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# **POLICY COHERENCE IN AGRICULTURAL AND RURAL DEVELOPMENT: Cambodia**



**KEM Sothorn, CHHIM Chhun, THENG Vuthy and SO Sovannarith**

Working Paper Series No. 55

July 2011

A CDRI Publication



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Phnom Penh, July 2011

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ISBN-13: 978-99950-52-47-8

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*The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with the authors, and publication does not necessarily constitute an endorsement by CDRI.*

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Design and layout: Men Chanthida and OUM Chantha

Printed and bound in Phnom Penh, Cambodia by Sun Heang Printing

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## **List of Acronyms**

ADB	Asian Development Bank
AFD	French Development Agency
AIDS	Acquired Immune Deficiency Syndrome
ARD	Agriculture and Rural Development
AusAID	Australian Agency for International Development
CAR	Council for Administrative Reform
CARD	Council for Agriculture and Rural Development
CDC	Council for the Development of Cambodia
CDCF	Cambodia Development Cooperation Forum
CMDG	Cambodia Millennium Development Goal
CRDB	Cambodia Rehabilitation and Development Board
DFID	UK Department for International Development
EU	European Union
FAO	Food and Agriculture Organization
GDCC	Government–Development Partner Coordination Committee
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries Initiative
HIV	Human Immunodeficiency Virus
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IMF	International Monetary Fund
MAFF	Ministry of Agriculture, Forestry and Fisheries
MEF	Ministry of Economy and Finance
MoE	Ministry of Environment
MoLMUPC	Ministry of Land Management, Urban Planning and Construction
MoWRAM	Ministry of Water Resources and Meteorology
MRD	Ministry of Rural Development
NCHADS	National Council for HIV/AIDS and Dermatology
NGO	Non-Governmental Organisation
NIS	National Institute of Statistics
NPRS	National Poverty Reduction Strategy
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
RGC	Royal Government of Cambodia
SEDP	Socio-Economic Development Plan
SME	Small and Medium Enterprise
SWAp	Sector-Wide Approach
SWOT	Strengths, Weaknesses, Opportunities, Threats

TWG	Technical Working Group
UK	United Kingdom
UN	United Nations
UNDAF	UN Development Assistance Framework
UNDP	UN Development Programme
UNEP	UN Environment Programme
US	United States
USAID	US Agency for International Development
WFP	World Food Programme



## **Acknowledgements**

The lead author is Mr Kem Sothorn, research associate in the Poverty, Agriculture and Rural Development Programme (PARD). He wrote the synthesis paper and three case study reports. Mr Chhim Chhun, programme assistant, took part in writing the first case study report on Rice Production Programme and Policy. Dr Theng Vuthy, programme coordinator, provided useful inputs for the author to write sections 2.1 and 2.2. Miss Pon Dary, a volunteer, helped prepare the data inputs, including graphs and figures. Dr Rebecca F. Catalla, research advisor, and Mr So Sovanarith, research fellow, helped with the conceptual framework of the research. This report was edited by Ms Roo Griffiths, freelance editor, and Ms Susan Watkins, in-house editor.

Lastly, the author would like to thank the representatives from government departments and development partners who were generous with both their time and information and without which this report would not have been possible.



# Abstract

This paper presents the main findings of the Policy Coherence for Agriculture and Rural Development study. Policy Coherence for Development (PCD) is about making sure that policies for sector development do not contradict or undermine one another and that as far as possible, policies are complementary and create synergy. In practice, it is about reconciling the multiple concerns of diverse stakeholders. Our study aimed to identify: (1) the major problems related to coherence among agriculture and rural development (ARD) policies; (2) the structures and processes used to ensure coherence and their effectiveness; (3) and how different interests in policymaking are reconciled. We also attempted to draw lessons, including examples of good practice.

For Cambodia, agriculture and rural development (ARD) is one of the most important sectors in alleviating rural poverty and promoting equitable growth. The sector is complex and multifaceted: development partners working in ARD in Cambodia usually have different priorities, arising from their own country situation analyses and assistance agendas. This has led to the fragmentation of programmes and projects, and thus reduced potential for synergy. ARD subsectoral policies formulated based on the NSDP framework have helped improve the harmonisation and alignment of development partners' initiatives with government. However, despite the comprehensiveness of the ARD policy framework, lack of clear prioritisation blocks potential synergy that would otherwise enhance the sector's development. Weak intra-government coordination, institutional complexity and fragmentation create overlapping or contradictory sectoral policies which undermine development. A number of mechanisms have been deployed to improve policy coherence, enhance aid effectiveness and address coordination issues at various levels. Among these, the important roles of ARD Technical Working Groups in ensuring coordination and coherence at sectoral level have been undermined by a breakdown in communication, goodwill, participation and trust between government and development partners participants. It is clear that coherence among different ARD initiatives is determined not only by donors' efforts and commitment but also, largely by government action to tailor and direct donors' activities as well as improve its internal coordination for better aid utilisation. Although Cambodia still needs support and faces a number of internal challenges, the country must continuously demonstrate self-reliance with regard to developing and managing policy implementation. Such efforts could help Cambodia's government achieve a coherent ARD strategy that could provide real synergy in the sector.

**Keywords:** Policy coherence for development (PCD), alignment, harmonisation, synergy



## Introduction and Methodology

Over two decades of war and conflict have left Cambodia one of the world's poorest countries, with extensive damage to its physical, social and human capital. The government has made great efforts to rehabilitate the nation, with development partners taking an active part in development in various sectors. The need to rebuild the country has led to its becoming one of the international donor community's top priorities in terms of aid and development assistance.

For Cambodia, agriculture and rural development (ARD) is one of the most important sectors, given that the majority of the population lives and works in rural areas, along with the high poverty rate, high vulnerability and low food security status among the rural poor. The sector is complex and multifaceted: development partners working on ARD in Cambodia usually have different priorities, arising from their own country situation analyses and assistance agendas. This has led to the fragmentation of programmes and projects in ARD, meaning reduced potential for synergy. Incoherence of programmes, projects, priorities and policies among donors, and between donors and government, not only confuses the sector's development process but also leads to less effective use of donor funds to the sector. Meanwhile, efforts to improve ARD policy coherence have become critical in Cambodia in order to accelerate the development of the sector in an effective manner. Policy coherence for ARD is about making sure that policies for sector development do not contradict or undermine one another and that as far as possible, policies be complementary and create synergy. In practice it is about reconciling the multiple concerns of diverse stakeholders.

