

## Session IIB Agriculture Productivity and Diversification

Delivered by H.E. Margaret Adamson, Ambassador of Australia

On behalf of Development Partners at the

3<sup>rd</sup> CAMBODIA DEVELOPMENT COOPERATION FORUM

Phnom Penh, June 2, 2010

*Excellency Keat Chhon, Deputy Prime Minister and Minister of Economy and Finance,*

*Excellencies, Ladies and Gentlemen,*

I am very pleased to present on the key priorities in the agriculture sector on behalf of Development Partners (DPs). It is our objective to focus this discussion with the Royal Government of Cambodia (RGC) on a number of important actions that DPs would like to support RGC to implement. It is our assessment that these actions will best promote agricultural productivity and diversification and improve water resource development and management in Cambodia in accordance with the RGC's Rectangular Strategy Phase II, National Strategic Development Plan Update and Strategy on Agriculture and Water.

Before discussing these priority actions, I would like to commend the RGC on the **steady growth of the agriculture sector as a key source of economic growth in Cambodia**. While other sectors of the economy have recently suffered serious declines due to the global economic crisis, the growth rate of agricultural GDP in 2009 was 5.4 percent. The agricultural contribution to GDP increased from 29.7% in 2007 to 33.5% in 2009. This underscores the need to continue to develop agriculture as a major source of economic growth through increased productivity, diversification and resilience to climatic variability and change. We additionally note that there are important economic as well as social reasons to integrate women strongly into the sector agriculture and we commend the Royal Government on its efforts to date in this regard.

I would also like to commend RGC on the agriculture sector's achievements in terms of **improved productivity**, especially in rice production. Rice yields have continued a medium-term trend, increasing from 2.74 tonnes per hectare in 2008 to 2.83 tonnes per hectare in 2009. This improved productivity, coupled with an increase in the area of land cultivated with rice, resulted in a 5.7% increase in rice production from 2008 to 2009.

Despite positive trends and potential in the sector, significant challenges remain to close the gap in agricultural competitiveness between Cambodia and its regional neighbours. Growth in agricultural activity is largely dependent on subsistence rain-fed irrigation and is vulnerable to events such as drought, flood, and pests. Productivity while increasing is constrained by lack of irrigation, low levels of technology and farming skills, and poorly-performing input and output markets. The key challenge we all face therefore is to ensure the food security of the vulnerable while making the sector more resilient to risks and more competitive in the face of these risks.

Acknowledging both these achievements and ongoing challenges, DPs are committed to continuing to support the RGC to develop agriculture as a key driver of economic growth. With this in mind, DPs

would like to congratulate the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Water Resources and Meteorology (MOWRAM) on the development of the Strategy for Agriculture and Water (SAW). The SAW provides an important framework guiding program planning and implementation in the agriculture sector. We would like to focus today's discussion on three key priorities to achieve this.

The first priority is to improve the **harmonisation and alignment of RGC and DP programs to implement the Strategy for Agriculture and Water**. This will require RGC leadership and ownership along with DP cooperation and support.

Increased investment is also required. As Samdech Hun Sen noted in his speech at the launch of RGC's Rectangular Strategy Phase II, the progressive **rises in world food prices** justify increased investments to promote agricultural productivity and food security. A recent Agriculture, Irrigation and Rural Roads Public Expenditure Review noted that these increased food prices double the cost benefit of public expenditure in agriculture.

DPs are committed to supporting RGC to implement the SAW as a key investment to increase agricultural productivity. DPs' financial contributions to Cambodia's agriculture sector have ranged between USD 34 to 54 million annually between 2000 and 2008 and these contributions are increasing. DPs are keen to explore **improved approaches to joint planning, financing, implementation and monitoring and evaluation in areas where several DPs and RGC have a common interest**. We consider that irrigation and research and extension are two particularly important areas that merit increased support.

Expansion of **irrigation infrastructure** is supporting the growth and diversification of agricultural production. However, investment in infrastructure needs to be balanced with recurrent expenditure on **operations and maintenance**. This is vital to reduce the need for expensive rehabilitation. The recent Public Expenditure Review recommends that the optimal expenditure on irrigation maintenance is about one third of total expenditure. Current maintenance budgets however are well below these levels. Even at times of high rice prices, irrigation service fees are insufficient for the operation and maintenance of secondary and tertiary canals and therefore require supplementation.

We encourage RGC to **clarify the policy and institutional arrangements for the operation and maintenance of irrigation infrastructure, including a realistic role for Farmer Water User Communities**. We also encourage RGC to **reallocate some of its limited budget from rehabilitation of infrastructure to the maintenance of infrastructure** in order to prevent premature deterioration.

Improvements in agricultural productivity and diversification are also driven by effective investments in research and extension and from his remarks to researchers at the CARDI's 10<sup>th</sup> anniversary, I know that Excellency Chan Sarun is keen to see more activity in this area. Opportunities exist for cost effective increases in Government support to **agricultural research and extension**. We would note that of current MAFF expenditure less than 5 percent is allocated to research and less than 3 percent on extension. Links between research, extension, farmers and markets must also be strengthened to facilitate the adoption of new technologies. An example of this would be promotion

of the appropriate use and availability of quality fertilisers and pesticides as well as marketing information to sustain increased yields and quality production.

