

## Appendix A TOR of the Diagnostic Study

### A.1 Background and Justification

This program strategy design is for the new AusAID supported Agricultural Development Program in Cambodia. The program value will be up to \$40 million for implementation for an initial period of five years from 2007 to 2012, with the possibility of extension for a further five years. Scoping studies started exploring the prospects and possibilities for such a program in 2004-5 (Program Options Document, October 2004, Program Approach Document, March 2005), and the Sector Monitoring Group (July, 2005) and concluded these initial studies by recommending a three-part structure for the new program as follows:

1. A Rice-Value Chain part, focusing on e.g. two provinces initially.
2. A NGO-based Rural Development part, possibly focusing on other provinces, and
3. A Policy Dialogue part, at the national level

Strategic decisions regarding the shape and focus of the new program have been made subsequently (ref. Sector Monitoring Group report, July 2005). These decisions are mainly:

- (i) The program will focus its development activities on the rice-based farming systems of Cambodia.
- (ii) The program can therefore only partially address the total livelihoods situation of the poor smallholder households, which depends on arable farming for only a part of their income. It is thus not planned to include direct activities into livestock, common resources developments, etc., at this stage – but flexibility to include another component based on value chain approaches may be a possibility a couple of years into program implementation.

The **overall goal** for the program is initially identified as:

*The Program will contribute to ensuring household food security, increased income and improved livelihood for rural poor farmers, by improving agricultural productivity and diversification of agriculture in Cambodia.*

This overall goal for the program is in harmony with the objectives of AusAID's country strategy, and with the National Strategic Development Plan (NSDP) 2006-10 and the Rectangular Strategy of RGC, as well as MAFF's Strategic Plan.

The following tentative **program purpose** is proposed:

*The program will obtain increased benefits (e.g. food security, reduced vulnerability, increased income) and better livelihood prospects for rural poor farmers from rice-based farming systems, by direct implementation of activities in selected provinces and policy activities at the national level of Cambodia.*

The appropriateness of this purpose statement will be verified and changed, if required, during the design process.

The present Program Design Strategy is built on the integrated combination of a central strategic theme, the value chain approach, and four pillars as below:

1. The **rice-based farming systems** of Cambodia is the basis, in principle covering over 80% of the rural population;
2. The core of the strategy is the integrated application of **three highly complementary design methodologies**: (a) the value chain approach, (b) the logical framework approach, and (c) the strategic analysis approach;
3. A **Programmatic support structure**, which aims to secure sustainability and impact by integrating into critical elements of the national framework; and
4. A **balanced and flexible application** of field and policy level activities along the crop value chain.

In summary, the Value Chain approach will entail applying value chain analysis to rice-based farming systems, in order to develop an integrated program of activities to achieve the program purpose. The aim is to identify and address critical success factors in a coordinated way through the value chains, thereby unlocking the potential values and aiding the way out of poverty. The links in the value chain provide the 'tracks' upon which balanced and flexible activities will roll out.

*The Program Design Strategy* is split into a core diagnostic phase followed by the central program design phase. The feasibility of different component structures and contents will be clarified during the diagnostic phase, which will present options for decision, before the design on a specific option can commence. The core methodology during the diagnostic phase is value chain analysis. That phase will also reveal to what extent the program designs can be structured on the value chain concept. The feasibility assessments will use Strategic Analysis in combination with further logical framework approaches. Resource limitation is further expected to limit program coverage to certain provinces.

The strategy for the diagnostic phase is thus:

1. Conduct a rapid assessment (based primarily on previous studies) of the Value Chains for rice and other key crops/products (including fish, but not livestock at this stage) providing a basis for diversification within rice-based farming systems in Cambodia, and identify the most important products/groups of products with potential for value-addition accruing to poor farmers (taking account of links between different Value Chains);
2. Undertake detailed investigation and assessment of the feasibility of unlocking these values through program activities, leading to a prioritised set of possible activities for further exploration during the design phase.

The possibilities for engaging in a simultaneous development process for a larger national program framework for the Agricultural and Water sectors are currently being explored in consultation with Royal Government of Cambodia (RGC) and other donor agencies. The present strategy can fit well into such a process, but can also proceed independently of it.

## A.2 Objectives of the Study

The primary objective of the diagnostic study is to analyse the Value Chains for rice-based farming systems in Cambodia, determine the potential values and the feasibility of different program activities. In doing that the study will identify and quantify for each main

crop/product value chain link<sup>33</sup>, its potential value-addition in terms of poverty reduction, income increases and livelihood improvements for smallholders in Cambodia, and describe and assess the practical feasibility of unlocking these potential values by program activities. These assessments will include identification of proposed provinces and districts to be covered by the program.