In this regard, this study aimed to identify the main problems related to coherence among ARD policies, the structures and processes used to ensure coherence and their effectiveness, and how different interests in policymaking are reconciled. It also attempted to draw lessons, including examples of good practice. Following the research objectives, the research questions addressed were:

1. Are there significant problems related to incoherence of policymaking in ARD? If so, what are they? How serious are they?
2. Are donor efforts for improved aid effectiveness through efforts to harmonise, align and encourage ownership of aid programmes worthwhile? Conversely, is there evidence that the search for better donor effectiveness detracts from more important matters?
3. Are there examples of good practice that improve coherence in its various dimensions—and that lead to greater impact in reducing poverty and hunger in rural areas?

Methodologically speaking, this research is qualitative, based mainly on information generated through key informant interviews with about 31 individuals in Phnom Penh, from government, donor agencies, development projects and non-governmental organisations (NGOs).<sup>1</sup> The interviews were

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<sup>1</sup> Annex 6 gives a list of people interviewed. It must be emphasised that the views reported here are based on information from a variety of sources. Thus, a specific comment or observation should not be attributed to any single individual.

structured around broad topics, and were open-ended to make it possible to pursue unexpected topics or issues as they arose. Critical analysis was also based on available secondary data/information. Four case studies were identified for focus: 1) programming and policy on promoting rice production; 2) fisheries policy; 3) policy support to the promotion of non-farm rural enterprise; and 4) water resource management policy.

The limited availability of secondary data was a major challenge in carrying out the study. And, even though the majority of key informants were available for interview, limitations in information obtained also constrained insights into the research issues. Some evidence received was in the form of anecdotes, which were difficult to translate into useful data.

Following this introduction, Section 2 discusses the general context of agricultural development, the contribution of agriculture to economic growth and the evolution of ARD policy in Cambodia. Section 3 assesses ARD policy performance. Section 4 analyses the coherence (or incoherence) of ARD policy using data generated by the key informant interviews and the secondary sources. The end of the section looks at ways to solve incoherence, the effectiveness of such mechanisms and lessons learnt. Section 5 concludes. The details of each case study are in Annexes 1, 2, 3 and 4.

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## Country Context: Review of Agricultural Development and Policy Evolution

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Cambodia has great potential for agricultural development. Addressing rural poverty and raising rural livelihoods seem to depend largely on progress made in ARD. In this regard, and faced by a number of extremely difficult challenges, government and development partners have made great efforts in relation to formulating and implementing policy/programming to accelerate development in the sector. This section presents an overview of the progress in agricultural development, the evolution of ARD policy, and the institutional arrangements for coordinating the task in the sector.

### 2.1. Agricultural Development Trends in Cambodia

#### 2.1.1. *Contribution of Agriculture to the National Economy*

Cambodia is a post-conflict country, and still emerging from two decades of war and civil strife (1970s and 1980s) and a decade of internal conflict and unstable politics (1990s). War caused extensive damage to Cambodia's physical, social and human capital, and this made it extremely difficult for the country to rehabilitate and redevelop.

Cambodian development has put in place several critical cornerstones. First, the country transformed from a centrally planned to an open market economy in 1989, which resulted in major changes, such as the official recognition of private land ownership and the liberalisation of trade, industry and transportation. Second, free market economy policy was officially adopted in 1993, simultaneous to the establishment of the Royal Government of Cambodia's first mandate.

Cambodia has enjoyed relatively high economic growth over the past decade, at least until the global economic downturn in 2009. An average growth rate of 9.5 percent per annum for 1999-2008 (Figure 1) has transformed the country profoundly, enabling progress in relation to poverty reduction, livelihoods, education and health status. However, economic growth has been largely urban-based, concentrated on three key sectors: garments, tourism and construction. At the same time, the foundations of the economy have undergone a profound transformation, with agriculture falling behind services and industry by 2006 (Figure 2). Average growth in the sector was around 4.5 percent per annum over 1998-2008, contributing about 2 percent to the total gross domestic product (GDP) growth over the same period of time (Guimbert 2010). The reduction in agriculture's share in the national economy reflects both significant increases in industry and also the modest growth of ARD.



### 2.1.2. Role of Agriculture in the Country's Employment Structure

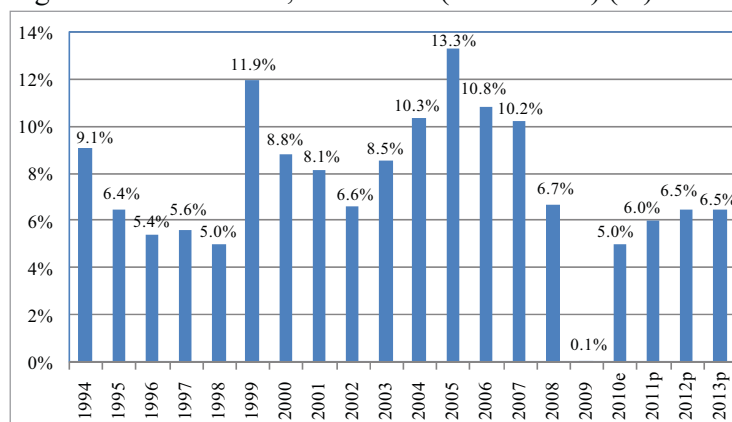
Agriculture's share of GDP has declined annually, but the sector still serves as an important source of economic growth and takes up the largest share of employment in Cambodia. Agriculture absorbed approximately 56 percent of the total employed labour force in 2007, and labour productivity improved by 2 percent from 1998 to 2008 (World Bank 2009). And if we include forestry and fisheries, agriculture represents the country's major employer, with a total of 4.75 million workers. The sector's share of the labour force dropped markedly from 2001 to 2007, from 70 percent to 56 percent, but the total population involved in the sector did not change over the same period. At the same time, the workforces in industry and services increased remarkably, from 10.2 percent to 15.4 percent and 19.5 percent to 28.7 percent, respectively.

### 2.1.3. Improvements in Agriculture Sub-sectors

Data from the International Monetary Fund (IMF) and the National Institute of Statistics (NIS) suggest that crops make up the biggest and an increasing share of agricultural production. The average share of value added of crops in 1999-2008 was 47.4 percent, followed by 28.1 percent in fisheries and 16.1 percent in livestock production. Forestry and logging makes up the smallest share (8.4 percent) (Table 1).

