

ASIAN DEVELOPMENT BANK

GRANT 0034/0035-CAM: TONLE SAP SUSTAINABLE LIVELIHOOD PROJECT

AIDE MEMOIRE OF REVIEW MISSION

7 March 2008

I. INTRODUCTION

1. An Asian Development Bank (ADB) review mission (the Mission)¹ for the Tonle Sap Sustainable Livelihood Project (the Project) visited Cambodia from 29 February to 7 March 2008 to review the overall management and operations of the Project, project administration and financial management progress, human resources capacity of the Project and field operations and progress. The Mission had meetings with project stakeholders including the Ministry of Interior (MOI), Ministry of Economy and Finance (MEF), Council for Agricultural and Rural Development (CARD), Tonle Sap Biosphere Reserve (TSBR) Secretariat, Ministry of Environment (MOE), provincial local administration units (PLAU) and commune councils. A list of persons met is in Attachment 1.

2. The Mission discussed with all concerned about progress in the Project, plan of action, and outstanding issues. In particular, the Mission reviewed the status of project management, disbursement, procurement, consultant recruitment, and establishment of community livelihood fund (CLF). Subject to approval of the higher authorities of the Government and ADB, this Aide Memoire summarizes findings and recommendation of the Mission including agreed time-bound actions. These findings and recommendations were discussed and agreed on among all stakeholders at a wrap-up meeting chaired by H.E. Leng Vy on 7 March 2008

II. SUMMARY OF THE PROJECT

3. On 21 December 2005, ADB approved for the purpose of the Project, a grant of \$15.0 million from ADB's Special Funds resources, and the administration by ADB of \$4.74 million to be provided by the Government of Finland on a grant basis. The Government will contribute \$0.60 million. The Project will improve livelihoods. It will increase access to assets in the five provinces that adjoin the Tonle Sap.² The Project area encompasses the buffer zone and core areas. Specifically, it covers 37 communes, comprising 316 villages with a population of 287,430 in 54,857 families. These communes qualify because they pursue livelihood activities in the buffer zone.³ The Project which is expected to be completed by 31 December 2009, includes the following components:

Component 1: Support to Community-Driven Development

- a. Establish a Community Livelihood Fund
- b. Design and Implement Livelihood Investment Packages

Component 2: Safeguarding of the Core Areas

- a. Establish an Information Base on Core Areas
- b. Institute a Management System for Core Areas
- c. Institute an Improved Network of Fish Sanctuaries

¹ The Mission comprised M. Ahmed (Mission Leader) and C. Razon (Associate Project Analyst).

² They are Battambang, Kompong Chhang, Kompong Thom, Pursat, and Siem Reap.

³ Fifty-seven communes have some land in the buffer zone. The 37 target communes are of two types: (i) 21 have villages in the buffer zone, and (ii) 16 have community fisheries and some land area, but no villages, inside the buffer zone. The 20 excluded communes have land but neither villages nor community fisheries in the buffer zone.

Component 3: Skills and Awareness Building for Sustainable Livelihoods

- a. Improve Coordination for Community-Driven Development
- b. Enhance the Skills Base for Community-Driven Development
- c. Educate for Protection of Natural Resources

4. MOI is acting as Executing Agency as well as the implementing agency for Component 1. CARD, through its secretary general, is heading a project steering committee established to provide policy and strategy guidance. The TBSR secretariat together with Fisheries Administration (FiA) is responsible for implementing Component 2. The activities for Component 3 have been composed to promote the rapid accomplishment of the outputs of Component 1. Component 3 is being implemented by CARD, MOI and MOE.

5. The Grant Agreement was signed on 9 March 2006. Prior to grant effectiveness (the grant became effective on 19 June 2006), ADB fielded a Project and Country Consultation Mission on 4-5 May 2006 to conduct an assessment of Project readiness. The Project was reviewed in the last two years as follows:

11-12 September 2006	Grant Inception Mission
15-23 January 2007	1 st Review Mission and Consultation Mission
2-4 May 2007	2 nd Review Mission
30 August-5 September 2007	Special Loan Administration Mission

III. MISSION FINDINGS AND RECOMMENDATIONS

A. Overall Progress

6. Overall progress of the Project is 12% against the elapsed time of 48%. The remaining Project period is about 21 months (up to physical completion of 31 December 2009) and it is unlikely that the Project activities can be completed on time. The Project has been delayed due to a number of factors such as weak capacity of the project team in MOI, lack of adequate understanding of administrative and financial arrangements for the Project, and slow process of procurement and recruitment. Lack of training services and absence of guidelines for use of the CLF by commune councils continue to hinder the progress in the development and design of community-driven livelihood activities. The delay in the recruitment of the main TA team affected the initial start-up of the Project, finalization of work plans and organization of training and capacity building activities. The ineligibility of the original local association firm, SAWAC, to participate in any ADB projects further contributed to the long delay in the recruitment of the main TA team.