### A.3 Outputs

**The primary output is a Program Concept Document** detailing the findings, comments, conclusions and recommendations of the Study. The document must have annexed specific value chain analyses for crops/products identified as having the most potential for value-addition accruing to poor farmers, together with a prioritised set of possible program activities for further exploration during the design phase. The document, or its annexes, must also explain the background/rationale for the feasibility assessments in all necessary detail. The output will specifically include the following deliverables:

- A set of value Chain analyses for important crops/commodity groups (ref. scope of work)
- A description of the array of possible activities, prioritised according to potential for value-addition for poor farmers and feasibility, accompanied by a commentary on pros/cons and likely challenges to implementation
- Recommendation of provinces for program coverage, in order to achieve a significant/measurable impact on the largest number of poor farmers feasible within AusAID's budget limitations.
- Options for harmonising/coordinating AusAID's program activities with other donor programs (within the context of a broader sector program framework as appropriate).
- A summary of feedback from RGC and other donors, and measures to incorporate or otherwise handle these.

It is emphasised as important that this diagnostic phase give clear recommendations on possible activities (including recommendations on location) assessed in terms of their feasibility and contribution to the draft program purpose, for development during the program design phase. There is thus no scope for extension of the diagnostic phase.

### A.4 The Scope of Work

The strategic framework for the work to be performed is given by referenced program development documents (in particular, AusAID's *Program Design Strategy for the Agricultural Program*), the RGC policies and strategies for the development of Cambodia in general, and the agricultural & rural sector in particular. The considerations must include, but not necessarily be limited to, the following areas of particular concern:

- The overall national context, policy objectives and policy measures as they relate to the subject matter at hand. The diagnostic findings are in this context expected to shape the future overall strategic and operational activities of AusAID in the agricultural sector of Cambodia.
- The recommendations of the study must be very specific and practical with regard to its feasibility assessment of suitable and implementable program activities.

<sup>33</sup> The Crop Value Chain is defined in Appendix 1.

- The main elements of study object, the Crop Value Chain, are described in overview in Appendix 1, which forms an integral part of these Terms of Reference. The Study Team may make adjustments and amendments to this overall framework with the explicit approval of Team Management only.
- It is deemed sufficient at this stage to analyse the Crop Value Chain in the following main commodity groups: (i) Paddy/Rice; (ii) Other Staple Food Crops (e.g. maize, sorghum, cassava, etc.); (iii) Horticultural Produce (fruits, vegetables, herbs, spices, nuts, etc.), (iv) Annual Industrial Crops (soya, peanuts, cotton, etc.), (v) rice-fish and small scale fish farming. It is expected the team will need to narrow these groups down further at an early stage in the diagnostics process, selecting representative/high potential products for more detailed analysis.
- Description and analysis of these main commodity groups through the value chain will include the following: (a) Main marketing channels from farm-gate through processing to final consumers (domestically and abroad) for each main commodity group. This includes determination and analysis of demand & supply, price formation, trading margins, costs, transport, storage and processing capacity, market efficiency, etc. – internationally and nationally, as relevant; (b) a view of future production and market prospects for both domestic and export markets. (c) Identification of main strategic constraints, opportunities, threats as regards these future prospects.
- Relation of the above to three (of four) main agro-ecological regions of Cambodia: (i) The Plains Region, (ii) Tonle Sap Region, and potentially (iii) the Coastal Zone, and to the main farming systems prevalent in each of these regions, where this is relevant in the context of the study objectives. This includes analysis of the farm / household economics, livelihoods and smallholder risks associated with these main farming systems.
- Recommended selection of provinces for coverage: main criteria are: (i) the incidence of poverty and food insecurity; (ii) crop development potential, (iii) feasibility of activities, including management capability and support of provincial administration; (iv) synergy with RGC and other donor supported activities.
- Adequate LFA problem and stakeholder analysis in relation to the above.
- Strategic analysis in relation to the determination of feasible options.
- Roads/infrastructure: Poor transport facilities, especially during the wet season are often a major constraint to crop diversification. This aspect may need attention during the diagnostic phase. In this context the team should also consider how best to balance a potential demand for relatively high cost investments in irrigation and roads with the desire to have an impact on a large segment of the rural population.
- Donor Coordination: Ability to coordinate/complement program activities with those of other donors is critical. The diagnostic team will therefore also consider the scope for such collaboration in the process of identifying options.
- Rice vs. diversification: Although Cambodia is presently self sufficient in rice and even exports modest quantities, the sector is still characterized by low productivity, substantial post harvest losses, inefficient milling and storage of paddy, and constraints to exports arising from poor quality rice. How much weight should these constraints receive under the program compared with crop diversification? The answer to this question should not be based solely on potential returns from a unit of land but the overall returns to be generated by the given

amount of AusAID's resources. The desirability of continuing previous AusAID activities that address these constraints should also be considered in this context.

