



# Report and Recommendation of the President to the Board of Directors

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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.

<b>Vice-President</b>	C. Lawrence Greenwood, Jr., Operations 2
<b>Director General</b>	A. Thapan, Southeast Asia Department (SERD)
<b>Director</b>	U. Malik, Agriculture, Environment, and Natural Resources, SERD
<b>Team leader</b>	

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## LOAN AND PROJECT SUMMARY

<b>Borrower</b>	Kingdom of Cambodia
<b>Classification</b>	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
<b>Environment Assessment</b>	Category C
<b>Project Description</b>	<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"><li>(i) free distribution of rice to the most vulnerable population groups in the Tonle Sap Basin;</li><li>(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);</li><li>(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;</li><li>(iv) provision of food to children in selected early childhood learning centers (ECLCs);</li><li>(v) creation of employment for the landless and low-income households through a food-for-work program;</li><li>(vi) provision of appropriate seed and fertilizer for small and marginal farmers whose capacity to purchase inputs has been significantly eroded by price increases;</li><li>(vii) development of a system for emergency food security reserve and rapid response; and</li><li>(viii) strengthening of the capacity of implementing agencies.</li></ul>
<b>Rationale</b>	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

**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



representation from concerned Government ministries and agencies and

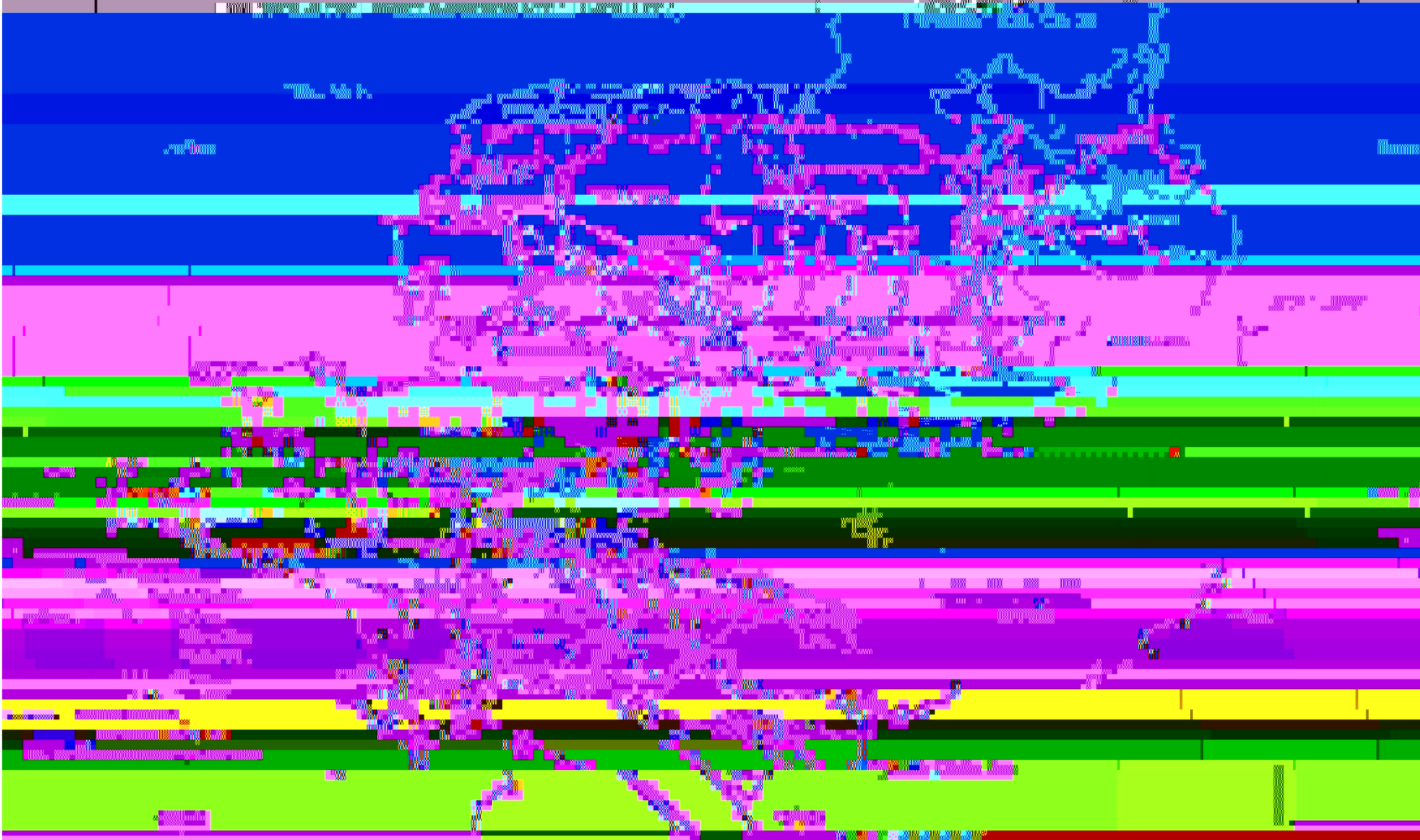
increase family cash incomes. The food price crisis has highlighted the point that the natural resources of Cambodia—land, water, forests, and fisheries—must be conserved and used in a sustainable way in order to enhance food security for all Cambodians and to improve the quality of life.

