



Ministry of Interior
General Department of Local Administration



Tonle Sap Sustainable Livelihoods Project
ADB Grants No. 0034/0035-CAM



MEMORANDUM OF UNDERSTANDING

Joint Mid-term Review Mission

02-13 March 2009

Mission members:

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ABBREVIATIONS

CARD	Council for Agriculture and Rural Development
CARM	Cambodia Resident Mission (ADB)
CBNRM-LI	Community-based Natural Resources Management Learning Institute
CC	Commune Council
CDS	Community Development Specialist
CF	Commune Facilitator
Cfi	Community Fisheries
CIP	Commune Investment Plan
CLF	Community Livelihood Fund
CLFT	Community Livelihood Facilitation Team
CNMC	Cambodia National Mekong Committee
DIW	District Integration Workshop
EA	Executing Agency
FGIA	First Generation Imprest Account
FiA	Fisheries Administration
<i>GoF</i>	<i>Government of Finland</i>
HBP	Household Based Planning
IA	Implementing Agency
IG	Income Generation
JFPR	Japanese Fund for Poverty Reduction
MEF	Ministry of Economy and Finance
MOEYS	Ministry of Education, Youth and Sport
MTT	Mobile Training Teams
PIU	Project Implementation Unit
POG	Project Owner Group
RGC	Royal Government of Cambodia
RIE	Rural Infrastructure Engineer
RLS	Rural Livelihood Specialist
RRP	Report and Recommendations of the President
SGIA	Second Generation Imprest Account
SI	Social Infrastructure
SOE	State-owned Enterprise
SP	Service Provider
TNA	Training Needs Assessments
TSBRS	Tonle Sap Biosphere Reserve Secretariat
TSEMP	Tonle Sap Environmental Management Projection
TSSLP	Tonle Sap Sustainable Livelihoods Project
TWG	Technical Working Group

MEMORANDUM OF UNDERSTANDING

Joint Mid-term Review for 0034/0035-CAM: Tonle Sap Sustainable Livelihoods Project

I. INTRODUCTION

1 A Joint Mid-term Review Mission (the Mission¹) of the Project by the Asian Development Bank (ADB), the Government of Finland (GoF), and the Government of Cambodia (RGC) visited Cambodia from 2 – 13 March 2009 to: (i) review the overall progress of the Tonle Sap Sustainable Livelihoods Project (the Project) through field visits and discussion; (ii) assess the need to restructure or reformulate the project against the project's immediate and long-term objectives; and (iii) discuss and agree with the Executing Agency (EA) and Implementing Agencies (IAs) on the action plans for improved implementation. The Mission met officials of the Ministry of Interior (MOI), the EA of the Project, the Ministry of Economy and Finance (MEF), and the implementing agencies: MOI, the Tonle Sap Biosphere Reserve Secretariat (TSBRS) in the Cambodia, National Mekong Committee, the Council for Agricultural and Rural Development (CARD), and the Ministry of Environment (MOE). The Memorandum of Understanding (MOU) summarizes the findings and agreements based on the discussions with the PIUs. A list of persons met during the Mission is in Annex 1.

2 This MOU records the understanding reached between the Mission and the RGC. This was discussed at the wrap-up meeting held on 13 March 2009, chaired by the H.E. Leng Vy, Director General of the MOI. It is understood that the agreement reached is subject to the approval of higher authorities of the ADB, the GoF, and the RGC.

II. BACKGROUND

3 The Project was approved on 21 December 2005, as a grant of \$15.00 million from ADB's Special Funds resources and a \$4.74 million grant provided by the GoF, to be administered by the ADB. The RGC contributes \$0.60 million. The Grant Agreement was signed on 9 March 2006 and the Project became effective on 19 June 2006. The Project's closing date is 30 June 2010. The Project will improve livelihoods, increase access to assets in the five provinces that adjoin the Tonle Sap² and include the following components: (i) support community-driven development, (ii) safeguarding of the core areas, and (iii) skills and awareness building for sustainable livelihoods. The MOI is the EA and the IA for Component 1 while TSBRS is the IA for Component 2 and CARD and MOE are the IAs for Component 3. The last review mission was conducted in May 2008.

III. MISSION FINDINGS

A. General Progress

4 Given the initial delays, the Project has made noticeable progress since the last review mission in June 2008. Overall, the Project is estimated to have achieved a combined physical progress of about 36% in 33 months since the ADB grant become effective on 19 June 2006 (Annex 2). The financial progress is about 23% against an elapsed grant period of 69%.