- The program will be geographically concentrated into three of the four main agro-ecological regions of Cambodia. This raises the strategic question: Is it better to have small programs spread broadly across several provinces or a larger program concentrated in fewer provinces (the SMG suggested two). Aside from the overall question of impact there is also the concern about program administration (is the program to be managed through central Ministries? How many provincial governments can the program effectively work with? How will a widely dispersed program affect the need for TA and what issues will there be in locating experts in various parts of the country?).

Data related to all of the above are mainly already available in Cambodia, but not necessarily analysed to suit the present context. It is thus not envisaged that the Study Team need to engage in extensive primary data generation. It is, however, envisaged that the available data may in some cases need verification, further assessment and perhaps some up-dating.

Incorporation of these areas of concern must be clearly expressed in the output.

## A.5 Main Activities

The activities to be performed by the consultants engaged to conduct the study include, but are not necessarily limited, to the following:

- Study of all relevant documents and background material in preparation for the tasks at hand.
- Discussions and interviews with key officers of MAFF, with other RGC relevant ministerial officials, as well as with other resource persons, and not least with farmer and agro-business representatives, on the relevant subjects in this present context.
- Drafting and agreement with Team Management of the process methodologies, format, work plans and schedules for the Study.
- Facilitation of the Study processes and working sessions as decided during the assignment.
- Drafting, discussion and finalisation of possible working papers and the **Program Concept Document**.
- Inclusion in the **Program Concept Document** of draft Terms of Reference for the Design Phase, including indicative timing and inputs based on the findings and recommendations of the Diagnostic Phase.

The Lead Consultant is required to act as the operational country team leader and to take daily charge of the study team, which includes assignment of works, supervision, quality assurance and administration of the other consultants. The Study Team is required to conduct a methodology and process-oriented workshop at the beginning of the assignment and at least two similar events at the end of the study period. The second workshop will serve to present and get responses to preliminary findings (around the middle or 2/3 into the study period), while the final workshop will present and get wider responses to a provisional Draft Report before its finalisation.

## A.6 Organisation, Study Team Composition and Team Member Qualifications

### Team Management

The Agricultural and Rural Development Adviser (Jens Luring Knudsen), AusAID Cambodia, will be the Team Leader and Cambodia Desk, AusAID Canberra, Deputy Team Leader for the combined Diagnostic and Design phases. It is the primary responsibility of this Team Management to secure the overall relevance and quality of the program design. The Team Management will thus advise, facilitate and direct the Study Team as regards the concerned professional subject areas, and will provide comments to, approve and adjust work processes and plans, direct editing of working papers and design reports as found relevant and suitable. Team Management will further directly participate in critical areas of diagnostic and design work; including in field investigations, discussions and team processes, etc, when and where it is found relevant. The financial and other administrative arrangements for the Study Team will be provided for in a separate contract with AusAID.

**The Study Team, to be contracted as a team**, will consist of a Lead Consultant, and a range of Specialists. The Lead Consultant will be an international consultant with the necessary experience for this task, which includes the setting-up and formulation of the methodology and process of the Study, and editing / quality-assurance of the resulting report. The Team Leader must have a strong background in relevant sector analysis and in economics. It is proposed that the Study Team be composed as follows:

Designation	Qualifications and Experience	Time
Lead Consultant	International Consultant with extensive experience in agricultural & rural development, relevant sector analysis and economics, value chain or market analysis, with experience in study process management, and with experience in a Cambodia-relevant context.	8 weeks
International Consultant	An International Consultant with extensive experience in analysis of farming systems, livelihoods and poverty analysis, and crop development practises relative to Cambodia	4 weeks
Deputy Lead Consultant	National (or Cambodian based expatriate) Consultant with general experience in agro-business development, agricultural & rural development, and with experience in study process management.	6 weeks
Farming Systems and Crop Development Specialists	One or more National Consultants (or Cambodian based expatriates) with extensive experience in analysis of farming systems, livelihoods, socio-economics and crop development practises in Cambodia.	6 weeks
Market and Agribusiness Development Specialists	One or more National Consultants (or Cambodian based expatriates) with extensive experience in marketing chain analysis and agribusiness development	6 weeks
Other specialists, if	One or more National Consultants with extensive experience in e.g. food processing, economics, trade, institutional, legal and	6 weeks