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

MAP





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%.<sup>1</sup> 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 entitlement<sup>2</sup> 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%<sup>3</sup> (in both rural and urban areas).  
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exacerbate hunger and malnutrition among the food-poor population (2.6 million), comprising the





## 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

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).<sup>4</sup>
- (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

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<sup>4</sup> 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 Operation<sup>5</sup>



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 Program<sup>9</sup> (1996–2000), addressed land legislation, agricultural inputs, rural infrastructure, rural finance, public enterprises, and decentralization. The subsequent Agricultural Sector Development Program (2001–2005) addressed (i) policy and institutional reform, (ii) rehabilitation and construction of physical and social infrastructure, and (iii) natural resource management. The subsequent Agricultural Sector Development Program (2006–2010) addressed (i) policy and institutional reform, (ii) rehabilitation and construction of physical and social infrastructure, and (iii) natural resource management. The subsequent Agricultural Sector Development Program (2011–2015) addressed (i) policy and institutional reform, (ii) rehabilitation and construction of physical and social infrastructure, and (iii) natural resource management. The subsequent Agricultural Sector Development Program (2016–2020) addressed (i) policy and institutional reform, (ii) rehabilitation and construction of physical and social infrastructure, and (iii) natural resource management.

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, 2005–2008<sup>13</sup> (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,<sup>14</sup> 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 Development<sup>15</sup> 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 Manual<sup>16</sup> on 26 February 2007. Both documents are in line with ADB guidelines. Internal control procedures specified in the SOP and Financial Management Manual<sup>17</sup> 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,<sup>18</sup> 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

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

<sup>14</sup> ADB. 2006. *Medium Term Expenditure Framework*. Manila.

<sup>15</sup> ADB. 2006. *Technical Assistance for Governance and Capacity Development Initiative*. Manila.

<sup>16</sup> (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).

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

<sup>18</sup> ADB. 2007. *Technical Assistance to the Kingdom of Cambodia for Preparing the Strengthening of Public Financial Management for Rural Development*. 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*<sup>20</sup> 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 provinces<sup>21</sup> and 11 communes<sup>22</sup> 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 DEAP<sup>23</sup> and in accordance with the Action Plan<sup>24</sup> for its implementation, which

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 <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. <b>Compensatory Consumption Support</b>	<b>19.36</b>
Free Food Distribution	

**Table 2: Financing Plan**

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<b>Source</b>	<b>Total (\$million)</b>	<b>%</b>
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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

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 varieties. ADB is also assisting in the development of the AQIP in Cambodia.

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 Project<sup>26</sup>. 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

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 SGIAs (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 SGIAs, 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

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.**



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 Basin<sup>27</sup> and three slum areas<sup>28</sup> 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.<sup>29</sup> 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

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

<sup>28</sup> Beungkok, Stung Meanchey, and the Riverside.

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



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:



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**

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></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><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Macroeconomic and political stability</li> <li>• Strong Government commitment to poverty reduction</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Lack of coherent strategies and policies in addressing food security</li> <li>• Nontransparency in the management of public resources</li> </ul>
<p><b>Outcome</b></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>	

<b>Design Summary</b>	<b>Performance Targets and/or Indicators</b>	<b>Data Sources and/or Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
2. Support the input needs of smallholders and marginal farmers	50,000 farmers are provided with fertilizer, rice seeds, and extension services		
3. Capacity development for food crisis and project management			

**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

market increased throughout 2008,

### C. Government Strategy

6. During the past decade, the Government articulated a number of strategies and programs aimed at promoting socioeconomic development and poverty reduction<sup>6</sup>. 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,<sup>7</sup> 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)<sup>8</sup>, 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.





