

## SUMMARY OF PROJECT PERFORMANCE

### A. Background

1. The Tonle Sap Poverty Reduction and Smallholder Development Project was approved by the Asian Development Bank (ADB) on 8 December 2009 and was declared effective on 31 March 2010 with a loan amount of \$3.41 million and a grant of \$27.30 million. The project's loan and grant closing date is 28 February 2018. The project is cofinanced by the International Fund for Agricultural Development (IFAD) with a loan of \$6.69 million and a grant of \$6.69 million, which became effective on 15 February 2010, and the Government of Finland with a grant of \$5.75 million,<sup>1</sup> which became effective on 3 December 2010. The project is designed to foster community-driven infrastructure and capacity development in 196 communes in 28 districts in the provinces of Banteay Meanchey, Kampong Cham, Kampong Thom, Siem Reap, and Tboung Khmum. Its outcome is increased agricultural productivity and improved access to markets in 196 communes in five provinces in the Tonle Sap Basin. It has three outputs: (i) community-driven development through a block grant, (ii) enabling environment for increased agricultural productivity and diversification, and (iii) effective project management.<sup>2</sup>

2. The Ministry of Agriculture, Forestry, and Fisheries (MAFF) and the National Committee for Sub-National Democratic Development Secretariat (NCDDS) are the executing agencies to supervise the project implementation. There are three implementing agencies: (i) the General Directorate for Agriculture of MAFF, (ii) the NCDDS, and (iii) the Ministry of Posts and Telecommunications.<sup>3</sup>

### B. Performance of the Project

3. Overall the project has been performing well. The details of performance are described in paras. 4–19.

#### 1. Delivery of Expected Outputs

4. The project has met, and in some cases exceeded, the targets under the project outputs. Achievements are described in paras. 5–7.

5. **Output 1: Commune-driven development through a block grant.** The outputs included construction of 417 kilometers of rural roads and construction/rehabilitation of irrigation structures servicing a total area of 55,052 hectares (ha) compared to the targets of 90 kilometers of rural roads and irrigation covering 2,500 ha of farmland in the original project design. Against a target of 1,200, a total of 1,241 livelihood improvement groups (LIGs) have been formed and made operational. Each LIG has established a group revolving fund (GRF) and over 51% of loans from the GRFs have been taken by women. A total of 1,192 livestock demonstration sites have been

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<sup>1</sup> On 24 February 2014, this amount was reduced to \$1.60 million because of the modification of the information and communication technology component of the project, and the completion date was revised from 15 March 2014 to 31 December 2014.

<sup>2</sup> The original project design approved in December 2009 included six outputs (ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant and Administration of Grants and Loan to the Kingdom of Cambodia for the Tonle Sap Poverty Reduction and Smallholder Development Project*. Manila). However, ADB approved a minor change in project scope on 11 April 2014 that simplified project design; the current project now includes three outputs.

<sup>3</sup> The Ministry of Posts and Telecommunications has concluded its formal engagement in the project since 31 December 2015, although it has continued to support the project on website maintenance with its own resources.

established and 3,266 hands-on multiple training events have been organized at these demonstration sites. Around 13,400 farmers have copied fully or partly the recommended practices, representing an uptake rate of 38% among participating LIG members. In addition, 506 meetings between LIG members interested in chicken raising and chick producers have been organized at different chick production sites and, as a result, many participating LIG members have indicated greater interest and trust in quality of chicks and new chicken-raising practice. 103 micro chick production units have been established with support from the project, and as of May 2017 have collectively produced around healthy and already vaccinated 76,250 chicks for sale (with reported total income of \$81,000). These chick production enterprises have expressed strong interest in increasing their production, and some have done so with their own investment to respond to the growing needs for chicks from the farmers. With project support, 14 micro animal feed formulation units have been established and have produced around 30 tons of feed for own consumption and for sale to local smallholder farmers.

**6. Output 2: Enabling environment for increased agricultural productivity and diversification.** 14 technical manuals (target of 10) and 16 multimedia documentaries (target of 20) on improved agricultural technologies have been developed; 126 tons (target of 100 tons) of certified rice seed have been produced by two project-supported agriculture stations; 1,798 tons (target of 2,500 tons) of commercial rice seed have been produced; over 1,320 on-farm technology demonstrations and 1,400 field days have been organized for smallholder farmers; all 196 communes have been equipped with enhanced information and communication technology facilities; and all 196 commune extension workers have been equipped with mobile devices for the mobile commune access program which disseminates extension information, agricultural technology, and market data, with districts' enhanced capacities to support the program.

