

February 6, 2014

Response from ADB—Approval by mail: Endorsement of Revised SPCR for Cambodia (PPCR)

We sincerely thank Germany and Spain for offering constructive comments on the revised draft of the Strategic Program for Climate Resilience (SPCR) for Cambodia. We regret the delay in sending this reply, as persons concerned with the implementation of a few projects could not be reached quickly.

The comments mainly pertain to (i) reallocation of PPCR funds to the rural road infrastructure, and (ii) the need for allocation of resources to the National Adaptation Plan [NAP] process. Accordingly, we address these comments under two sections:

A: Reallocation of PPCR funds to the rural road infrastructure

Asian Development Bank (ADB) and the Royal Government of Cambodia (RGC) fully concur with the Spanish-German views on the importance of the water resources sector and of water resources infrastructure for Cambodia's climate resilient development. Towards realizing this goal, ADB and RGC will continue to invest and mobilize funds in order to strengthen planning of the water resources sector at national and sub-national levels, and enhance climate resilience of the water-related infrastructure in both rural and urban areas of Cambodia.

We wish to highlight that the reason for the revision of Cambodia's SPCR and reallocation of resources from the water resources project to the one on rural road infrastructure is not to reduce the importance of the former sector. Instead, the key reason is to ensure a faster implementation of PPCR-financed projects and make necessary adjustments, as more than 30 months have passed since the endorsement of SPCR in June 2011. ADB and RGC are of the view that reallocation of PPCR funds at this stage to another equally important and perhaps more critical and urgent project on rural infrastructure, which is more ready for immediate implementation, would allow faster implementation of the SPCR and disbursement of PPCR funds. As was explained in the revised SPCR, Cambodia's rural roads experienced substantial losses due to floods in 2011 and 2013, and RGC considered it very important to enhance them to a climate-resilient condition. We are also of the view that further delays in project processing and approval of PPCR funds for the project on rehabilitation of irrigation schemes might have adverse impacts on overall coordination of the SPCR as a program.

Also, we wish to mention that the project on rehabilitation of irrigation schemes in Kampong Thom, Banteay Meanchey and Siem Reap provinces is part of a larger program entitled "Water Resources Sector Development Program", which comprises of a 'program' component and the 'project' component. The policy reforms are included under the 'program' component, while rehabilitation of irrigation schemes falls under the

'project' component. In view of delays with the 'program' component, we are of the view that it may have some impacts on implementation of the 'project' component. Further, the 'project' component underwent some changes in the scope over the period of past three years. Originally, 27 irrigation sub-projects were planned to be included under the 'project' component. However, because of lack of adequate funds, the number of sub-projects is being reduced to 13. In view of escalating costs over time, the actual number of sub-projects to be fully implemented may be only 8-10. Thus the 'project' component appears to have several risks. Rather than proposing a project with such risks for PPCR financing at this stage, we found it appropriate and necessary to reallocate resources to another high priority project on rural infrastructure with relatively limited risks.

Regarding mobilization of funds to address climate resilience component of the irrigation project noted in Para 17 of the revised SPCR, the intention was not to say that the entire PPCR allocation of USD 14 million was being compensated by external funds. The Nordic Development Fund has contributed about \$5 million to support adaptation aspects of the sector. As the scope of the project component is still being downsized, the amount of funds required to enhance resilience of a reduced number of sub-projects may be much less than the originally planned allocation of \$14 million.

Furthermore, we would like to mention that the PPCR funds allocated for water resources would still be substantial, amounting to \$35 million out of total \$91 million PPCR resources, if we combine funds allocated for flood and drought management under SPCR component 1, irrigation and drainage under SPCR component 2, and water sanitation and flood control in urban areas under SPCR component 3. The newly proposed project on rural infrastructure to which reallocation of PPCR funds has been requested will also include substantial funds to conserve water and improve drainage along the 906 kilometers of roads in nine provinces. Therefore, the water resources sector as such will continue to receive considerable PPCR funds under Cambodia's SPCR.

In view of the above, we wish to reiterate that the objective of the proposed reallocation of PPCR resources is only to quicken the process of SPCR implementation, fund disbursement and effective SPCR coordination by allocating funds to a critical project, which is ready to be implemented quickly. We would like to assure the PPCR subcommittee that ADB and RGC will make further efforts to ensure climate resilience of the projects on water resources infrastructure, even if some delays are experienced in their implementation. For example, we have just initiated designing a project focusing on rehabilitation of irrigation schemes in two stages. Stage I will involve quick rehabilitation of irrigation infrastructure while stage II will involve more detailed and comprehensive rehabilitation, which includes improvement of climate resilience. Efforts to secure ADB funds from the Asian Development Fund for the base project are in progress. We hope to mobilize funds for improving climate resilience of this project from NDF or Adaptation Fund or other sources such as Global Environmental Facility.

B. Allocation of resources to the National Adaptation Plan (NAP) Process:

ADB and RGC appreciate Germany's and Spain's support for an increased allocation of resources to SPCR technical assistance (TA) in principle. We fully recognize the importance of the National Adaptation Plan (NAP) process. As you may recall, the SPCR TA, which was approved by the PPCR subcommittee and the ADB Board for \$7million, has four outputs: (i) SPCR coordination and technical support to mainstreaming, (ii) feasibility studies for NAPA projects, (iii) civil society support mechanism, and (iv) knowledge dissemination.

Collaboration with the NAP process is being pursued as part of the above output (ii) in close coordination with the Department of Climate Change of the Ministry of Environment. Of the \$7 million allocated for SPCR TA, about \$1 million is allocated for supporting NAPA feasibility studies. We agree with the view that NAPA is a relatively outdated document and that we fully recognize the need to broaden the scope to include the outcomes of the NAP process. Indeed, the consulting team responsible for identification of feasibility studies is already assessing and closely collaborating with the NAP process besides reviewing the earlier identified projects in NAPA, which were yet to be funded. Therefore, kindly be assured that effective collaboration with the NAP process will continue under output (ii) of the earlier approved TA, and that the revised SPCR would not create any parallel processes for NAP and SPCR.

The Paragraphs 26-29 and Appendix 2 of the revised SPCR provide information on additional elements to be funded through new resources from PPCR (\$3 million) and NDF (\$1.3 million). These additional elements include (i) operationalizing Cambodia Climate Change Response Strategic Plan (CCCRSP), (ii) mainstreaming of climate resilience at sub-national levels, (iii) gender mainstreaming, and (iv) monitoring, reporting and evaluation of climate change investments. We wish to highlight that the CCCRSP also benefits from the NAP process. As both the NAP process and CCCRSP are being managed by the Department of Climate Change, we see no reason for concern in terms of ensuring close collaboration and coordination. As about \$0.6 million is allocated to operationalizing CCCRSP, besides \$1 million for NAPA feasibility studies, we may conclude that the implementation of the NAP process may receive as much as \$1.6 million of total SPCR TA resources. Efforts to mobilize additional funds from other sources to implement the NAP process will continue however.

We hope that the above responses will adequately address the concerns, and we request for endorsement of the revised SPCR.