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Enhancing the Effectiveness of Rural Productive Service Delivery in Cambodia*

Introduction

Rural Productive Service Delivery Systems (RPSDS) are organised and arranged by providers to ensure that products or services are produced, processed and marketed so that they are finally delivered to consumers. These have been initiated or developed by service providers from the private and public sectors such as the government or civil society for years. Since Cambodia adopted a market economy in 1993, services have been delivered by various sectors. Little is so far known about the effectiveness of RPSDS in Cambodia. Thus it is essential to review these systems, particularly with regard to issues that hamper the effective delivery of services.

Objectives

- To assess the impact and sustainability of selected RPSDS currently operating in Cambodia.
- To identify issues and challenges that obstruct effective delivery by RPSDS.
- To provide recommendations that could be used to improve RPSDS and possibly be incorporated into the national or sector policy, strategy, plan or programme.

Research Framework and Methods

The study will assess the impacts, sustainability, issues, challenges, farmers' perceptions of the



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government policy and strategies applied in farming, farmers' behaviours and practices in business development, agricultural market functioning and market incentives in three provinces (Takeo, Kompong Speu and Siem Reap) where six service providers are operating, namely: integrated services, mainly seed supply and post-harvest loss management by AQIP; integrated agricultural extension, finance and market services by CEDAC; integrated agricultural production, market, finance, and physical infrastructure services by ECOSORN; integrated extension and marketing services by Srer Khmer; agricultural

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market information services by CAMIP; and financial services by ACLEDA.

Desk study and fieldwork are drawn upon in this study. The former involves reviewing existing information about the government's policy, strategy and programmes, while the latter employs three techniques to gather primary information: direct observation through site visits, in-depth interviews and focus group discussions (FGDs). Six interviews with 32 interviewees from six service providers and 11 FGDs in 10 villages were conducted. On average, there were 10 participants in each FGD. Technically, a value chains approach, supply chains approach and agrarian system approach were used to assess and analyse the issues. This paper is organised as follows: overview of the service providers; impact and sustainability; issues and challenges; farmers' perceptions; conclusion and recommendations.

Limitations: The service providers selected and the FGDs represent just a small sample in only three provinces, while the same services delivered by the same providers in other provinces could not be included due to time and resource constraints. Only 14 out of 45 days spread over January–March 2009 could be allocated for the field survey. Thus the findings, discussion and conclusion are based on these selected service providers and provinces and may not be generalised.

Findings

Service Providers

Overview

Although ECOSORN, CEDAC, Srer Khmer and AQIP have several integrated services, the degree of service integration and characteristics vary. ECOSORN has five integrated services, while Srer Khmer and CEDAC have only three and AQIP only two. The first three providers are non-profit entities while AQIP is a profit entity. Agricultural extensions including system of rice intensification (SRI), market information system, producer association formation and cash management training were provided to pilot farmers by ECOSORN, while CEDAC and Srer Khmer do not include market information or cash management training, but both assist farmers to form saving groups and provide training on basic concepts of value added such as the selection of high value crops in a particular season. Unlike Srer Khmer, CEDAC adds producer association formation to its

service delivery (training). AQIP forms a producer association to supply seeds to the company. Unlike CEDAC, Srer Khmer and AQIP, ECOSORN does not provide services directly to farmers, but subcontracts specialised service providers to deliver specific services to pilot farmers and project areas. This is because ECOSORN does not have enough staff and capacity to deliver directly. Similarly, due to lack of land and staff, AQIP coordinates with its producer association through contracting the association to supply seed at the agreed price. In return, the company agrees to subsidise the association with interest-free loans for fertiliser and seed. CEDAC and Srer Khmer deliver services in the form of training only and therefore do not have a specific coordinating system. ACLEDA is a commercial bank that provides financial services only, while CAMIP, a project funded by CIDA and the government of Cambodia, delivers only agricultural market information. ACLEDA establishes value added for its own entity and develops its own policies, regulations and management system to coordinate the services, while CAMIP is a public and non-profit project running over four years (2006–09). It does not get involved in nor establish any value chain. Its main task is to deliver agricultural market information to interested parties. The coordination between CAMIP and wholesalers for access to wholesale prices and mutual benefits is mainly on a voluntary basis.