¹ The Mission members included N. Ikemoto (Mission Leader), C. Razon (Associate Project Analyst), P. Long (Project Implementation Officer, CARM), M. Junilla (Counsellor), H. Ahola (First Secretary) from Embassy of Finland (Bangkok) as well as L. Duvall (Consultant for the Government of Finland) participated in the Mission.

² The five provinces are Battambang, Kampong Chhang, Kampong Thom, Pursat, and Siem Reap.

B. Progress Project Component

1. Component 1: Community-Driven Development is Supported

a. Establishment of Community Livelihood Funds

5 **Scope and Purpose.** Establish a community livelihood fund (CLF) to finance small-scale community-driven activities planned and agreed on at village and commune levels. The CLF will be managed by MOI, and the 37 communes in the project area will be able to access CLF grant funds through their Commune Councils.

6 **Overall Progress.** Noticeable progress has been made in Component 1 during 2008 though the Project had a delayed start of about one and half years. The Project makes allocations from the CLF to the 37 individual commune funds which are disbursed through commune accounts held at district commercial banks. Eligible activities include (i) Social Infrastructure (SI); (ii) Income Generating (IG) activities; and (iii) support for Community Fisheries (CFI). Limits have been established for the allocations in each category. As of 25 February 2009, a total of about \$2.7 million has been disbursed to the 37 project communes (Annex 3).

7 The support structures for the Project have been established and are functioning. Those included: a national level working group; 31 staff assigned to the Community Livelihood Facilitation Teams (CLFT) at the provincial level across the five provinces; 74 Commune Facilitators (CF) at commune level; and 20 Commune Development Specialists (CDSs) assigned for the TA group at national and provincial levels. The total staff is 125 of whom 34 are female.

8 Guidelines on how to use the Community Livelihood Fund (CLF) have been developed. The guidelines focus on how to select and prepare/design projects for utilization of CLF; how to conduct assessment of project environmental impacts and land acquisition; project bidding processes; and project implementation and monitoring. All TSSLP staff including target Commune Councils have been trained on the CLF guidelines.

9 **Planned Activity for 2009.** During 2009 the continuing activities under this output will entail providing further support to the CLFTs, CFs and CCs in each province including additional office equipment and furniture for the CC Offices, boats for floating-village CCs and performance assessments of the CLFTs and CFs. The CLF Guidelines will be revised and updated and re-fresher training provided to all CLFTs and CFs, as well as the CDS provincial teams. A practitioners' guide will also be prepared for the implementation of the CLF. The MOUs have been signed between each CC and MOI for the CLF allocations for 2009 for SI, IG and CFI projects (Annex 4: Commune Allocations for 2009 and Annex 5: Annual Work Plan for 2009).

b. Design and Implement Livelihood Investment Packages

10 **Scope and Purpose.** Integrate the planning of activities to be funded through the CLF with the established Commune Investment Plan (CIP) process of village and commune planning. The Project will assist demand-based organizations including community fisheries in formulating proposals for funding under the CLF. It will help to form village or commune special interest groups. The Project will set guidelines to which all proposals for activities to be funded through the CLF will conform.

11 **Overall Progress.** Implementation of the CLF-funded activities supporting small-scale community driven livelihoods has made good progress. By the end of 2008, a total of 493 CFI

projects were identified from the CIPs. Among these, 415 project designs have been completed, 85 were Social Infrastructure (SI) projects, 223 were Income Generation (IG) projects and 107 were Community Fishery Support (CFi) projects.

12 Of the 85 SI³ projects, 65 have been awarded contracts, 16 are under construction, and 46 have been completed. As for the total of 223 IG⁴ projects, 121 have been awarded contracts, 100 are being implemented, and 9 have been completed. For the 107 CFi⁵ projects, 33 have been contracted, 14 are on-going, and 16 have been completed.

13 **Planned Activity for FY 2009.** During 2009 there will be continued support for the next cycle of CLF funding, including facilitation of project preparation and design by the CCs and community groups, technical clearance for proposed CLF Projects, support to the CCs for procurement of works, goods and services for CLF projects, support to CCs for the preparation of contracts and assistance to enhance the capacity of the CCs and community groups to manage the CLF projects. The provisional list of 615 CLF projects identified from the 2009 CIPs included 244, 237 and 134 projects for SI, IG and CFi respectively.

c. Main Issues and Needed Actions

14 **Household-based Planning (HBP).** Adoption of the HBP approach enhances the process for identification of appropriate livelihood project options and the selection of Project Owner Group (POG) members. However, logistically it represents a great challenge to the Project and there has been a delay in the data collection. To facilitate timely data collection, the Mission and the RGC agreed on the recruitment of an additional HBP specialist to expedite the process.