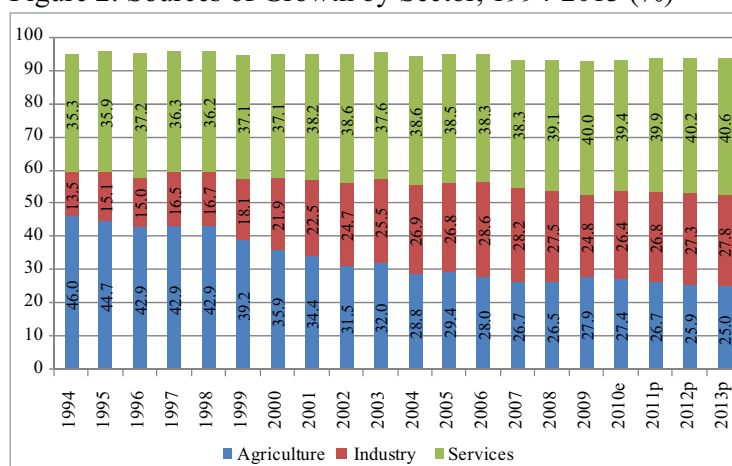
**Rice** has been a leading crop in terms of production and agricultural growth in Cambodia. Alone, its contribution to overall production represented 28 percent in 2008 (Table 1). Production increased by about 355,000 tonnes each year between 1999 and 2009 (Figure 4). Production has benefited

Figure 1: GDP Growth, 1994-2013 (2000 Prices) (%)



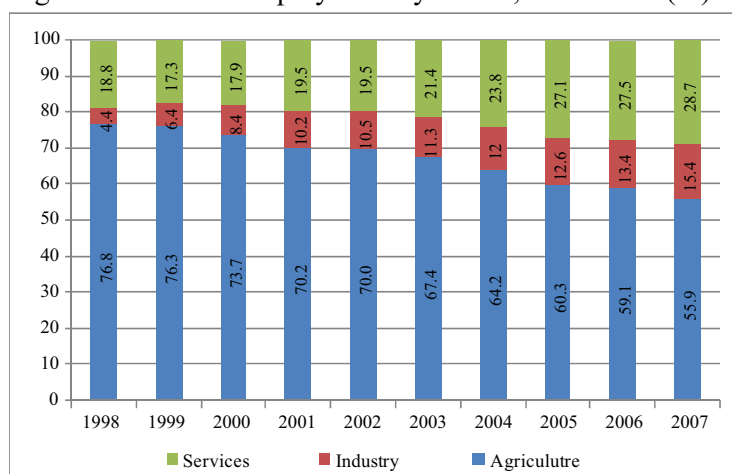
Source: Data from MEF

Figure 2: Sources of Growth by Sector, 1994-2013 (%)



Source: Data from MEF

Figure 3: Share of Employment by Sector, 1998-2007 (%)



Source: IMF (2004; 2009)

from an expansion in the land used over 15 years and an increase in productivity from 1.31 tonnes per ha in 1993 to 1.97 in 2004 and most recently 2.489 in 2008. The increase in total production and per hectare productivity explains the rice surplus, which goes well beyond the need for seeds and to satisfy domestic consumption, making Cambodia a natural exporter of rice. Nevertheless, the country's rice yields are still among the lowest in the region (FAO 2011). However, low rice yield indicate the small amount of input use and inadequate irrigation facilities and extension services to the farmers.

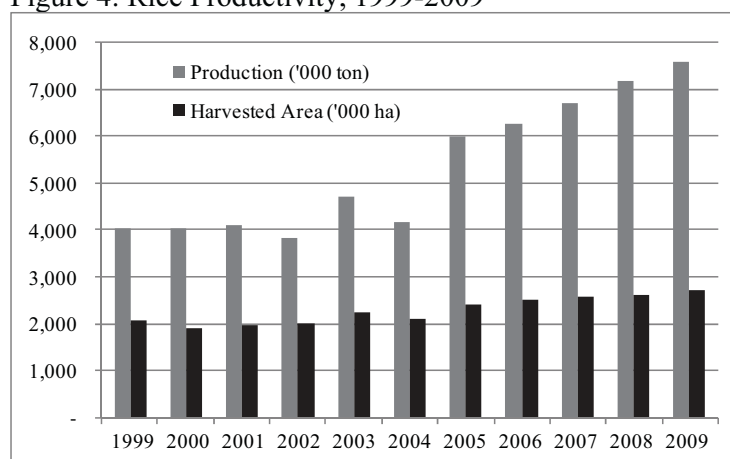
Table 1: GDP by Agricultural Sub-sector and Growth, 1999-2008 (Constant 2000 prices) (%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Mean
<b>Share of value added</b>											
Agriculture	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Crops	43.5	44.8	43.5	42.4	46.8	46.1	50.9	50.8	52.3	52.8	47.4
Of which: paddy	25.9	25.0	24.3	23.0	25.5	22.6	28.0	27.7	29.2	27.9	25.9
Livestock and poultry	17.0	15.5	16.6	16.8	16.1	16.9	15.4	15.8	15.6	15.3	16.1
Fisheries	28.4	30.0	30.6	31.6	29.1	28.8	26.3	25.9	24.9	25.1	28.1
Forestry	11.1	9.7	9.3	9.1	8.0	8.1	7.4	7.5	7.2	6.9	8.4
<b>Sub-sector growth</b>											
Agriculture	2.2	-0.4	3.6	-2.5	10.5	-0.9	15.7	5.5	5.0	5.7	4.4
Crops	12.1	2.4	0.6	-4.8	21.9	-2.3	27.6	5.3	8.2	6.6	7.8
Of which: paddy	15.1	-3.8	0.7	-7.8	22.2	-12.2	43.7	4.4	10.7	4.1	7.7
Livestock and poultry	-1.1	-8.8	10.8	-1.1	5.7	3.9	5.6	8.2	3.7	3.8	3.1
Fisheries	-2.3	5.0	5.9	0.6	1.7	-1.7	5.6	3.8	0.8	1.5	2.1
Forestry	-13.0	-12.4	-1.5	-4.3	-3.0	0.8	5.1	7.0	1.1	0.9	-1.9

Source: IMF (2004; 2009) and NIS (2008)