required	financial areas.	
Study Team Office Secretary or Research Assistance	Office assistance, preferably also experienced in designing and facilitating study processes, workshops and similar sessions	6 weeks
<b>Total</b>	<b>National Consultants</b> <b>International Consultants</b> <b>Office or Research Assistance</b>	<b>24 weeks</b> <b>12 weeks</b> <b>6 weeks</b>

In addition, one or two RGC representatives from relevant ministries will join the Study Team as regular members. Their task will mainly be to secure the relevance of study conclusions and facilitate access for the consultants. If collaboration with other donors in program implementation becomes a distinct possibility, then representatives from such agencies may also become involved.

The Lead Consultant must determine and propose a more detailed specification for each individual consultant's responsibilities and inputs. Some of the mentioned national consultants may be substituted by consultants from neighbouring countries. The number of specialist will be finally determined and defined in the Inception Note. The duty station for the consultants is Phnom Penh with expected travel to different parts of Cambodia. The International Consultants must have relevant work experience from Asia, preferably from Cambodia.

**A number of Resource Persons** from relevant institutions and department's, may further be asked to participate in various aspects of the Study. A provisional work plan / time schedule for the Study Team is included in Section 10. That indicative work plan may, however, be changed substantially as per agreed Inception Note.

## A.7 Reporting

The reporting requirements are as follows:

**Inception Note:** The Study Team will prepare an initial Inception Note at the start of the assignment. The Inception Note will detail their interpretation of the TOR, main processes and methodologies for the work, the Work Plan, and an indicative final report structure. This will be discussed and agreed with the Team Management during the first few days of the assignment.

**Debriefing Note / Aide Memoire.** The Study Team will draft and present such a note outlining all major findings and conclusions prior to team's departure from Cambodia.

**The Program Concept Document.** The Study Team will prepare the draft Program Concept Document upon completion of the assignment (within 2 weeks after completing the in-country work) as mentioned under Objective and Scope of Work above. The Draft Report will be submitted to the Team Management for comments as mentioned above. The Study Team will further issue a Final Report within three weeks after receipt of the comments.

AusAID will engage an **Independent Appraisal and a Peer Review** of the Final Report. The study team may be required to revise the report in the light of this review and appraisal within two weeks of receipt of such a request.

#### **A.8 Duration and Timing**

The duration of the Study is eight (8) weeks and the Study can be conducted from February 2006, subject to the availability of the Study Team members.



**TOR Appendix 1:****FRAMEWORK FOR VALUE CHAIN ANALYSIS****Support Activities**

Infrastructure (Roads, Irrigation, Power, Communications, Policy & Institutional Development)							
Human Resources Management (Extension, Training & Education)							
Technology Development (Research & Extension)							
Agri-Business and Credit Services (General SME Development, banking and credit services, etc)							
Cross-cutting Themes: Food Security and Nutrition, Land Security, Gender, Environmental Management							
<b><u>Primary Activities</u></b>		<b>(For crop value chains, to be adapted for fish, if required)</b>					
<b>Seeds and Seed Industry Development:</b> (Breeding, testing, adaptation, certification, propagation, distribution and trade)	<b>Development of the national soil resource:</b> (Soil Fertility Management, <b>fertilizer QA</b> , import, trade, production, and distribution, test services)	<b>Development of Irrigation Industry &amp; services</b> (construction, maintenance, scheme management, pump and fuel supply, etc)	<b>Development of Crop &amp; Pest management services</b> (IPM, FFS, ICM, control of pests and pesticides, the pesticide trade)	<b>Development of Farm mechanisation services</b> (production, trade, testing and QA of machines, contractor services etc.)	<b>Development of Post-Harvest Management and Processing Services</b> (storage, transport, processing)	<b>Development of Produce Marketing and Sales Services</b> to final consumer level - domestic and export	<b>Development of Other Services</b> (e.g management, financing and insurance, information services, etc.)

It is evident from a glance at these Value Chain definitions that focus on a single-commodity chain (e.g. the rice value chain) would likely encounter a number of constraints, which would be common to all commodities. It is therefore more cost-effective to tackle such constraints in the more comprehensive value chain approach.