15 **Income Generation (IG) Activities.** Based on the progress review and discussion with the selected communes, the Mission recognized a major challenge for CCs to design and implement the IG activities. The current CLF guidelines require CCs to identify appropriate service providers to prepare the technical proposals and then identify different service providers to actually implement the IG activities. Due to the limited numbers of NGOs/service providers (SPs) that they identify, the SPs who prepared the technical proposals also bid on the proposals. Unlike the SI projects, there are no set standards for the design of the IG activities. The Mission agreed with the RGC that the current CLF guidelines should be revised to provide more flexibility to the CCs in the mechanisms available for the design and implementation of the IG projects. There was a need to ensure that quality aspects of the project proposals and the implementation approaches proposed by the SPs were considered, not simply a comparison of bid prices. The Mission also agreed with the RGC that the \$5,000 ceiling set for an individual IG project should be increased to \$10,000 in order to increase the coverage of beneficiaries.

16 **Identification of Service Providers.** Most of CCs are facing difficulty in finding adequate numbers of SPs to bid on proposals. This is often due to their limited advertisement efforts. Currently, they advertise the bidding by posting announcement on the bulletin boards located at the CCs and provincial government offices. The Mission requested that the RGC take more proactive and creative approaches to advertising the bids. To increase the numbers of potential SPs, the Mission recommended that additional CLF Forums should be conducted in each province and a much wider range of SPs be invited to attend so that they gain an

³ SI projects include: laterite roads, earth roads, culverts, bridges, school buildings, clean water supply stations, public latrines, teacher's houses, community parks, irrigation systems, communities pond, well construction, etc.

⁴ IG projects include livestock raising, fish raising, vocational training on sewing skills, vegetable growing groups, corn cultivation groups, khmer noodle production groups, saving groups, etc.

⁵ CFi projects include repairing CFi offices, repairing of CFi towers, purchasing boats and equipment for CFi patrolling teams, re-planting flooded forests, dissemination of fishery law information etc.

understanding of the Project, the opportunities to bid for CLF projects and the mechanisms for the selection and contracting of SPs by the CCs. It was also recommended to develop a checklist which lists advertising options from the local to the national levels, to be used by CCs for identifying SPs. The RGC agreed with the recommendations.

17 Evaluation of Bids for IG Projects. In Battambang province, complaints were submitted to ADB over the bidding process used for IG projects on 19 January 2009. The MOI sent an investigation team on 6 February 2009 and reviewed the bidding process for 31 projects in six communes; they had failed to follow the bidding criterion of accepting the lowest price bid as specified in the procurement section of the CLF Guidelines. Based on the discussion with the visited communes, however, the Mission supported their intention to include the criteria of quality based on their prior experiences with given SPs. The Mission recognized the need to revise the current CLF guidelines to improve the procurement process for IG projects to include additional selection criteria such as capacity (e.g., SP staff expertise and experiences in the relevant fields) and design quality in addition to bidding price. The RGC agreed with the revision of the guidelines to improve the implementation of the IG projects.

18 Design for Social Infrastructure. The quality of the completed infrastructure projects varies. This is mainly due to (i) failure to follow the technical clearance and audit procedures set forth in the CLF guidelines; (ii) a lack of serious involvement and poor performance by technical supervisors in monitoring the quantity and quality of contract work certification; and (iii) poor performance by local contractors. To ensure quality and sustainability of improved infrastructure, the Mission agreed with the RGC that (i) the design process needs to be improved by requiring the TA Rural Infrastructure Engineers (RIEs) to review and certify the design prior to submission to the CCs; (ii) The TA RIEs must visit the site and certify the progress report, which is prepared by the Technical Supervisor, at each stage of construction before the approval of the progress payments; (iii) any progress payments made by the CCs without the necessary certifications will be withheld from their next fund transfers; (iv) any failure to comply with design specifications during implementation must be immediately reported by the TA RIEs to the CCs and CLFTs for necessary corrective measures and forwarded to MOI for further action; and (v) evaluation of contractors' performance needs to be carried out and reported to the provincial governments as well as MOI. The Mission also agreed with the RGC that an additional engineer should be recruited to permit posting an engineer in each project province to carry out the technical certification tasks.