**Fisheries** provide employment for over 3 million people and contribute 28 percent of agriculture value added. Fish represents the main source of protein and calcium intake for Cambodians (75 percent of the total national intake), since the basic diet comprises fish and rice. Nearly 90 percent of fish produced in Cambodia comes from freshwater basins. Fish production in Cambodia has increased significantly over time. Recently, the large potential of inland fisheries has been emphasised, given the abundance of water resources in the country. Freshwater fish catches have increased significantly over

Figure 4: Rice Productivity, 1999-2009



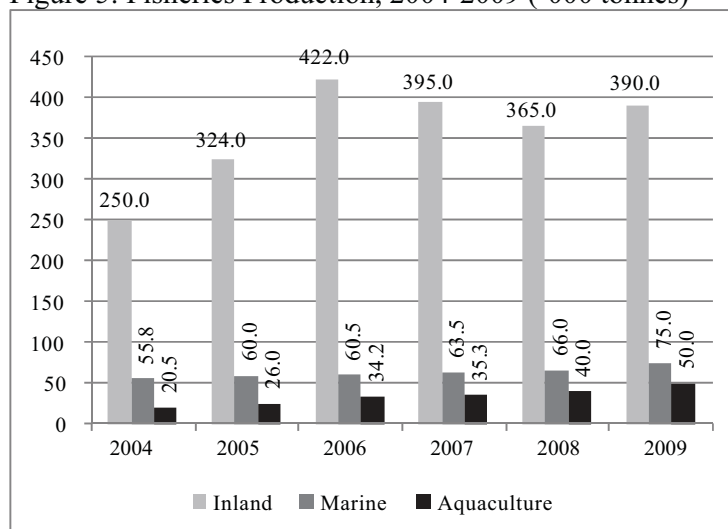
Source: FAOSTAT; MAFF (2010)

the long term, from 250,000 tonnes in 2004 to 390,000 tonnes in 2009. Marine catches reportedly increased from 55,000 tonnes in 2004 to 75,000 tonnes in 2009. Aquaculture production is said also to have increased sharply in 2004-2009, possibly because of the demands of the growing population and improvements in aquaculture technology.

The share of forestry value added in agricultural growth declined from 11.1 percent in 1999 to 7 percent in 2008. A labour force of approximately 61,000 was involved indirectly in forestry in 2007, and with 58 percent of land covered by forest, the sub-sector was seen to play a crucial role in the economy (IMF 2009). Despite representing the smallest proportion of value added in agriculture, forestry continues to play an important support role in rural livelihoods in terms of providing households with construction materials, firewood, livestock fodder, traditional medicines and additional income. But the uncontrolled deforestation of past decades, coupled with illegal logging and encroachment on forest land, have caused major damage to natural ecosystems, resulting in threats to agriculture and to rural people's living conditions. The government has declared a ban on logging and related activities in Cambodia in 1999 and reinforced this with a *Prakas* in December 2001 to suspend all logging activities in Cambodia, strengthened by the National Forestry Sector Policy and the Forestry Law of July 2002. To ensure the sustainable use of forests to the benefit of rural livelihoods, 395 forestry communities have been established, with a total area of 324,130 ha, managed by the communities themselves.

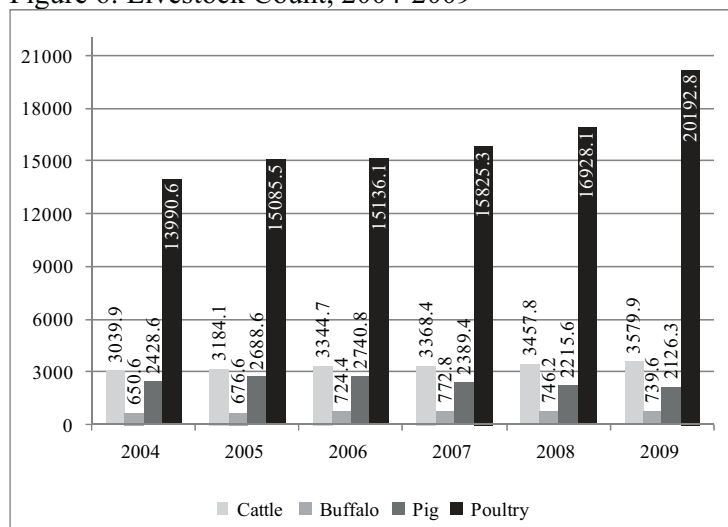
**Livestock and poultry** also play an important role in Cambodia's rural economy, making up 16.1 percent of total agricultural GDP (Table 1). Livestock's importance relates to its immediate positive nutritional impact on the population, its potential as income supplementation and its multiple draught uses (cattle and buffalo). The sector appears to have stagnated—the average growth rate was 3.1 percent from 1999 to 2008—but the inventory of major livestock has increased markedly. For instance, the number of cattle increased from 3.039 million in 2004 to 3.579 million in 2009; over the same period of time, poultry went from 13.99 million to 20.1 million (Figure 6). It is worth noting that the inventory of cattle and poultry suggest a 3.3 percent and 7.8 percent growth rate,

Figure 5: Fisheries Production, 2004-2009 ('000 tonnes)



Source: MAFF (2010)

Figure 6: Livestock Count, 2004-2009



Source: MAFF (2010)

respectively, but the growth rate for pigs was -2.5 percent, which suggests the sector was affected badly by imports of pigs from neighbouring countries—a disincentive to local production.

#### **2.1.4. Major Challenges and Constraints to Agricultural Growth**

Progress has been seen in agricultural development, but Cambodia has still not made the best use of the sector's potential. The primary constraint to productivity lies in the limitations of irrigation. Cambodian agriculture is still anchored to fragile subsistence rain-fed systems, centred on paddy rice production. Access to irrigation systems varies geographically. In some northeast provinces, there are virtually no irrigated areas. By the end of 2008, 31.63 percent of Cambodia's land for rice cultivation was covered by irrigation (MoWRAM 2010).

Low productivity is also caused by poor management of natural resources; lack of modern technology; skill shortages and weak human capital; poor access to modern agricultural inputs such as seeds and fertilisers; poor supporting physical infrastructure (roads, markets). There is also limited access to agricultural extension services and financial capital; limited agricultural production land and insecure land titling; poorly performing small and medium enterprise (SME) activities related to agriculture, such as agro-industry, post-harvest, processing and agri-business; and land mines.

In addition, an agrarian country like Cambodia is particularly vulnerable to the effects of climate change, such as rising temperatures and increased annual rainfall, and is also more at risk of pest infestations, erosion, inundation and salinisation (FAO 2011). The effects of these factors are likely to be more intense for those who depend solely on agriculture for their livelihoods.