Impact and Sustainability

Most farmers adopt improved seeds, while SRI adoption varies from place to place. All AQIP contract farmers adopt SRI, while only 25 percent of CEDAC's pilot farmers adopted SRI and a large proportion of pilot farmers of ECOSORN and Srer Khmer are unlikely to adopt it. Most farmers are not willing to adopt SRI because it is more labour intensive. The AQIP farmers adopt SRI because they must abide by the contract. Similarly, the adoption of integrated pest management by pilot farmers varies because some farmers view chemical pesticide as more effective than natural pesticide. Nevertheless, most farmers reported that high quality seed, SRI, integrated pest management and composting increase productivity and add value. The AQIP contract farmers have moved from subsistence paddy production to commercial

production. Farmers are becoming better acquainted with paddy seed business principles such as consumer demand for high quality seed. ACLEDA's financing increased from 11 percent of total loan value in 2007 to 14 percent in 2008 (54 percent of its total loan value in agriculture was directed to crop production); financing small and medium enterprises such as threshing machines, water pumps for vegetable gardening and rice mills brings adoption of new technology and innovation, although other factors may contribute to this. It is not clearly known whether the agricultural market information service of CAMIP contributed to promotion of agricultural enterprise over the past four years because most farmers and producers reported that the information provided by the service is often out of date and the training provided by the farmer marketing school was not very useful (FGDs, 2–4 February 2009).

The sustainability of the services depends on the nature, characteristics and approaches of the delivery. The AQIP integrated service is likely to continue since the project is financially viable and the contract farmers benefit in terms of knowledge and income improvement. However, the degree of farmers' adoption of the technology and services of Srer Khmer, ECOSORN and possibly CEDAC and CAMIP has not reached a level that would ensure that the pilot farmers will continue the technologies. Poor farmers, who live from hand to mouth, need longer term, substantial financial and technical support. Although ECOSORN and Srer Khmer have included agricultural extension workers from provincial Departments of Agriculture and have trained farmer trainers to continue to deliver the services when they are phased out within the next few years, these extension workers and farmer trainers are unlikely to continue to deliver the services since there is no clear incentive in place (Danish Agricultural Advisory Service 2008, and FGDs on 5 February 2009). ACLEDA is likely to continue to provide financial services in agriculture, but subject to financial sustainability. The bank has been financing this sector for almost two decades. The agricultural market information service is unlikely to continue to deliver the same quality of information when CAMIP is phased out in 2009. This is because the Agricultural Marketing Office (AMO) lacks resources to continue the service.

Issues and Challenges

Lack of capital, limited qualified staff, high staff turnover, low levels of farmer education, poverty, lack of water in the dry season, inadequate and poor infrastructure (roads, irrigation and market facilities), insufficient agricultural extension and technology, inadequate agribusiness support and lack of land titling are the most common issues and constraints faced by service providers and are obstacles to the promotion of agricultural enterprise. In addition to these, difficulties in finding qualified contractors and managing and coordinating contractors have led ECOSORN to delay implementing activities in the villages for several months. Srer Khmer, CEDAC and CAMIP lack qualified staff specialised in business development and are unable to assist farmers and producer associations in business development. Given its limited staff and limited capacity in business development, the farmer marketing school run by CAMIP is not attractive to farmers and traders.

The unwillingness of farmers to adopt SRI and insufficient backstopping are the common challenges for all service providers. An inability to produce seed and to finance contract farmers is challenging AQIP's value chains. The lack of staff business skills to support community organic shops and producer associations, especially its inability to establish value chains for organic products, is creating additional challenges for CEDAC. Consumers are not yet willing to pay a premium for organic products (FGDs and interviews, 2–4 February, 10 February 2009). This challenges the promotion of organic products. Difficult access to financial services (high interest rates) and out-of-date market information remain the main challenges for ACLEDA and CAMIP, respectively. These challenges continue to threaten the promotion of agricultural enterprise. Moreover, since part of CAMIP's approach is to disseminate and develop the capacity of local traders and farmers, their low participation in the farmer marketing school challenge capacity building and the use of information.

Farmers' Perceptions

The Government's Policy and Strategies Applied in Farming

Most households have limited land and lack year-round water in most villages. They have high input costs (fertiliser, seed and gasoline), high mortality

and morbidity rates of livestock combined with a lack of breed selection. Most farmers view these as major issues that challenge the government's policy on diversification, food security and productivity. Most farmers perceive staff with limited capacity and low motivation as challenging the sectoral policy on strengthening and improving agricultural research and weakening the institutional and legislative development framework for rural productive service delivery systems. Asymmetric information among farmers and inefficient product distribution systems in most areas of the study make most farmers and local traders believe the policy on market access for agricultural products is unlikely to be successful. Slow land registration and the rise of land conflicts also challenge the policy on land tenure and land market development and pro-poor land access. As a consequence, most households still have no title for their land, making most poor households unable to access credit.