19 Capacity of CLFTs, CFs and CCs. The capacity of the communes to develop, implement, monitor and evaluate their CLF activities needs to be strengthened. The level of understanding of the CLF guidelines, technical expertise, and performance varies among CLFTs and CFs. This seems to be due to: (i) a lack of clear TORs to define the roles and responsibilities of the CLFTs and CFs; (ii) a lack of adequate technical expertise or a mismatch of skills among CLFT and CFs; (iii) insufficient impacts of training; and (iv) a lack of coordination and linkage between the Project and the training activities being carried out under the JFPR 9114⁶. The Mission and the RGC agreed to: (i) immediately process the NIRAS contract variation to recruit the needed technical expertise using the contingency funds; (ii) identify the modality and engage technical experts outside the CLFT and CF team to expand the pool of technical inputs that can be called upon whenever needed; (iii) deploy the local consultants now based in Phnom Penh to provincial offices to work closer with the provincial and local teams; (iv) improve the quality and delivery of training through the recruitment of a graphic design specialist under the NIRAS contract variation, to increase the visual content and accessibility of training

⁶ Under the JFPR 9114, training needs assessment and delivery were supposed to be conducted by CBNRM-LI. However, either the results of the needs assessment were not shared with the TSSLP or execution of the training based on the needs assessment has not been carried out.

materials; and (v) facilitate cross learning among communes by organizing study tours and developing a learning network.

2. Component 2: Core Areas are Safeguarded

a. Scope and Purpose

20 Under this component, the Project aimed to strengthened the core area management through (i) establishment of an information base on core areas; (ii) institutionalization of a core area management system; and (iii) formulation of recommendations on the improved network of fish sanctuaries. There are commercial fishing lots operating in the core areas⁷. The main purpose of this component was to develop and implement adequate management system for core areas to safeguard them following the anticipated removal of the commercial fishing lots beyond the license expiration date of May 2009.

b. Overall Progress.

21 No progress has been made for this component. The last review mission carried out in May 2008 raised a number of issues including the need for: (i) clarification on the FiA's intention to end commercial fishing lot licenses in the protected areas beyond the expiration date; (ii) adequate involuntary resettlement considerations (livelihood plans and budget requirements) for the affected persons in accordance with ADB's policy on Involuntary Resettlement (1995); (iii) re-examination of the proposed scope of work by WorldFish considering that similar work had been done under the component 3 of TSEMP to improve Core Area management; and (iv) an assessment of the study on the Prek Toal Core Area is currently being financed by DFID and implemented by the Wildlife Conservation Society (WCS).

c. Main Issues and Needed Actions

22 The FiA confirmed that the license of the commercial fishing lot No. 2 operating in Prek Toal has been extended for an additional 5 years, which invalidates the original rationale to develop the design of the component 2 activities. The Mission met the staff of the FiA and Wildlife Conservation Society (WCS) and learned that the WCS, in collaboration with FiA, is conducting a study of the following five areas: (i) collection of data and assessment of the ecological and conservation value of the Prek Toal Core Areas/Fishing Lot 2 to redefine the boundary of the new Prek Toal Sanctuary; (ii) analysis of Fishing Lot 2 management structure and assessment of economic and commercial impact of changes to the management regime within the Fishing Lot; (iii) assessment of the distribution of socio-economic benefits derived from the current management system to local communities and stakeholders; (iv) investigation of the impact of upstream development on the Mekong River on Fishing Lot 2 and the Prek Toal Core Area; and (v) comparative analysis of the benefits derived from Prek Toal Sanctuary management and those derived from the commercial and community fisheries management. The study intends to identify appropriate co-management approaches. The results of the study will be available toward the end of this year. The Mission discussed with the RGC and GOF and reached a consensus that the original activities proposed under Component 2 should be cancelled since they are no longer relevant. The GoF strongly supported the reallocation of these funds from Component 2 to Component 1 to continue supporting the community livelihood activities to increase the beneficiary coverage and expected outputs.

⁷ Those fishing lots are: Lot No. 2 in Prek Toal, Lot No. 4, 5 and 6 around Boeng Tonle Chhmar, and Lot No. 1 in Stung Sen.

3. Component 3: Skills and Awareness for Sustainable Livelihoods are Built

a. Improve Coordination for Community-driven Development

23 **Scope and Purpose.** Recommend the institutional arrangements, including the role, functions, terms of reference, structure, budget, and staff complement, that would enable the Council for Agricultural and Rural Development (CARD) to: (i) better coordinate with ministries, facilitate policy formulation, and harmonize external assistance for agricultural and rural development; (ii) draw up a workplan and train staff of CARD to update it; and (iii) build the capacity of CARD to complete critical tasks effectively, efficiently and more inclusively.