### **2.2. Improvement of Agricultural Policy since 1993**

Since the first legislature of the Royal Government of Cambodia in 1993, a number of national strategies and development plans have been drawn up to execute the development of the country. The overarching priority of the national development policy is to promote socio-economic development to lift the country's poor out of poverty and to place the country on a path of sustainable economic growth. Agriculture holds immense potential: productivity gains could boost sustainable outputs—employment and income—to alleviate poverty. In this sense, all government development policies address agriculture and deal with rural poverty reduction.

There have been substantial changes to ARD policy since the government's first mandate. At the early stages, ARD policy had as its main focus the optimisation of natural resource use and the promotion of subsistence agriculture, with more attention on the stabilisation of Cambodian society. At that time, two national development policies were formulated: the *National Programme to Rehabilitate and Develop Cambodia* and the *First Five-Year Socio-Economic Development Plan (SEDP I)*. The year 1999 marked the end of internal conflict and provided the government with more room to boost the economy through the promotion of key sectors, namely, industry, tourism and agriculture. In 2000-2005, two parallel policies were formulated: the *Second Five-Year Socio-Economic Development Plan (SEDP II)* and the *National Poverty Reduction Strategy (NPRS)*. In ARD, important changes included reform of the fisheries and forestry sub-sectors.

In 2004, the *Rectangular Strategy for Growth, Employment, Equity and Efficiency*, which represents Cambodia's most comprehensive reform programme, had the long-term goal of reducing poverty and promoting more equitable growth. The strategy builds on the achievements and lessons learnt from the two policies mentioned above. With “good governance” at its core, the Rectangular Strategy has “enhancement of agriculture” as its first pillar, with the other three being “private sector development and employment generation”, “continued rehabilitation and construction of physical infrastructure” and “capacity building and human resource development”. It is on the basis

of the strategic orientations of the Rectangular Strategy and in pursuit of the Cambodia Millennium Development Goals (CMDGs) that the government adopted the *National Strategic Development Plan (NSDP) 2006-2010*. In this, there is more of a focus on development of agriculture and the rural sector.

The impact of the recent global economic crisis on the Cambodian economy was such that the government realised the weaknesses in its narrowly based economy. To meet this rising challenge, the government decided to revisit the NSDP 2006-2010. Instead of producing a completely new plan for the following five years, it was decided to go for a much required extension of the current NSDP, of three years in duration, to launch urgent measures to respond to the recent external shocks and their impacts on the economy and the living conditions of the Cambodian population. Under the *NSDP Update 2009-2013*, the government outlines for ARD the need for: improved agricultural productivity and diversification; land reform, fisheries reform, forestry reform and mine clearance; and better management of water resources. Indirect interventions, such as further rehabilitation and construction of physical infrastructure, improved access to health and education, creation of a social safety net and job creation, are also among the policy priorities.

A review of the trends of ARD policy development in Cambodia shows that two main factors have contributed to the change of focus: socio-economic development and donor priorities. Over 17 years, ARD policy has also gradually improved, in terms of both its substance and the priority framework, towards a clearer and more comprehensive strategy for government and development partners to align and harmonise their programmes for better synergy.

### **2.3. ARD Coordination Structure**

Both government and major donors play an important role in agricultural development, policy formulation, implementation and coordination. Four government institutions currently directly manage and coordinate agriculture. Sometimes, roles are duplicated among these institutions.

The **Ministry of Agriculture, Forestry and Fisheries (MAFF)** works under the Agriculture Sector Development Framework to focus on: 1) food security, productivity and diversification; 2) improving and strengthening agricultural research and extension; 3) market access for agricultural products; 4) institutional and legislative development and pro-poor land access; 5) land reform—land market development and pro-poor land access; 6) fisheries reform – sustainable access; and 7) forestry reform—promoting sustainable conservation and management. Several sub-sector policies have been formulated to fit the framework, dealing with water, fisheries and forestry, among other areas.

The **Ministry of Water Resources and Meteorology (MoWRAM)** is an important partner of MAFF in formulating and implementing the Strategy for Agriculture and Water. The MoWRAM framework stresses five key strategic areas: 1) water resource management and development and implementation of hegemonic irrigation systems; 2) flood and drought control; 3) promoting law, provision and water sustainability; 4) water resource management and meteorology information; and 5) administration and human resources improvement and development.

The **Ministry of Rural Development (MRD)** works on agriculture enhancement and poverty reduction, as well as other activities supporting agricultural growth, such as rural infrastructure and socio-economic development. MRD has sub-sector policies and strategies but no comprehensive policy and strategy for rural development.

The **Council for Agriculture and Rural Development (CARD)** is responsible for coordinating and providing leadership in ARD. CARD focuses on four priority strategies under the Strategic



Framework for Food Security and Nutrition: 1) food security and social protection; 2) value adding through agricultural productivity, diversification and non-agricultural rural private enterprise; 3) integrated rural development programming and community-based approaches; and 4) involvement of civil society, the private sector and development partners in rural development.

Development partners also play a significant part in ARD: Annex 5 presents a donor matrix which shows their contribution. Currently, more than 20 donors are implementing ARD-related projects.

**United Nations agencies**, including the Food and Agriculture Organisation (FAO), the International Fund for Agricultural Development (IFAD), the UN Development Programme (UNDP), the World Food Programme (WFP) and the UN Environment Programme (UNEP), are working on various cross-cutting issues related to agricultural development, but tend to put their main focus on water and irrigation, food security and nutrition and emergency and food aid.

In terms of international financial institutions (IFIs), the **Asian Development Bank (ADB)** and the **World Bank** also work on ARD. ADB is the biggest donor in the sector, working mainly on water and irrigation, rural development and food security and nutrition. The World Bank, on the other hand, despite its prominent role in national development, seems to be one of the smallest donors in agriculture.

The **European Union (EU) and its Member States** work on a wide range of agricultural development issues. Assistance from the EU is focused mainly on natural resources and livelihoods, policy formulation and rural development.

**Other bilateral donors**, such as Australia, Canada, Japan, New Zealand, Korea and the United States (US), make piecemeal efforts in ARD. Among these, Australia and Japan are the biggest donors. Water and irrigation remain their top development priority.