Farmers' Behaviours and Practices in Business

Most farmers viewed agricultural extension services, land and water as crucial to securing household food supplies, while public infrastructure, market information systems, agribusiness support services and access to credit and technology are essential to scale up production for sale.

Market Incentives

Lack of agricultural inputs support and business support, high oil prices, high fertiliser prices, the lack of consumer willingness to pay a premium for organic produce, low demand for domestic agricultural products and the relatively high interest rates charged by banks and MFIs are major constraints on farmers responding market demand. The chemical fertiliser price (160,000 riels/sack) in 2008 was more than double the price (60,000 riels/sack) in 2005 (AMO 2005; AMO 2008). A similar trend is observed in oil prices. No business support has been provided to farmers. Only recently has the concept of value chain and value added been introduced to farmers in the form of training in some selected villages, while the large majority have never been exposed to the concept or received such support. The finding of this study (FGD with the community, organic shops advised by CEDAC in Takeo and interview with consumers, 2–4 February 2009) and that of

AgriFood Consulting International and CamConsult (2006) is that consumers are not yet willing to pay a premium price for organic farm produce. High oil prices, high fertiliser prices and no agricultural inputs support make farmers not see the benefits of responding to market demand. Only a small proportion of farmers invited to participate in pilot projects have been provided input support, and for demonstration purposes only.

Agricultural Market Functioning

Few traders (one to three persons) in each village, lower prices offered by traders than the prices broadcast on local FM radio, asymmetric information on prices and markets, less competitive domestic products and big price fluctuations are the major complaints of many farmers about market functioning. Many farmers believed that the current agricultural market does not function well because there is asymmetric information. This is because access to information and transportation costs are expensive. Higgins (2009) reported that the transport cost in Cambodia was 3.75 times the cost in Thailand¹ and the proportion of paved road in Cambodia was 5 percent, compared to 98 percent in Thailand. Only traders and wholesalers who are better informed about markets benefit, and therefore they are not willing to offer a fair price. Although CAMIP disseminates market prices through local FM radio, cell phones, a web site and publications in 11 provinces and cities, including Siem Reap and Takeo, the information is still inaccessible to most farmers due to lack of awareness of the service, technical complications, out-of-date information and lack of equipment. Information is out of date because the prices are collected by CAMIP only every three days. Many farmers said that the market would function better if there were more traders and more wholesalers and cheaper access to information.

Conclusion

Two service modalities were identified in this study of the six providers. ACLEDA and CAMIP provide single services, while Srer Khmer, ECOSORN, CEDAC and AQIP provide integrated services. The impact and sustainability of the services depend on

¹ \$15 per ton per 100 km in Cambodia, \$7 and \$4 per ton per 100 km in Vietnam and Thailand, respectively (Higgins, 2009).

the nature and characteristics of the providers and their approach. Major constraints and challenges to the government's farming policy and strategies are the insufficiencies of public infrastructure, of agricultural extension and technology, of market information, of agribusiness service support, of productive land, of water (January between May), of financial services, of agricultural inputs support and of education, along with severe household poverty, high oil prices and high fertiliser prices. They are also challenges for agricultural enterprise, farmers' response to market incentives and farmers' perception of agricultural market functioning and impediments to effective rural productive service delivery.

Recommendations

- Although infrastructure and cash flow management training are seen as critically important to improve farmers' access to financial services, high interest rates charged by banks impede the access of farmers. Thus it is essential that interest rates be lower than 3 percent per month and that business support be provided.
- Farmers are beginning to appreciate improved seeds but after weighing up the price, most continue using conventional seeds. It might be worth considering price subsidies for very poor farm households until they can afford to buy the improved seeds.
- It is important to establish a public radio that can broadcast prices to everyone in the village, and the farmer marketing school should be improved in order to increase attendance by farmers and local traders
- Participatory research has been introduced, but generally has not been widely conducted in most villages or lacks follow-up and continuous encouragement. In addition the capacity of extension workers is limited. Therefore, it is important that the capacity of extension workers be strengthened and participatory research should be promoted more widely in order to improve the rate of technology transfer and adoption.
- The ECOSORN integrated rural development service seems suitable for most rural areas in Cambodia, but it is very complex, difficult to manage and exposed to high risk such as long delays in implementation. Therefore, it might be

worthwhile integrating a few services initially and scaling them up at a later stage.

- The land tenure reform programme should develop a framework for implementing the land law as soon as possible so that the pro-poor land access programme, land registration and land titling can be accelerated.
- More public physical infrastructure should be constructed and repaired in order to facilitate production, increase trade between rural and urban areas and prepare for flood and drought disasters.
- Subsidies for necessary agricultural inputs should be considered, particularly during oil price and fertiliser price shocks.

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