24 **Overall Progress.** With the changes in leadership, structure and personnel after the national election in July 2008, progress with the process of institutional reform within CARD has been limited. Seven different departments within CARD have been established in the new structure with the focus on four areas of engagement: (i) policy support; (ii) dialogue and partnership; (iii) monitoring and evaluation; and (iv) Knowledge and Information Management. The first formal meeting among all CARD staff was held and chaired by H.E. Yim Chhay Ly, Deputy Prime Minister and Chairman of CARD, in December 2008. During the meeting CARD was advised to develop strategic plan for both the short and long term, within six months, to share with line ministries, development partners, civil society and private sector and get them involved in the process for increasing further cooperation with all stakeholders. As a result the roles and responsibilities of the Chairman, Vice Chairmen, Secretary General, Deputy Secretary General were defined; the roles and responsibilities of each department will be the subject of further discussion in the future.

25 CARD has also consulted with a number of the heads of the Technical Working Groups (TWGs) related to agricultural and rural development in order to identify issues and challenges, recommendations and the real needs for better coordination and development in the areas of agriculture and rural development.

26 **Planned Activity for FY 2009.** Future activities during 2009 for CARD will involve several areas to achieve progress on a few key issues. A consolidated budget and work plan for 2009 will be produced and further explanation and awareness raised on how the new CARD structure will lead to an integrated perspective to deal with the many cross-cutting issues in rural development. This may involve the establishment of 'technical assistance groups'. This will lead into a formal Stakeholders' Round table Meeting and the start of the process to conduct the proposed scoping study for Knowledge and Information Management - a reference group has already been established in CARD to manage the process. There is also a proposal to co-finance a proposed National Symposium on Food Security, which will be hosted by CARD, alongside other donor support.

27 **Main Issues and Needed Actions.** A total of 6.5 person months of international consultant inputs have been utilized so far to assist the reformulation of the institution and development of a draft strategy. While CARD has made good implementation progress, it requires further support to develop a detailed action plan and organize coordination meetings that are consistent with its strategic direction and can enhance its reformed objectives and support implementation of the strategy and programs. In light of the activities proposed by CARD for 2009 the Mission recommended that there should be a re-assessment of the need for continued in-country TA support and the timing and modality for this. The RGC agreed to assess and inform ADB of the proposed scope and modality for continued TA support by the end of March 2009.

b. Enhance the Skills Base for Community Driven Development

28 **Scope and Purpose.** Familiarize government institutions at central, provincial and commune levels with the CLF by preparing a range of materials for awareness-raising activities covering the objective of the CLF, its scope and the means of accessing it. This subcomponent was originally intended to be carried out by the CBNRM-LI. However, due to overlap with the training activities under JFPR 9114, it was agreed during the last ADB mission in May 2008 that there was no further need for the CBNRM-LI contract under this subcomponent.

29 **Overall Progress.** A detailed capacity training plan has been developed by the TA consultant team. Eight key areas for support have been identified by the plan. Those included (i) household based planning procedure; (ii) English language and computer skills; (iii) CLF Guidelines; (iv) administration and finance; (v) community organization; (vi) conflict resolution; (vii) facilitation skills and participatory rural appraisal; and (viii) human development resources management. A number of these activities have already been completed and others are underway.

30 **Planned Activity for FY 2009.** During 2009 there will be a continuation of the implementation of the Capacity Building Training Plan for CLFTs and CFs which has been developed based upon the TNAs conducted last year in each province.

31 **Main Issues and Needed Actions.** Due to little synergy being achieved between JFPR 9114 and TSSLP, the TA consultants team had to carry out the training needs assessment for CLFTs and CFs, and design the training for CLFTs, CFs and CCs and their accountants. The overall impacts of training seem to be low. There is an identified need to improve training content as well as delivery modalities. The Mission agreed with the RGC that an international Graphic Design/Training Specialist should be recruited into the TA Team to work with the local Training Specialist. The tasks will be to improve the effectiveness and impact of the trainings delivered by the TA team and to assist the CLFTs and CFs to develop better training materials and enhance their training-skills capacity. The Mission also agreed with the RGC that the training and capacity building should be limited to the CLFTs, CFs, and CCs and not include the staff of the provincial Department of Economy, originally included in the RRP, in order to utilize the limited budget more effectively for the implementation of the commune investment activities.

c. Education for Protection of Natural Resources

32 **Scope and Purpose.** The Project will (i) assemble educational materials on natural resources management, including those developed under component 3 of the TSEMP; (ii) hold environmental awareness forums for staff of the Ministry of Agriculture, Forestry, and Fisheries, MOE, Ministry of Rural Development, Ministry of Women's Affairs, their provincial departments, and commune leaders; (iii) prioritize villages according to their potential impact on resource extraction; (iv) assemble, train, and equip a mobile training team to extend environmental awareness in priority villages; (v) deliver the environmental awareness program; and (vi) conduct monitoring and evaluation. This subcomponent is being implemented by the Australian NGO, Live and Learn Environmental Education (L&L).