7. With the Community Livelihood Facilitating Teams (CLFTs) fully established, Commune Facilitators (CFs) fully mobilized, most of the experts of the main TA team in place, procurement completed, and inception workshop and work plan development completed (the inception report and work plan is expected to be submitted by 17 March 2008) the Project is now ready to focus on the activation of the CLF. **Hence, the priority of MOI (Project Team, CLFTs and TA Team) should now be to provide support for the implementation of the community-driven livelihood activities currently being developed and prioritized under the Commune Investment Plan (CIP) and Commune Development Plan (CDP).** As of Mission's visit, the CLF guidelines have been finalized and the Memorandum of Understanding (MOU) between MOI and commune councils on the use of CLF is ready to be executed.

B. Progress by Component

1. Component 1: Community-Driven Development is Supported

8. **Establishment of Support Structures.** The Project has completed nearly all appointments such Project staff and consultants (Attachment 2). At the national level, within the MOI, a Project Team comprising of Project Director, Project Manager, Project Coordinator, Finance Officer, Livelihood Officer, Training Officer, Local Planning Officer and the Secretary supported by a Team Leader, Deputy Team Leader (consultant), and a National Accountant (consultant), has been established. Since January 2008, the position of the Team Leader is vacant due to the resignation of the International Consultant (Mr. Richard Smith).

9. At the provincial level, CLFTs were established in March 2007 in each of the five target provinces. The CLFT is made up of representatives from the following departments: Women's Affairs; Rural Development; Environment; Fisheries, and Provincial Local Administration Unit (PLAU). Each CLFT is headed by the PLAU Chief. There are a total of 36 CLFT members (Kg. Chhnang: 5; Pursat: 8; Battambang: 6; Siem Reap: 7, and; Kg. Thom: 5).

10. At commune level, 74 CFs have been appointed since September 2007 (Kg. Chhnang: 4; Pursat: 28; Battambang: 18; Siem Reap: 19, and; Kg. Thom: 5). 17 (23%) of the CFs are women.

11. **Community Livelihood Fund.** The TA team assisted the Project in drafting and translating into Khmer the guidelines for the use of the CLF. The guidelines were presented to all Project stakeholders at the Inception Workshop held on the 30th January 2008. Based on feedback provided during the Inception Workshop, a meeting was held at MOI with the Project Team, TA Team and CLFT chiefs to review and finalize the draft CLF guidelines. The CLF guidelines have been based predominantly on the Commune Sangkat Funds disbursement guidelines. Although, many of the commune councils may be familiar with the operations of the Commune Sangkat Funds, the commune council members had limited opportunity to participate in the development of the CLF guidelines. Hence, training support for the commune council members will be necessary to enhance their understanding of the CLF guidelines. **To be effective, the CLF training programs should be conducted in conjunction with the disbursement of CLF. The training should focus on areas of the CLF guidelines that vary from the Commune Sangkat Funds, and hands-on support to commune council on the preparation of detailed project feasibility and documentation requirements for implementing livelihood activities.**

12. **Fund Disbursement to Commune Council Accounts.** Although a special commune commercial bank account has been opened in ACLEDA bank within each of the 37 Communes, MOI is yet to disburse any fund to these accounts. MOI is now ready to execute the MOUs with the commune councils on the use of the CLF in accordance with CLF guidelines. **The Mission reviewed the draft guidelines and the draft MOU (Attachment 3), and suggested minor revisions to the guidelines to conform to the eligibility criteria stipulated in Schedule 5, para. 7 of the Grant Agreement. The Mission recommended that the MOU be executed immediately, and funds be transferred to commune council accounts by late March 2008.**

13. **CLF Allocation Principles.** Based on agreement between the ADB and MOI, block grant procedures are to be used for project fund disbursement to commune council commercial accounts. MOI has proposed the CLF distribution plan (Attachment 4) based on criteria developed for the Royal Government of Cambodia (RGC) Commune/Sangkat Fund. The criteria suggest the following distribution ratios: 35% equal distribution between all communes; 35% based on demographic statistics; and 30% on poverty indicators. **The Mission endorses the distribution principle MOI has adopted in allocating CLF to individual communes.**