**7. Output 3: Effective project management.** Quarterly and annual financial and physical progress reports have been submitted, regular joint review missions by ADB and IFAD have been conducted, and annual external audits have been completed. Five project steering committee meetings have been convened, chaired by the deputy prime minister, who is in charge of the Council for Agriculture and Rural Development. The project steering committee has helped to resolve key bottlenecks and improve coordination across all project stakeholders.

## **2. Performance with Respect to Expected Outcome**

8. The project enlisted 29,512 direct LIG beneficiary households identified as poorest of the poor. An additional 12,200 households benefited from increased water availability on rehabilitated irrigation schemes, and an additional 5,020 households benefited from adoption of technology packages demonstrated by MAFF extension staff. Livelihood benefits also arose to as many as 325,000 households from road rehabilitation, as well as investment of other infrastructure such as rainwater harvesting ponds, radio extension broadcasts, and extension information passed on to communities by commune extension workers. The expected impact of the project is improved livelihoods in five provinces by 2020. The project outcome is agricultural productivity increased and access to markets in 196 communes in five provinces in the Tonle Sap Basin improved. The indicators of the overall outcome having been achieved (by 2017) include the following:

- (a) Average rice yields increased to more than 3.50 tons/ha (Cambodia, Lao People's Democratic Republic, Thailand, and Viet Nam averaged 3.40 tons/ha in 2007).
- (b) Diversified farming systems reduce share of household income from rice by 20%.
- (c) Marketed farm and off-farm products increased by 25%.

- (d) Participation in livelihood activities of the poor and poorest groups, including women and female heads of households, is at least 10% higher than their percentage of the population in the target communes.
- (e) More than 70% of the membership of LIGs graduate to become eligible for formal credit services.

9. **Indicator (a):** Average rice yields on rain fed farms rose from 2.0 tons/ha without the project to 3.0 tons/ha with project support, and from 1.5 tons/ha with a single crop to 7.5 tons/ha (3.0 tons/ha first crop and 4.5 tons/ha second crop) in areas where irrigation was available for two crops per year (over 5,000 ha). Average rice yields amongst project beneficiaries exceeded 3.5 tons/ha.

10. **Indicator (b):** Taking the income from chickens, pigs, and cassava relative to rice (wet and dry season irrigated rice) the share of household income derived from rice is expected to have been reduced. However, since the project completion report is not yet due, no comprehensive surveys have been conducted to confirm this.

11. **Indicator (c):** The proportion of on-farm and off-farm products entering the market was not calculated, but a rapid economic appraisal of the project undertaken in February 2017 indicates a conservative estimate of the rise of 20%, from market sales of chickens, pigs, and cassava, in value terms.

12. **Indicator (d):** All 29,512 LIG households came from the poorest groups. Net incremental financial return of the project for LIG households is 40%, and net incremental financial net present value generated by and for them is \$15.5 million at a 12% cut-off rate. The project generated, on average, a net incremental financial net present value of \$12,761.30 per LIG. Direct beneficiary LIG households included 6,167 households headed by women. In addition, women in households not headed by women were also direct beneficiaries of the project. There were 15,838 female members in the LIGs, and 2,203 of them were included in the LIG leadership. Around 40%–50% of beneficiaries of irrigation rehabilitation or technology adoption were women. The net incremental financial return of the program for households headed by women is also 40%, and the net incremental financial net present value generated by and for them is \$5.22 million at a 12% cut-off rate. The project generated on average a net incremental financial net present value of \$845.59 per household for households headed by women. The economic performance of the LIGs was exceptional and participation of the poorest groups was at least 10% higher than their percentage of the population in target communes.