33 **Overall Progress.** This sub-component focused on the following: (i) develop an inception report that contains a compilation of lesson learned from the achievements and knowledge from previous projects and the on-going consultations with RGC and partners for the identification of focus areas for education resources; (ii) conducting a rapid assessment of perception in nine selected communes across five provinces; (iii) strengthen capacity for natural resource management through working with relevant government staff as Mobile Training Team (MTT), developing MTT training plan, and evaluating community-focused flipchart; and (iv)

support the integration of Tonle Sap information into school text-books for grades 3 and 7. There has been a delay in the implementation. So far, it mainly completed the inception and perception survey and the inclusion of materials in the text books.

34 **Planned Activity for 2009.** The planned activities this year focus on the completion of the remaining activities.

35 **Main Issues and Needed Actions.** While the Mission found good collaboration with the MOE to complement the activities to foster environmental education, the overall progress has been slow. Live and Learn has been engaged from the previous TSEMP to promote improved community awareness on natural resources management, working with the MOE and MOEYS. Most of the materials used were already developed under TSEMP. The MOI agreed to carry out the requested contract variation but requested Live and Learn to speed up its implementation. The Mission also requested that they improve progress reporting, and measure specific activity progress against the set targets and include an assessment of impacts.

C. Consulting Services

1. Consulting Firms

36 At appraisal, it was envisaged that the Project will require 841 person-months (p-m) of consulting services (133 p-m by international consultants and 708 p-m by domestic consultants) and that these would be engaged in 4 packages. Out of the four packages, the Worldfish Center of the Consultative Group on International Agricultural Research (CGIAR) and Live and Learn would be appointed by direct selection for Output 2 and 3, respectively. Two international consultants and 20 domestic consultants would be based in the project provinces. A team of international and domestic consultants would be attached to MOI's department of local administration in Phnom Penh.

a. Individual Consultants

37 In February 2007, MOI engaged an individual international team leader to assist MOI's project implementation team. The team leader resigned in November 2007. One national accountant was engaged in May 2007 and 5 provincial accountants were engaged in July 2007 to supervise all aspects of project accounting, financial reporting and auditing. One provincial accountant resigned and the replacement has been engaged.

b. NIRAS

38 Using the quality-and cost-based selection method, NIRAS was contracted as TA team in December 2007 for a total of 685 person-months (p-m). In light of the need for a Team Leader and Rural Infrastructure Engineers a variation to the contract was approved in May 2008. The inputs provided by each expert are in Annex 6. The Mission and RGC agreed that (i) the TORs of the CDS, key CDS and RLSs will be revised to provide clarity on their responsibilities and roles; (ii) the international RLSs should focus on technical support and guidance; and (iii) a Request for Contract Variation will be proposed by NIRAS in April 2009 which will include a review of the remaining person months for all team members.

c. Live and Learn

39 In July 2008, Live and Learn Environmental Education (L&L) was directly engaged to assist in activities in output 3 relating to education for the protection of natural resources. The inputs that have been provided so far by L&L are generally satisfactory.

D. Procurement

40 Currently, a total amount of about \$375,000 has been spent for the procurement of equipment, furniture and vehicles. A list of the items procured and distribution to agencies is in Annex 7. The vehicle allocated for TSBRS needs to be returned to MOI as component 2 will be cancelled. The Mission and RGC agreed that the following are needed: (i) an additional 6 motorcycles for CLFTs to better equip them to carry out the field work, (ii) additional office equipment for CLFTs and CCs, (iii) boats for flooded communes for the use of CCs and project staff to carry out the CLF activities.

E. Project Costs and Financing

1. Contract awards and Disbursements

41 As of 6 March 2009, about \$7.1 million (36%) and \$4.6 million (23%) of the total Grant of \$19.7 million (ADB and GoF respectively) had been contracted and disbursed. The contract awards and disbursement projections for the year 2009 are \$5.3 million and \$1.7 million, respectively. Low disbursement was due to the delayed recruitment of the TA team. The status of grant utilization, annual disbursement by financier, and project cost by component are in Annex 8, 9 and 10 respectively

2. Imprest Account and SOEs

42 At the start of the project the ceiling for first generation imprest account (FGIA) and second generation imprest account (SGIA) were set at \$850,000 and \$500,000, respectively. In April 2008, ADB approved MOI's proposal to use the "block grant method" in disbursing funds for the CLF. Due to the increased activities of the CLF in mid-2008, ADB approved an increase in the ceiling of the FGIA from \$850,000 to \$1,000,000 and SGIA from \$500,000 to \$1,000,000 in November 2008.