14. **Commune Investment Plan.** The priority activities to be financed by the CLF are currently being prepared by commune councils within the CIP. Commune councils have identified a number of small-scale projects covering the social infrastructure, income generation and community fisheries support. The Mission was provided with a partial list of activities proposed for financing through CLF during its field visit (Attachment 5). The Mission visited three provinces (Kompong Chhnang; Pursat, and; Battambang) and held discussions with CLFTs and participated in meetings in four communes. The Mission was briefed by the commune councils on the activities (projects) prioritized for implementation in 2008. The Mission observed that most of the activities identified for financing through CLF are road construction and road improvement projects requiring engineer's inputs. Identification and prioritization of income-generation projects will require substantial consultation with different stakeholder groups (e.g women and ethnic minorities). These will require strong training and mobilization inputs by CDSs and CFs. The Mission further observed that the detailed design and feasibility studies required for the activities prioritized by communes for 2008 implementation are yet to be accomplished. Although CFs have been fielded and some initial technical guidance has been provided to the commune councils by the CLFTs, the level of support required for the design of activities were insufficient to determine the full-feasibility of the proposed activities. **The Mission recommends that CLFTs give priority to the immediate completion of the required design and feasibility studies for the 2008 activities to ensure that implementation of the 2008 activities can commence immediately. Project advisors and training specialists should support the CLFTs and CFs in strengthening their capacities in supporting the design and implementation of the commune council activities.**

2. Component 2: Safeguarding of the Core Areas

15. The evaluation of the technical proposal of Worldfish Center of the Consultative Group on International Agricultural Research which is being recruited by single source selection as per the Grant Agreement has been forwarded to ADB. ADB's no-objection to the evaluation is expected by the mid-March 2008.

16. **Coordination with TSEMP.** TA team members participated in the TSEMP conference held on 14th February, 2008 and presented a session on TSSLP. They also attended a field visit to Kompong Khleang commune, Siem Reap province with the ADB Board of Directors to observe TSEMP livelihood activities to assess future possibilities to expand these projects under TSSLP. Procedures have been discussed for the handover of all relevant TSEMP documentation to TSSLP to identify lessons learned and strengthen coordination within the Tonle Sap Initiative.

3. Component 3: Skills and Awareness Building for Sustainable Livelihoods

17. **Improve Coordination for Community-Driven Development.** The Project is assisting CARD in improving its capacity to coordinate community-driven development. An international Organization and Strategy Development Adviser is currently based at CARD. The Mission was briefed by the Organization and Strategy Adviser (consultant) on progress and plans for this sub-component. A four-stage plan (Attachment 6) for institutional review and strategy development of CARD is being developed by the consultant.

18. **Educate for Protection of Natural Resources.** The draft contract with Live and Learn Environmental Education and has been reviewed and commented on by ADB. The contract is expected to be finalized by 11 March 2008 taking into account ADB's comments.

19. **Enhance the Skills Base for Community-Driven Development.** Community-based Natural Resource Management Learning Institute (CBNRM-Li) is being contracted to develop training manuals and a range of materials for awareness raising activities for the Project. CBNRM-Li is expected to commence services by end of March 2008. In coordination with the education and training specialist, CBNRM-Li is also expected to facilitate a training program for all Commune

Councils, CLFT members and CFs. **The Mission brought to MOI's attention that it is crucial to conduct the training at the commune level without further delay to ensure that the design and implementation of livelihood activities follow the principles of community-driven development.**

C. Operations and Administration

20. **Project Steering Committee (PSC).** The Mission noted that the PSC, chaired by CARD still remains ineffective. CARD will benefit from the training and advisory inputs through the Project. **The Mission expects that with the inputs of the Organization and Strategy Adviser, the performance of the PSC will improve (para. 17).**