Several Technical Working Groups (TWGs) have been set up to help ensure coherence, harmonisation, policy alignment and coordination. Several of these work on issues directly related to agricultural development: 1) Agriculture and Water; 2) Fisheries; 3) Forestry and Environment; and 4) Food Security and Nutrition. These TWGs are a body for dialogue among line ministries and donors in ARD and also contribute to the design of projects and programmes under the overall sector strategy. In addition, they play an advisory role in the programme implementation process of line ministries and donors.

Civil society is also important in ARD in Cambodia. Some organisations form ARD related sectoral groups, for example the Development Dialogue and Teacher Forum, the Environment Forum and the Pesticide Reduction Network, to provide a platform for discussion, collaboration, exchange of information and progress on various issues related to agricultural development depending on their meeting agenda. In addition, they aim to strengthen coordination in ARD and to contribute to government planning and policy in agricultural development.<sup>2</sup>

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2 The NGO Sectoral Groups on ARD have different meeting agendas. For instance, the major objectives of the Development Dialogue and Teacher Forum focus on discussing and sharing information, knowledge and practical experience of ecological farming techniques, saving group for self-reliance and other collective action among teachers, farmers, local authorities and other key community practitioner. The second objective is to expand capacity building based on best practice and new knowledge, aiming to further improve rural people's living standards. The Environment Forum, for example, is a platform for NGOs to share information, promote advocacy on Environmental issues and find possible solutions.





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## Policy Performance Assessment

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Key informant interviews and secondary data analysis reveal that no comprehensive performance assessment has been undertaken in relation to ARD policy, either by government or by development partners. Most development partners assess their programmes through individual programme evaluations. The lack of such an assessment could be explained by the following factors:

1. Limited government capacity to carry out such tasks;
2. Limited data sharing among government and development partners;
3. The different timeframes that development partners have to implement their programmes, meaning evaluations to determine impact, relevance, efficiency, effectiveness and sustainability after implementation occur at different times;
4. High aid volatility and unpredictability in the sector, which “affect short- and medium-term budget planning and programming, disrupt implementation of expenditure allocations, complicate macroeconomic management, and deepen the challenge of building absorptive capacity” (FAO 2011), making it impossible to carry out any assessment of ARD policy performance.

As a result of this absence of performance assessment, some policies, for example the Strategy for Agriculture and Water 2010-2013, the Strategy for Water Resources and Meteorology 2009-2013 and the Strategic Planning Framework for Fisheries 2010-2019, have been changed and modified based mostly on lessons learnt from previous policies and from development partner programme implementation. Responsible government institutions produce annual progress reports showing achievements on outcomes related to production, land under irrigation, number of farmer water user groups, number of SMEs, amount of fish catch, etc. But these outcomes do not give a holistic and comprehensive picture of the performance of each sectoral policy as a whole.



## Main Findings and Discussion

This section discusses the main findings from key informant interviews and the secondary data. Boxes 1-4 present the key findings of the four case studies, and also bring in a synthesis discussion on ARD policy coherence which combines findings from each case study with those from the document review.

### 4.1. Key Findings from the Four Case Studies

Box 1: Summary of Findings from Case Study 1—Programming and Policy Supporting Rice Production

#### ***How important is rice to rural livelihoods and national development?***

Rice is the traditional diet for Cambodians, and today about 80 percent of Cambodians live in rural areas and grow rice. The cultivated area has gradually increased over the last 10 years. The total rice cultivated area increased has increased by 2.3 million hectares from 1.9 million ha in 2000 to 2.6 million ha in 2009. In 2005, paddy land occupied 84 percent of total agricultural land (the rest went to industrial (8 percent) and subsidiary crops (8 percent)). Rice production also increased in 2000-2009, from about 4.0 million tonnes to 7.5 million tonnes, with annual average production of about 5.4 million tonnes. Rice has contributed significantly to Cambodia's economic growth in recent decades, with its share in GDP increasing dramatically. In 2000-2009, the average annual paddy rice surplus was about 1.6 million tonnes, with the surplus increasing every year from 0.14 million tonnes in 2000 to 3.5 million tonnes in 2009. Generally, millions of tonnes of paddy rice are exported informally to neighbouring countries Vietnam and Thailand every year since Cambodia lacks quality rice millers and has an unfavourable trading environment, including prevalence of informal fees and high transportation and processing costs. In 2009, only 20,000 tonnes of paddy rice were recorded as officially exported.

As with other sub-sectors, rice policy has long been mainstreamed in overall agriculture policy. Recently, two sector strategies related specifically to agricultural development were formulated: the Agricultural Sector Strategic Development Plan 2006-2010 and the Strategy for Agriculture and Water 2006-2010. The overall goal of these strategies is to contribute to poverty reduction, food security and economic growth by enhancing agricultural productivity and diversification and improving water resource development and management.

#### ***Coherence of policy***

Before the two major policies for agriculture were formulated, major donor programmes in agriculture were fragmented and often duplicated. However, this study did not find any contradiction among donor programmes: overall, sector policy has provided guidance and a platform for donors to harmonise and align their programmes with national priorities.

In rice production, the review of major donors' recent programmes in ARD and the promotion of rice production show that duplication has been substantially reduced. Evidence from the review shows that most donors focus on the development of agriculture infrastructure, such as the construction and maintenance of small and medium irrigation facilities, and others work on agriculture marketing. These efforts are aligned

with the government's commitment to promote rice export as stated in the Rice Export policy. In addition, coordination and consultation appear to have improved among major donors such as ADB, the World Bank, and the EU through their joint country situation analysis. However, as noted in other cases, coordination among different government institutions remains a challenge in improving synergy and promoting coherence. And, even though rice production plays an important role in agricultural growth, overall sector policy does not state this clearly.

The TWG on Agriculture and Water is the main mechanism to help coordinate different government and development partners in relation to agricultural development. With chairs from both government and development partners, its core objective is to promote the optimal use and effectiveness of all resources available to the government, both domestic and external, to implement the relevant components outlined in the NSDP. It is the TWG that formulated the Strategy for Agriculture and Water. Interviews revealed that the TWG is now facing challenges to improve its effectiveness. The function of the TWG-AW is usually undermined by its members' poor attendance of meetings and the lack of financial support to run meetings on schedule. The main reasons for low attendance at meetings are: (1) donors tend to only participate in meetings when the agenda is in their interest; (2) senior government staff might not be interested in participating in the meetings because the SAW 2006-2010 has not been widely implemented yet; (3) the contact list is not kept up to date as members leave and new ones join which makes communication difficult. But there is also evidence of an increase in institutional leadership, especially from MAFF and MoWRAM, with more ministry staff with solid qualifications and strong motivation present.