3. Overall Fund Flow and Counterpart Funds

43 Currently, the project is facing fund flow problems due to the long processing time, about two months, in MEF and ADB and the fast turnover of CLF funds. This was brought to MEF's attention and MEF advised that the MOI should request an increase in the counterpart fund ceiling from \$150,000 to \$200,000.

4. Audited Financial Statement

44 The Grant's auditing requirements are being met. The first audit report and audited financial statements (2007) were received by ADB a month after the due date (due date is 30 June). There had been no material findings on the Project's accounts nor on the use of the imprest fund for the fiscal year ended December 2007. The Mission reviewed in random several disbursements using SOE procedures and noted that (i) the supporting documents are readily available, and (ii) records and supporting documents are being maintained by MOI in an orderly manner.

F. Safeguards and Compliance with Covenants

45 The Environmental Assessment Guidelines included in the CLF Guidelines have been revised and the additional training on the revised assessment guidelines has been carried out.

The Mission reviewed the selected safeguard documents (environmental assessment and land acquisition) prepared for the social infrastructure during the field visits. It appeared that the communes are following the guidelines to complete all the necessary safeguard forms. The other covenants are generally followed (Annex 11).

G. Project Reporting

46 Monthly and Quarterly Progress Reports have been regularly provided by the EA to ADB. While such reports provide detailed activities, progress against the original workplan, it is not clear how such completed activities are contributing to the overall project outcome. The Mission requested the RGC to develop quantitative and qualitative indicators to better assess the overall project benefits. The RGC agreed to develop a set of impact indicators and include them in the next progress report.

IV. NEED FOR PROJECT EXTENSION

47 Extensive discussions were held between the Mission, the RGC and the GoF to (i) assess the overall achievements made so far, (ii) disbursement in 2008 and its projection in 2009 and 2010 until the project closing date of June 2010, and (iii) likely coverage of project beneficiaries and expected outputs. The implementation has been accelerating since the start from the 2nd quarter of last year. The Mission recognized that the slow progress experienced so far is attributed to a combination of an initial delay of 18 months, fund flow problems, expected complementary training activities not materializing on time under JFPR 9114, the CIPs planning process and prioritization completion in November and the seasonal/weather factor that constrains civil works activities.

48 Currently, the project physical completion date is set as 31 December 2009 (project closing date is 30 June 2010). As of 28 February 2009, the uncommitted balance is about \$12 million, out of which \$9.8 million for livelihood grants. While project implementation this year is expected to improve with the proposed measures, it is expected to disburse about \$14 million by June 2010, which is approaching 70% of the total project costs. In terms of the beneficiary coverage, about 70% of the target project villages will have benefited. However, the current indications are that only 20% of the poor and very poor households will benefit from the IG projects (Annex 12).

49 During the field visits, the Mission recognized: (i) increasing local ownership and appreciation of the Project; (ii) proactive community participation in organizing and making initial preparation in anticipation of the eventual fund disbursement at the local levels; (iii) obvious increases in local capacity to implement the activities; and (iv) sustainable behavioral change through learning by doing. The desired changes in local capacity and planning are developing. If the activities are stopped according to the original physical ending date of 31 December 2009, the current changes happening at the local levels are not fully sustainable. The GoF expressed strong interest in continuing activities.

50 The Mission and the RGC both agreed on the need for the extension of the project physical completion date. Extension will also enable the Tonle Sap Lowlands Rural Development Project and possibly the Tonle Sap Poverty Reduction and Smallholders Development Project to overlap the implementation period and provide cross-learning opportunities. The Mission requested the RGC to develop a detailed proposal which covers the scope of work including the possibility of expanding the geographic areas to incorporate the project communes which were eligible but currently not included, a budget projection and report on the progress made so far in all components. The RGC agreed to submit the proposal by the end of May 2009.