21. **Consulting Services.** As of 6th of November 2007, Niras/Scanagri was contracted by the MOI to provide consulting services. To support the national level Project Working Group the following advisory positions are now fielded: Deputy Team Leader; National Environment Specialist and Finance and Administration Specialist. The recruitment of Team Leader position is on-going. The National Training Specialist will begin on 10 March 2008. To support Component 1 at the provincial and commune levels, the following advisory positions are now fielded: two international Rural Livelihood Specialists (RLS) fielded in Pursat and Siem Reap, and 10 Community Development Specialists (CDS). The remaining 10 CDS will be fielded by 10 March 2008. An Organization and Strategy Advisor is assigned to support CARD, and one Training and Education Specialist is assigned to support the implementation of Component 3-b. The variation to Niras' contract to accommodate provision of 3 additional Rural Engineers (24 months/person) to support social infrastructure investments and a new team leader is being discussed and expected to be finalized/signed by mid-March 2008. The variation should also include revision of the terms of reference of the Financial and Administration Specialist to include provision of training on financial and administration matters to CLFT accountants and commune clerks. All required consulting services, including Worldfish, Live and Learn, CBNRM-Li are expected to be mobilized by end March 2008.

22. **Procurement.** Provincial project offices renovations/construction is now complete. CLFTs have received all necessary furniture, equipment and motorcycles. CFs have also received motorcycles. RLS have been provided with project vehicles with registered number plates and two project drivers have been recruited and fielded in Pursat and Siem Reap. However, the TA team remains without office furniture and equipment and CDS have yet to receive motorcycles. Niras has submitted its procurement plan for the furniture and equipment to MOI and is awaiting MOI's approval. **The Mission has no objection to the procurement plan submitted by Niras to MOI as it is in accordance with Schedule 3 of the Grant Agreement and ADB's Procurement Guidelines.**

23. **Contract Awards and Disbursements.** As of 3 March 2008, out of the combined grant of \$19.74 million equivalent from ADB and the Government of Finland, contract awards is \$4.59 million and disbursements is \$0.76 million, which is 23% and 4% of the total project cost, respectively. The disbursement amount of \$0.76 does not include the imprest account amounting to \$1.35 million (Grant 0034 is \$0.85 million and Grant 0035 is \$0.50 million).

24. **Grant Covenants.** The Mission so far finds no significant concerns with regards to the compliance of the Project's major covenants (Attachment 7)

25. **Midterm Review of the Project.** In accordance with the Grant Agreement, a comprehensive midterm review is to be undertaken jointly by MOI and ADB. This review has been delayed due to the late start of the project. The Mission proposes that such a review be conducted sometime in August 2008. The midterm review will include: (i) review of institutional,

administrative, organizational, technical, environmental, social, economic, and financial aspects of the project based on the assumptions and risks included in the design and monitoring framework; (ii) review of covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances; (iii) assessment of need to restructure or reformulate the project and the effects of this on the immediate objectives (purpose) and long-term goals of the project; and (iv) updating the project's design and monitoring framework where restructuring or reformulation is necessary or its immediate objectives will change. The need for extending the project will be assessed at midterm review.

26. **Action Plan.** The Mission reviewed the previously agreed action plan and updated the plan with additional time-bound items for action (Attachment 8).

IV. Conclusion

27. Given the slow pace of implementation and poor disbursement of funds, the Project is likely to be categorized as at risk Project. MOI needs to accelerate the pace of implementation by focusing on the CLF for which bulk of the Project's resources have been allocated. The CLFTs need to show stronger ownership of the Project and provide constant support to the commune councils in preparing, designing and implementing the commune livelihood activities. **MOI needs to closely monitor the project activities at the provincial and commune level, and conduct regular field visits. The Mission recommends that MOI require CLFTs to report on a weekly basis the progress of the CLF activities in their respective communities. The TA Team Leader (Deputy Team Leader in the absence of the Team Leader) is to provide a weekly progress note by email on the CLF to the concerned ADB Project Officer. In view of the upcoming national elections in July 2008, the Project Team is advised to focus its effort in advancing the CLF activities in the next two months. A review of the progress and performance of CLF activities will be undertaken by end of May 2008.**

28. The Mission wishes to express its sincere appreciation for the cooperation and assistance extended to it by all stakeholders including MOI, MEF, CARD, TSBR Secretariat, MOE, PLAU and commune councils.



Mahfuzuddin Ahmed
Senior Agricultural Economist
7 March 2008

- Attachment 1: List of Persons Met**
- Attachment 2: List of Project Staff and Consultants**
- Attachment 3: Draft Memorandum of Understanding**
- Attachment 4: CLF Distribution Plan**
- Attachment 5: Partial List of Activities Proposed for Financing through CLF**
- Attachment 6: Implementation Plan for Sub-component 3a. Improve Coordination for Community Driven Development**
- Attachment 7: Grant Covenants**
- Attachment 8: Action Plan**