

### **Background Summary of Australian Support to Agriculture in Cambodia**

Australia has been a longstanding supporter of the agriculture sector in Cambodia, focusing on developing research and extension capacity to improve agricultural production and marketing. Australian assistance has been instrumental in establishing the Cambodian Agriculture Research and Development Institute (CARDI) and the Department of Agricultural Extension (DAE). AusAID has also played an active role in the development of the Strategy for Agriculture and Water (SAW).

AusAID is currently mobilising a five year Cambodia Agricultural Value Chain (CAVAC) program that aims to accelerate growth in the value of agricultural production and smallholder income in the rice, fruit and vegetable value chains of Kampong Thom, Takeo and Kampot. CAVAC will address systemic failures along the agriculture value chain from supplier to farmer to consumer including water management, research and extension, agribusiness development and strengthening the business environment.

AusAID is also supporting the World Bank's Smallholder Agriculture and Social Protection Development Policy Operation (DPO) by funding a package of analytical and capacity building support and the design and evaluation of pilot activities to lay the basis for more sustainable approaches to smallholder agricultural development and social safety nets.

### **Global Economic Crisis and Strategy for Agriculture and Water**

The food and fuel crises in 2008 and the current global economic crisis underscore the need for strengthening the means through which RGC and Development Partners plan, implement and monitor efforts to support the RGC's priority objectives of food security, agricultural productivity and diversification and market development.

Australia commends RGC for establishing a price and quality oversight mechanism for fertilizer, accelerating the registration of farmer associations and lifting the export ban on rice. These actions constitute prior actions for the joint AusAID-World Bank DPO and will facilitate improved productivity and food security.

The Technical Working Group for Agriculture and Water under the direction of MAFF and MOWRAM has endorsed the SAW and completed the design of three of the five program components. There is an urgent need to implement those SAW activities that will have quick impacts on productivity, food security and rural employment. In the short term, acceleration of investments in rural infrastructure, including rural roads and irrigation, and policy reform to strengthen the business environment to improve the quality of input supplies (seeds, fertilizers) and facilitate post-harvest processing and marketing is vital. In the medium term, investment in research and extension, vocational training and affordable credit will be required to promote more productive farming technologies and finance small businesses.

The SAW establishes the foundation for moving from a project to program based approach to planning, implementation, and monitoring. A program based approach will provide a more efficient use of financial and human resources by reducing the duplication and fragmentation of resources characterized by project based approaches. Attention is now focused on the implementation of SAW in the context of public financial management, public administration and decentralisation and deconcentration reforms. It will be important to:

- i. integrate SAW into the national budget and develop a results-based expenditure framework that aligns with the SAW program components;
- ii. align human resources within MAFF and MOWRAM with SAW priorities; and
- iii. consider the impact of the devolution of service delivery on SAW implementation.

### **Discussions Points:**

- Specific measures RGC will take to increase agricultural productivity in the coming wet-season and how Australia can support these.
- Steps required to strategically promote agriculture as a driving force in a more diversified post-crisis economy.

- How Australia can help link these measures to the prioritised implementation of the SAW.
- Public financial management and human resource reforms RGC will be undertaking to implement the SAW and how Australia can support these.
- Implementation of the SAW at provincial and local levels in the context of decentralisation and deconcentration.

### **Cambodia Agriculture Value Chain Program (CAVAC)**

AusAID acknowledges RGC's active participation and support for the development of CAVAC. Increased commitment of RGC human and financial resources to research and extension and operation and maintenance of irrigation systems is required in order to improve agricultural productivity and support the sustainability of CAVAC's investments.

#### ***Discussion Points:***

- Increased budget is allocation to research and extension and operation and maintenance of irrigation systems.
- Implementation of Merit Based Performance Incentive and Priority Mission Group schemes to support research and extension and operation and maintenance of irrigation systems with adequate human resources.
- Resolution of the conflict of interest risk of contracts for the rehabilitation of irrigation systems being awarded to companies that either have been established by or have other links with RGC employees.

### **Agriculture Quality Improvement Project (AQIP)**

AQIP has expanded farmers' access to high quality rice seed by establishing an independent, commercially viable rice seed operation. Since 2002, AQIP has sold 8,269 tons of rice seed. It is estimated that this has increased rural incomes by approximately USD 14 million.

Securing the viability of the AQIP Seed Company as an independent, commercial operation depends on the ability of the company to access commercial credit to meet its working capital requirements. In order to meet commercial lenders' collateral requirements, the Company requires clear title to the land on which it operates. This is currently vested in the now defunct Seed Growers' Associations. It is also important that the company is driven by commercial interests. The RGC currently owns 49% of shares in the AQIP Seed Company, but committed in the Shareholders' Agreement to selling 29% of shares.

#### ***Discussion Points:***

- RGC facilitation of transfer of land title from the now defunct Seed Growers' Associations to the AQIP Seed Company.
- Timeline for RGC sale of 29 percent of shares in the Company as agreed in the Shareholders' Agreement.