An increase in public expenditure on irrigation and research and extension is also important to adapt to the increased drought and flood events and shorter wet seasons due to **climate change**. Adaptation to these impacts will require improved water storage and drainage, irrigation and the development of adaptive farming techniques and varieties. We encourage the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Water Resources and Meteorology to include more explicit reference to climate change adaptation measures, including NAPA<sup>1</sup>, in subsequent updates of the Strategy for Agriculture and Water. Development Partners commend Cambodia's decision to join the Copenhagen Accord and the preliminary REDD<sup>2</sup> + agreement. Cambodia can attract substantial foreign investment, while making a concrete contribution to slowing the onset of climate change. Agriculture, the careful husbanding of forest resources, the health of fresh and marine fisheries, and access to water are all linked to sustainable economic development, underpinning future stability in Cambodia, and in the wider Mekong Basin.

In line with the Joint Monitoring Indicator for Agriculture and Water, DPs therefore request the *Ministry of Economy and Finance, Ministry of Agriculture, Forestry and Fisheries and Ministry of Water Resources and Meteorology* to cooperate in the development of a joint SAW implementation roadmap exercise along with Development Partners to determine the **priorities for increased public expenditure**, such as **operation and maintenance of irrigation infrastructure** and **research and extension**. This information could then be used to inform the **Medium Term Expenditure Framework and Budget Strategic Plans for MAFF and MOWRAM to plan increased RGC expenditures to implement the SAW**. We seek the three Ministries' advice today regarding how this can best be achieved.

The second priority DPs would like to discuss with RGC today is **securing smallholder land tenure and improving the management of state land resources**. Secure land tenure and effective management of state land resources are the foundation for improving agricultural productivity and diversification in ways that promote economic growth, reduce poverty and sustain natural resources in a period of population growth and with the onset of climate change. While recognising progress in issuing land titles for small holder farmers, the lack of clearly demarcated state land boundaries and transparent procedures for granting economic land concessions still undermine smallholder and collective land rights. We also note with concern the slow pace of establishing social land concessions and indigenous land rights.

Development Partners urge accelerated efforts to **implement the Land Law 2001**, in order to secure and protect **smallholder land tenure** and **indigenous land rights** while improving the management of **state land resources**, including economic land concessions, in a transparent, socially and environmentally sustainable manner.

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<sup>1</sup> National Adaptation Programme of Action.

<sup>2</sup> Reduced Emissions from Deforestation and Forest Degradation.

With respect to smallholder land titling, it is important to prioritise available resources for systematic land titling in support of poverty reduction and increased productivity. We would therefore like to ask the Ministry of Land Management, Urban Planning, and Construction how it can better target poor and vulnerable households for systematic and collective land titling and social land concessions in order to provide them with secure land tenure and help increase their agricultural productivity?

We commend MAFF on the review and evaluation of all economic land concessions and on action to cancel or reduce certain large or inactive economic land concessions in favour of social land concessions. We encourage MAFF to further monitor and enforce the law governing economic land concessions. In the meantime, we urge MAFF to ensure that smallholder and community, including indigenous, land rights are protected and upheld. In order to inform further dialogue about appropriate actions that could be supported by DPs, we seek the *Ministry of Agriculture, Forestry and Fisheries*' advice today on when it will release the **evaluation of all economic land concessions** (submitted to MAFF in July 2009). We note the MAFF website indicates this will be within two months. We would also like to request MAFF to clarify the most appropriate institutional venue for ongoing dialogue between MAFF and DPs concerning economic land concessions.

The final priority DPs would like to discuss with RGC today is **increasing the competitiveness and marketability of Cambodia's agricultural products**. In line with Samdech Hun Sen's recommendations at the MAFF Annual Conference and the Government Private Sector Forum this year, diversifying agricultural production and developing functional and better regulated value chains, including value added processing, are important to increase domestic sales and exports of high-value agricultural products. It is important for RGC to clarify and strengthen the relevant roles that Government can play in enabling better private sector performance in the agriculture and water sector. Such a role could include effective regulation of upstream markets to ensure high quality inputs are available to Cambodia's farmers at affordable prices, **while putting in place a credit-risk sharing facility to leverage commercial bank lending for milling operations**.

The Government can also play an important role to support the private sector by establishing an effective sanitary and phytosanitary (SPS) regime that is essential for protecting Cambodia's population against food hazards and to protect plant and animal against pests and diseases. Poor food safety and plant and animal health results in health hazards, reduced productivity limits market access for Cambodia's exports of foods and beverages.

With accession to the World Trade Organisation in 2004, Cambodia committed to full compliance with SPS agreement within a 5-year transitional period. However, there remain deficiencies in the existing SPS and food safety regime. These include (i) clarifying the legal roles and responsibilities of different agencies involved in SPS and food safety; (ii) enhancing capacity of the various competent authorities involved in enforcement and implementation of SPS and food safety at different points of supply chains; and (iii) strengthening capacity of various SPS service providers, such as laboratories involved in SPS and food safety testing. Adequate provisions must also be in place to comply with cross border agreements among Greater Mekong Sub-region countries.

More efficient delivery of SPS-related services to promote private sector trade is one of the key 2011 Joint Monitoring Indicators for Private Sector Development. We wish to ask if RGC will commit to issuing **an inter-Ministerial Prakas clarifying roles and responsibilities and coordination among the relevant SPS agencies to streamline institutional arrangements, minimize duplicating functions, reduce time for and cost of inspections and improve reporting mechanism for food safety?**

Excellencies, Ladies and Gentlemen, thank you for allowing me to outline the priority actions in the agriculture sector from the perspective of DPs. DPs remain very committed to supporting the RGC to implement these priority actions and we look forward to discussing how we can best achieve this in order to promote agricultural productivity and diversification and improve water resource development and management in Cambodia.