Project		
Lending/Financing Modality:	Sector Financing	Department/ Division:	Southeast Asia Department/ Agriculture, Environment and Natural Resources Division

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

Cambodia's National Strategic Framework for Food Security and Nutrition (SFFSN, 2007–2010) aims to provide poor and food-insecure Cambodians with improved physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and preferences. In recent months, soaring food prices, along with fuel and crop input prices, have severely hampered the attainment of Cambodia's national strategy to increase food supply and capacities of food-insecure households to cope with risks and vulnerabilities to price shocks. The food crisis has further increased food-deprived vulnerable groups from 20% of the total population to 35%. As of June 2008, it is estimated that 4.5 million people (35%) are living below the food poverty line. The project responds to the Government of Cambodia's request to provide short-term assistance to reduce vulnerability of food-insecure households through increased access to food and production inputs, and to keep on track with SFFSN targets. This is consistent with the Asian Development Bank's (ADB's) country strategy and program (2005–2009) and Strategy 2020^a that support measures in response to disasters and emergencies such as food crisis to protect the food entitlements of the most vulnerable groups and income and livelihood programs of the poor.

B. Targeting Classification: TI-H

The project will target vulnerable and at-risk categories as follows: (i) landless households; (ii) daily casual laborers; (iii) low income; (iv) women-headed households; (v) handicapped, physical, and chronic illnesses, including AIDS and tuberculosis affected; (vi) lowest quintile of farmers (the poorest 20% of national population, having less than 1 hectare [ha]); (vii) ethnic minority groups; (viii) vulnerable school children; (ix) pregnant and lactating mothers; (x) fixed salary workers and urban poor slum dwellers.

C. Poverty Analysis

In May–June 2008, ADB conducted a socioeconomic profile assessment of eight provinces with participation from districts and communes to identify targeted vulnerable groups. Similarly, Cambodia Development Resource Institute (CDRI, an EU-funded project, is currently undertaking a comprehensive survey on poverty impact of the food crisis in Cambodia to help donors identify appropriate responses and inform their programming assistance. The participatory poverty assessment provides statistical and qualitative information to design measures to address issues relating to efficient and effective delivery of the project to targeted beneficiaries.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

It was apparent that the poor were the most affected by the rising food prices and accompanying price hikes in fuel and crop inputs. The coping mechanisms included reduction in food intake by the poor, and deterioration in the quality of food, negatively affecting people's nutritional levels. The temporary suspension of the school feeding program by the World Food Programme in May 2008 was disruptive, signaling uncertainty in food supply, and observed increased absences in school attendance.

The main agricultural inputs of fertilizer, quality rice seeds, and capital are also in short supply. Farmers cope by reducing fertilizer use and substitute poor-grade rice seeds for high-quality rice seeds, thereby limiting their yield. Some farmers use organic fertilizers to supplement or substitute for chemical fertilizers, or do not use fertilizer at all in less favorable land. Reduction in real wages due to inflation also meant that young female workers in textile factories and the service sector are unable to send remittances to their families in the rural areas. The increasing cost of living in urban areas potentially threatens opportunities for women's employment in industrial and service sectors while their families recall them to the rural areas where the cost of living is relatively affordable, and where women provide additional help with farm work during the peak season.

In the selected project sites in the Tonle Sap Basin, it is estimated that the loss in households' purchasing power is \$209.9 million, or 41.4% of the nationwide purchasing burden of \$506.5 million. The population of the Tonle Sap Basin is around 30% of the national population, which suggests that the Tonle Sap Basin is suffering more seriously than the rest of the country and requires emergency responses from the Government and development partners.

B. Consultation and Participation

This emergency response project was conceptualized in consultation with the Ministry of Economy and Finance; Ministry of Agriculture, Forestry and Fisheries; Ministry of Interior; Ministry of Education, Youth and Sports; Ministry of Rural Development; National Committee for Disaster Management; and representatives of donor partners, nongovernment organizations (NGOs), and the commercial sector. The Government has demonstrated strong support and ownership of the project. Views of the World Bank, European Commission, Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation), Food and Agriculture Organization, World Food Programme, and the United Nations Development Programme were sought on potential areas for collaboration, procurement strategy, modalities of delivery of ADB's assistance to ease negative impacts in the short term, and lessons learned were discussed at length.

The outputs of the mission were (i) a memorandum of understanding specifying the objectives and scope of the project, implementation arrangements, government assurances, costs and timing; and (ii) an estimate of the investment and financing plan.

C. Gender and Development**1. Key Issues**

Women often manage the consumption and nutritional requirements of the household. During the lean and food shortage period, women tend to favor the needs of other family members, especially children, over their own nutritional and health needs. This has adverse implications for women's health and the overall food security of the household. The erosion in purchasing power of wage workers and the resulting increase in the cost of living in urban areas limit women's employment opportunities as their families living in the rural areas expect them to send remittances. The project will assist the Government to make food available to needy households in selected provinces, and create sufficient rice stocks to stabilize the market. The targeted assistance will ensure access of women and children to food and relevant services.

2. Key Actions

Measures include equal access by men, women, and children within poor and vulnerable groups. The screening and selection process will be conducted by commune councils with support from village chiefs. The process will be subject to the supervision and monitoring by NGOs and/or community-based organizations acceptable to ADB. The intuitive wealth ranking approach will be used to identify Project beneficiaries. Furthermore, a specific number of women-headed households will be targeted in the development of the project framework. The commune councils will provide the mechanism to address any grievances regarding access to project benefits at the ground level. Women represented at commune and village councils will participate actively in the decision-making processes for food and production input support, and employment creation under the food-for-work program, in order to ensure equal participation of women.

Activities under the food-for-work program will encompass rehabilitation of small tertiary irrigation canals and village roads, which will mainly involve manual dredging, resurfacing, cutting grass, and filling up road holes within the existing right-of-way. The rehabilitation of small tertiary irrigation canals will help optimize the project assistance by completing the essential package of water-seed-fertilizer that will contribute to the productivity enhancement for coming crop seasons. The rehabilitation of village roads will help enhance connectivity among villages and communes, ensuring better access to markets and social services. The program will comply with national labor laws and regulations, particularly on child labor, and provide equal pay for equal work regardless of gender and ethnicity.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
Involuntary Resettlement	No Impact	The project does not involve resettlement, land acquisition, or construction of warehouses.	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Indigenous Peoples	Limited	There are no indigenous peoples in the project areas. The project will benefit ethnic minorities in targeted locations.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain

Labor <input type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards	Limited	Additional employment opportunities will be generated through the food-for-work program.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability	Significant	The project will facilitate access to food and agricultural inputs of fertilizer and rice seeds of the poor.	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input checked="" type="checkbox"/> Others (conflict, political instability, etc.), please specify	Significant	<p>The project will design measures to ensure intended benefits are not diverted away from the poor or misused by influential stakeholders.</p> <p>Any further increase in food and crop inputs will adversely affect the poor. The Government will take the necessary mitigation measures to address risks and support vulnerable groups.</p>	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain

^a ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.