## Box 2: Summary of Findings from Case Study 2 – Fisheries Policy

### ***How important are fisheries to rural livelihoods and national development?***

Cambodia's fisheries provide full-time, part-time and seasonal employment for up to 6 million people—over one-third of the population. The sub-sector is also critical to domestic food security, providing over 80 percent of animal protein in the national diet and a prime source of essential vitamins and micronutrients in a country where 30 percent of children are undernourished. Freshwater fisheries in Cambodia are among the largest and most significant in the world, and fisheries harvesting, processing and trade contribute an estimated 8-12 percent of GDP.

Policy reforms implemented since 2000 have significantly expanded local communities' access to freshwater fisheries, and instituted a system that establishes community-based management. Implementation of fisheries policy has yielded significant achievements and enabled a more poverty-focused approach. For example, access to fishery resources for the poor has been achieved through the setup of 468 community fisheries countrywide. However, the sub-sector still faces a number of challenges related to destructive fishing practices, land use change, fishing beyond the natural capacity of the system to generate, damn development, climate change and competing use of water and wetland expansion.

### ***Coherence of policy***

To address the challenges mentioned above, government, donors and NGOs have been paying particular attention to embedding fisheries policy within their programmes and projects. Fisheries reform has been placed in the overall plan for the enhancement of agriculture (the first triangle of the NSDP), which shows alignment of sectoral policy and macro policy. Donor initiatives also appear to align with fisheries policy, for example the Danish International Development Agency (DANIDA) Natural Resources and Livelihoods Programme. But donors still seem stuck between their own country agendas and the agenda proposed by the government.

The fisheries policy is comprehensive but does not suggest clear priorities. Some donors suggest that despite their efforts to align their programming with fisheries policy, they still lack a sense of how to prioritise their programmes to fit government policy priorities. Some development partners apply programme-based approaches to improve harmonisation and alignment and to avoid duplication on fisheries issues.

There is no evidence that donor programmes and government policy work against one another. Both the Fisheries Administration and development partners have a broad spectrum of policies and processes in place to promote wider and deeper harmonisation in aid delivery. One of the key factors in this is improved coordination during policy design and formulation. While the government claims the leading role in terms of policy formulation, donors provide input into policy design. From this perspective, harmonisation has improved.

A wide diversity of institutions work in areas that relate to the fisheries sector and its policies, including the Ministry of Land Management, Urban Planning and Construction (MoLMUPC), the Ministry of Environment (MoE), MRD and MoWRAM. Fisheries policy also has implications for land policy, water resource management policy, energy policy and environmental conservation policy. Limited coordination in the formulation and design of related policies creates overlap and conflict in terms of roles and responsibilities and to some extent undermines progress in the fisheries sub-sector. This minimises the potential for synergies among a wide range of policies in relation to fisheries development.

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The TWG on Fisheries is the main mechanism for improving coordination on fisheries issues, promoting aid effectiveness and enhancing the coherence of fisheries policy. Over the past five years, it has brought together government, development partners and civil society to identify and review fisheries action plans and policies. The TWG reported some difficulties in the implementation of its action plan for 2006, in that many activities in the TWG require members to work through thematic sub-groups, for example debating certain issues and presenting back to the TWG. Poor attendance at regular TWG meetings impacts on overall implementation and coordination among stakeholders.

### Box 3: Summary of Findings from Case Study 3—Policy Support to the Promotion of Non-Farm Rural Enterprise (SME Development Policy)

#### ***How important is off-farm rural enterprise to rural livelihoods and national development?***

The development of the SME sector is important to rural livelihoods in Cambodia because of its power to generate off-farm employment and income for poverty alleviation and decent living. The number of Cambodian manufacturing SMEs has increased steadily. Statistics provided by the Ministry of Industry, Mines and Energy show there are 35,560 SMEs operating across the country, employing 125,332 people. Compared with 2008, the number of SMEs has increased by 9.41 percent. SMEs in Cambodia suffer from obsolete technology, inadequate training, shortage of capital, limited market information and channels and poor legal and regulatory support.

From a policy point of view, SMEs have been constrained by the absence of a development strategy for the sector. In the past decade, many schemes have promoted Cambodia's off-farm sector, set up by government, development partners and civil society. There was no clear policy specifically addressing the promotion of non-farm enterprise or SMEs before 2005. Until the NSDP 2006-2010 and its Update 2009-2013, the explicit framework for non-rural enterprise promotion was unclear. Several sectoral policies now mention the sub-sector and promotion of rural enterprise, namely, the SME Development Framework, the Strategy for Agriculture and Water and the Strategic Framework for Food Security and Nutrition.

### ***Coherence of policy***

Before 2004, various initiatives on SMEs and off-farm enterprise tackled different elements on a piecemeal basis, with high fragmentation. Impacts were seen only through individual programme/project evaluations: national progress could not be tracked. In 2005, the government developed the SME Development Framework with technical assistance from ADB. This served as the strategy and comprehensive implementation plan for government and development partners until 2010. To ensure proper alignment of development initiatives, the framework also served as a tool for inter-ministerial communication in order to improve coordination with donor agencies involved in the sub-sector. Various development partners have worked on different initiatives within the SME Development Framework, with no significant issues in terms of harmonisation of programme choices and design. Given the comprehensive coverage of the framework, programmes appear to be well-harmonised and to complement each other, and programme duplication has been reduced significantly. Programmes are designed to synergise with government strategy and existing development activities. However, these programmes are initiated mainly by development partners themselves: government is failing to lead such initiatives to meet the priority vision of SME development reflected in national policy for the non-farm sector.

Policy incoherence within government has been created by poor coordination and the extreme complexity of institutions that share roles and responsibilities in the SME promotion sector. Until 2004, there was no single department controlling SME promotion policies. As many as 25 different ministries and agencies have developed their own SME promotion strategies, regulations and policies, focusing on achieving varying outcomes. Almost half of Cambodian firms claim that interpretations of regulations are inconsistent and unpredictable. Meanwhile, tax policy and other regulations represent an at least moderate constraint to their operations. None of the ministries officially coordinate SME promotion activities or share information. This results in considerable duplication of data collection and often redundant strategies. At the worst, policies designed to promote SME development contradict each other. Although the government recognises the need to develop a supportive regulatory environment, it lacks a coordinated framework to implement the necessary policy actions. Individual ministries continue to have their own uncoordinated approaches to SME/business development. Little information exists on the industry structure, and few channels are available for communicating and disseminating information. Another key issue relates to the lack of an effective mechanism and or policy to support domestic producers or processors to develop domestic productive competitiveness, despite the fact that Cambodia has great potential for diversifying its industry. Local SMEs are unlikely to enjoy government-provided incentives like garment factories do. This results in a number of crosscutting issues, which create a bottleneck to Cambodia in exploring its diversification potential.