<b>Project</b>	<b>Duration</b>	<b>Source</b>	<b>Objective</b>	<b>Amount (\$ million)</b>	<b>Area of operation</b>
Northwest Irrigation					

<b>Project</b>	<b>Duration</b>	<b>Source</b>	<b>Objective</b>	<b>Amount (\$ million)</b>	<b>Area of operation</b>
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

<b>Project</b>	<b>Duration</b>	<b>Source</b>	<b>Objective</b>	<b>Amount (\$ million)</b>	<b>Area of operation</b>
Integrated pest management farmer training project, phase II	2003–2005	Danida	To empower farmers to apply		



<b>Project</b>	<b>Duration</b>	<b>Source</b>	<b>Objective</b>	<b>Amount (\$ million)</b>	<b>Area of operation</b>
Support program for the agricultural sector in Cambodia (PRASAC) Tertiary rural infrastructure	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

## 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	
<b>A. Investment Costs</b>							
<b>1. Materials</b>	<b>0.0</b>	<b>123,692.4</b>	<b>123,692.4</b>	<b>0.0</b>	<b>30,923.1</b>	<b>30,923.1</b>	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
<b>2. Equipment and Vehicles</b>	<b>0.0</b>	<b>1,660.0</b>	<b>1,660.0</b>	<b>0.0</b>	<b>415.0</b>	<b>415.0</b>	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
<b>3. Consulting Services</b>	<b>4,470.0</b>	<b>4,470.0</b>	<b>8,940.0</b>	<b>1,117.5</b>	<b>1,117.5</b>	<b>2,235.0</b>	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
<b>4. Duties and Taxes<sup>a</sup></b>	<b>0.0</b>	<b>13,883.6</b>	<b>13,883.6</b>	<b>0.0</b>	<b>3,470.9</b>	<b>3,470.9</b>	8.9
<b>Subtotal (A)</b>	<b>4,470.0</b>	<b>143,706.0</b>	<b>148,176.0</b>	<b>1,117.5</b>	<b>35,926.5</b>	<b>37,044.0</b>	<b>95.1</b>
<b>B. Recurrent Costs</b>							
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
<b>Subtotal (B)</b>	<b>0.0</b>	<b>7,568.0</b>	<b>7,568.0</b>	<b>0.0</b>	<b>1,892.0</b>	<b>1,892.0</b>	<b>4.9</b>
<b>Total Base Costs</b>	<b>4,470.0</b>	<b>151,274.0</b>	<b>155,744.0</b>	<b>1,117.5</b>	<b>37,818.5</b>	<b>38,936.0</b>	<b>100.0</b>
<b>C. Contingencies</b>							
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
<b>Subtotal (C)</b>	<b>87.4</b>	<b>2,942.4</b>	<b>3,029.8</b>	<b>21.8</b>	<b>735.6</b>	<b>757.5</b>	<b>1.9</b>
<b>Total Project Costs</b>	<b>4,557.4</b>	<b>154,216.4</b>	<b>158,773.8</b>	<b>1,139.3</b>	<b>38,554.1</b>	<b>39,693.4</b>	<b>101.9</b>

D

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

Item	Government			ADB Loan		ADB Grant	
	Amount <sup>a</sup>	% of Cost Category		Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Investment Costs</b>							
<b>1. Materials</b>	<b>35,027.0</b>	<b>3,502.7</b>	<b>10.0</b>	<b>17,111.8</b>	<b>48.9</b>	<b>14,412.5</b>	<b>41.1</b>
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
<b>2. Equipment and Vehicles</b>	<b>458.8</b>	<b>35.7</b>	<b>7.8</b>	<b>0.0</b>	<b>0.0</b>	<b>423.1</b>	<b>92.2</b>
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
<b>3. Consulting Services</b>	<b>2,278.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,278.8</b>	<b>100.0</b>
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



## PROCUREMENT PLAN

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

<b>Procurement of Goods and Works</b>	
<b>Method</b>	<b>Threshold</b>
71.76 658.C .1115 9 C .34 5 7lan6Tw	-6.5old

### 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 /
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## 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
<b>Goods</b>					
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	
<b>Consulting Services</b>					
International and National Consultants	1.908	Numerous	ICS	N	
Independent Monitor (NGOs)	0.450	7	CQS	N	
<b>Other Services</b>					
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







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
	<b>54</b>	<b>258</b>	<b>18</b>	<b>129</b>	<b>36</b>	<b>129</b>
<b>Total</b>	<b>312</b>		<b>147</b>		<b>165</b>	
6. Independent monitors	Lump-sum contract					

Int'l = international, TA = technical assistance.

Source: Asian Development Bank estimates.





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**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