13. **Indicator (e):** LIG members did not graduate into the formal credit market because collateral is still required by banks and most microfinance institutions. The provision of revolving fund credit to LIGs was therefore of significant economic value and in addition created social capital because the groups organized themselves around the funds provided. An independent reviewer prepared a case study on LIG sustainability pathways for the project in August 2016, which concluded that out of the 655 studied LIGs, only three have failed, 13 were decreasing although could recover easily, and the remaining 641 funds have been increasing. On the other hand, the case study pointed out that 50% of the established LIGs still need further support from the project, upon which sustainability can be realized with the formation of an LIG association. All studied LIG members confirmed that they are willing to contribute \$20 per LIG per month as a membership fee to the LIG association to contract a service provider to provide support on issues such as financial management and livestock raising as needed. The LIGs were an economic success story and the revolving fund credit was a necessary part of this success.

#### **4. Economic Rates of Return**

14. At design in 2009, economic internal rates of return (EIRRs) calculated in the financial and economic analysis for four subprojects, chosen as representative of the whole project, were estimated as 44%–50% with benefit–cost ratios of 1.5–1.6:1. The rapid economic appraisal mentioned in para. 11 found an overall EIRR of 26% and a benefit–cost ratio of 1.3:1. A substantial part of this direct economic benefit arose from agricultural technology adoption by some 30,000 LIG member households. The appraisal did not capture direct economic benefits accruing to some 5,020 households that adopted agricultural technology, so the actual overall EIRR and benefit–cost ratio would have been higher. In addition, neither the original project economic assumptions nor the recent appraisal included direct benefits arising from savings from vehicle operating costs and time savings with regard to traffic on the roads constructed by the project. The overall EIRR would exceed 30%, which is an excellent return on development investment.

#### **5. Other Relevant Information**

15. It should be noted that in the financial and economic analysis models prepared at the project design in 2009, financial prices of paddy were nearly twice as high as the actual prices the project's beneficiaries received during 2009–2017. Both prices and yields of fresh cassava roots used in the models were also high. In addition, wages for farm labor have risen considerably since 2009, and this has also impacted on farm financial and economic analysis models. The extremely high EIRR estimates for the project in 2009 were based on price assumptions that have not been realized and, despite lower prices, performance has been excellent.

#### **6. Satisfactory Implementation Progress**

16. As of 17 August 2017, overall project implementation progress was 96% against the elapsed period of 92%, and cumulative contract awards were \$43.34 million (94.9%) and cumulative disbursements were \$43.63 million (95.5%). The figure below reflects the S-curve of the project for contract awards and disbursement.

#### **7. Satisfactory Compliance with Safeguard Policy Requirements**

17. In the case of the rural infrastructure subprojects, environmental safeguard reporting has been fully complied with for all subprojects. Social concerns are confined to gender-related issues and the levels of women's participation have been documented for all aspects of project implementation. All infrastructure subprojects were screened and classified category C for involuntary resettlement, as the subprojects are being implemented within existing rights-of-way and did not require acquisition of private land. The project was classified category B for indigenous peoples safeguard, but all subprojects were screened and identified category C for indigenous peoples.

#### **8. Successful Management of Risks**

19. A risk management matrix identified adverse climatic effects on production as the most serious risk for the overall project outcome and for output 2. In the case of output 1, the most serious risks were concerned with underperforming commune councils and lack of capacity at subnational level. None of these risks have yet had any serious impact on overall project performance. A risk assessment and risk management plan was prepared as part of the project administration manual. ADB review missions were regularly conducted and risk assessment and risk management plan implementation status has been regularly reviewed. The executing

agencies have implemented all measures recommended, including that all project staff and consultants have signed a code of ethical conduct, ensured public disclosure on project documents including contract awards and progress reports, and established a complaint handling mechanism.

**Tonle Sap Poverty Reduction and Smallholder Development Project  
Contract Awards and Disbursement as of August 2017  
(with projection until 28 February 2018, excluding financial charges)**



Source: Asian Development Bank.

## 9. On-Track Rating

18. The project has been rated on-track in the ADB project performance rating system since the first quarter of 2014.

## 10. Compliance with Loan and Grant Covenants

19. The project is fully in compliance with the loan and grant covenants as confirmed by ADB review missions.

## D. Conclusion

20. The project has been performing very well. The successful implementation so far has in many cases exceeded the targets provided in the original design and has provided a strong foundation upon which to develop follow-on activities to further upgrade rural infrastructure, enhance the network of LIGs for livelihood improvement, and further promote disaster risk management and agricultural productivity using climate-resilient approaches. The project has bolstered government decentralization efforts, particularly empowering the subnational levels of government to make and implement informed decisions.