V. AGREED ACTION PLAN

51 A summary of major issues and agreed action plan is given below:

Agreed Action Plans

Issues	Follow-up Actions	Time frame	Responsibility
All components			
Fund Flow	Increase the counterpart ceiling from \$150,000 to \$200,000 to facilitate timely disbursement	Immediately	MEF
	Send a scanned advance copy of withdrawal application to ADB so that the ADB controller can initiate processing until it receives the original	Immediately	MEF
	Send the SWIFT information to MEF so that the MEF can follow up NBC for its disbursement	Immediately	ADB
Progress and impacts monitoring and evaluation	Develop impact monitoring indicators to measure the progress outputs	By end of April 09	MOI
Extension	Submit the extension request to ADB covering the needed extension period, scope of work including the possibility of expanding to the project communes which are eligible but currently not supported, budget projection and progress made so far in all components.	By end of May 09	MOI
Change in scope and reallocation	ADB will assess the RGC proposal for extension and take necessary actions to seek management approval.	June 09	ADB
Component 1			
CIP development and prioritization process	The results of the HBP should be used as an input to the future IG activity identification. Recruit an additional specialist to expedite the process and make the results available as soon as possible.	By end of April 09	MOI/ADB
	Improve the participatory CIP development and prioritization process by actively engaging the participation of civil society and the larger communities	Immediately	CCs, CLFTs
Social Infrastructure	Revise the design process to require the TA RIEs to review and certify the design before submission to the CCs and to visit the site and certify the progress report prepared by the Technical Supervisor at each stage of construction prior to the approval of progress payments.	Immediately	MOI
	Withhold the amount of any progress payments made by the CCs from their next fund transfers if all the necessary approvals were not obtained.	Immediately	MOI
	Any failure to comply with design specifications must be immediately reported by the TA RIEs to the CCs and CLFTs for their respective action and forwarded to MOI for further action.	Immediately	CCs/CLFTs/TA team/ MOI
	Evaluate and report contractors' performance to the provincial governments as well as MOI	Immediately	CCs/CLFTs/TA team
	Recruit an additional TA RIE to assign one in each project province to certify project designs, implementation and progress reports.	By end of April 09	MOI/ADB
IG Projects	Revise the current CLF guidelines to provide more flexibility to the CCs in the mechanism for the design and implementation of the IG projects.	By end of April 09	MOI
	Develop a checklist which lists advertising options from the local to the national levels to be used for identifying service providers.	By end of April 09	MOI
	Revise the current CLF guidelines to improve the procurement process for IG projects with the defined selection criteria to evaluate the quality as well as prices	By end of April 09	MOI

	Carry out the NIRAS contract variation to recruit additional technical specialists in the areas of small business development and livelihoods improvement, agriculture, fisheries and animal husbandry to assist CCs in developing and/or reviewing proposals and increase households production	By end of April 09	MOI/ADB
Quality control	Revise TORs for all the CDS, Key CDS and RLS to increase and/or adjust properly their responsibilities for monitoring and reporting the field activities to improve the implementation quality. ToRs for other TA team members will also be revised.	By end of April 09	MOI/ADB
	Reassign field staff to provincial offices to work closer with the provincial and local teams	By end of April 09	MOI
Capacity building for CCs, CLFTs, CFs, CDSs	Identify, explore and develop the modalities to engage technical specialists outside project team to expand the pool of technical inputs that can be called upon whenever needed	By end of May 09	MOI
Training materials development	Improve the quality and delivery of training through recruitment of a graphic design specialist to increase the visual content and accessibility of training materials	By end of April 09	MOI/ADB
Reporting	Report serious issues immediately for follow up actions	Immediately	MOI
	Disclose monthly status reports of the CLF projects including financial information to enhance transparency and accountability	Immediately	CCs
Component 2			
Original design and activities	Seek necessary management approval to cancel the component	Mid-April 09	ADB
	Send a letter to CNMC to request a return of a vehicle to MOI	By end of April 09	ADB
Component 3			
Technical inputs	Reassess the need and modality of continuing technical assistance support to CARD	Immediately	MOI
Environmental education	Process contract variation for Live and Learn to adjust its inputs	Mid-April 09	MOI/ADB
	Improve progress reporting that measures specific activity progress against set targets and assess impacts	Immediately	L&L
Procurement			
Motor cycles	Purchase additional 6 motor cycles for CLFTs in order to better equip them to carry out field work	By end of April 09	MOI/ADB
Office equipment	Purchase office equipment for CLFTs and CCs	By end of April 09	MOI/ADB
Boats	Purchase boats for flooded communes for the use of CCs and project staff to carry out the CLF activities.	By end of April 09	MOI/ADB

52 The Mission expresses its gratitude to the RGC, its staff and the Project consultants for the cooperation extended to the Mission.

H.E Leng Vy *lv*



Director General
Ministry of Interior

Date *30 March 2009*

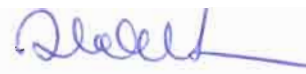
Nao Ikemoto



Mission Leader
Asian Development Bank

Date *30 March 2009*

Helena Ahola



First Secretary
Embassy of Finland,
Bangkok

Date *1 April 2009*