The national SME Sub-Committee serves as a mechanism to coordinate framework activities. It is the first inter-ministerial body in Cambodia to formulate and implement a set of policies on the SME sector. By coordinating the SME policies of different government departments and associations, as well as development partners and civil society, it is hoped that duplicative and contradictory policies can be avoided. The sub-committee formulated the SME Development Framework, which provides guidelines for government and development partners with regard to aligning their programme and project initiatives. The framework also serves as a platform for implementing agencies to better harmonise their programmes. However, even though progress in terms of promoting better coordination among government agencies has been made, lack of proper coordination and overlapping roles and responsibilities still exist. Difficulties in improving coordination have led the sub-committee to be less effective in addressing key constraints to SME promotion, such as (1) regulatory and legal framework, (2) access to finance, and (3) SME support activities. More efforts will be needed to overcome these challenges.

#### Box 4: Summary of Findings from Case Study 4—Water Resource Management Policy

##### ***How important is water resource management to rural livelihoods and national development?***

Agricultural production in Cambodia suffers mainly from a lack of, poor or inactive irrigation systems. Irrigation serves as an insurance against crop failures during dry spells and provides opportunities for farmers to grow two or even three rice crops a year. Despite its important role in rice productivity, only around 31.6 percent of Cambodia's rice production land is covered by any form of irrigation. Thus, most agriculture is dependent on the vagaries of rainfall, and capacity to undertake agricultural production is reduced during the dry season. Ensuring access to water for poor rural populations would have a big impact in terms of livelihood improvement. Since 1993, laws and policies on water resource management have been prepared and gradually improved to meet demand. The two main current policies related to water resource management are the Strategy for Agriculture and Water and the National Water Resources Policy. Major achievements in implementing water resource management policy include the expansion of the irrigated rice cultivated area, increasing rice productivity, and the assurance of the right and access to water resources for the poor. These have not only contributed to increased agricultural production but also have improved livelihoods, ensured food security and empowered rural communities to manage and control their own irrigation facilities.

##### ***Coherence of policy***

Sectoral policies for water resource management provide guidance and a platform for donors to align and harmonise their initiatives supporting the sub-sector. Fragmentation and piecemeal practices have been reduced substantially. However, as a result of limited government capacity, donors still claim some right of ownership over policy design, and can mainstream their own policy agenda and programming in existing policy frameworks. Donors provide a great deal of the financing in water resource management and, although such projects are principally under the supervision and coordination of the government, donors still have a significant role in determining policy. Their focus and their policy/programming also shift according to global development trends and priorities.

Donors and government have put in place a broad policy framework for water resource management to promote wider and deeper harmonisation of projects/programmes and, of course, aid delivery to ensure implementation. There is no evidence of donor programmes working against each other in this area. However, policy is still in its infancy, and the sub-sector suffers from poor enforcement, ambiguity and lack of coordination, which have led to a loss of potential synergy among related institutions. MoWRAM plays a leading role in formulation and implementation, but responsibilities for water resource management are splintered among several departments across various ministries, making coordination difficult.

The TWG on Agriculture and Water was established in 2004 to facilitate policy formulation, implementation and coordination among related institutions and donors. It also aims to improve the effectiveness and efficiency of aid utilisation. A fundamental challenge lies in its institutional setup for planning, managing and monitoring progress on the implementation of agriculture and water development cooperation activities on a quarterly basis. The work of the TWG has been effective in terms of ensuring the harmonisation and alignment of aid as well as donor policy to fit the policy framework, but ensuring good coordination remains difficult. Low capacity of government staff and poor attendance are the main barriers to the more effective work of the TWG.

## **4.2. Discussion**

### ***4.2.1. Alignment of Policies/Programmes with Government ARD Sectoral Policy***

Conceptually speaking, alignment for policy coherence in ARD aims to address one main objective: to **ensure that support is consistent with government ARD policy and that donor programmes are in line with government priorities**. On this basis, no incoherence has been found. In terms of the national policy framework, the alignment of development partners' programming



with Cambodia's priorities has been relatively easy to locate within the very broad framework of the NSDP. The ARD framework under the NSDP focuses on almost every aspect of the sector's development, including agricultural diversification, land reform, fisheries reform, forestry reform, water resource management, food security and nutrition, physical infrastructure development, building human capital, promotion of off-farm employment through SMEs, etc. These sub-sectoral areas, again, provide a great deal of space for donors to align their programming with government priorities.

Given limited government capacity, the drafting of policies has been undertaken mainly through technical assistance. It is only recently that Cambodia has had sectoral policies. For example, the Strategy for Agriculture and Water 2006-2010 (Boxes 1 and 4) was formulated in 2005 with technical assistance from the French Development Agency (AFD), while the SME Development Framework was formulated in 2004 with technical assistance from ADB (Box 3). The formulation of these ARD policies involved the participation of both line ministries and development partners, although the latter have often taken the lead in developing strategies, reducing government input and prioritisation.

A review of ARD sectoral policy suggests a clearly defined and comprehensive development framework but generally shows a lack of prioritisation among the components. For example, the Strategy for Agriculture and Water has five components: 1) institutional capacity building and management support for agriculture; 2) food security; 3) agricultural and agri-business (value chain) support; 4) water resources, irrigation and land management; and 5) agriculture and water resources research, education and extension. All of these are regarded as priority given that they meet the objectives of both government and development partners' initiatives. That a large number of donors are involved in policy formulation is one factor that suggests the lack of policy prioritisation. Lack of prioritisation makes it difficult for some donors to align their programming to meet high-priority components, so they instead formulate their programmes on a piecemeal basis within the framework of the Strategy for Agriculture and Water. Lack of prioritisation has also encouraged some donors to continue practising piecemeal programming.

The government still uses an "aid maximisation approach" to gather as many projects and as much financial support from donors as possible to ARD to supplement its role. In this approach, the government's only involvement has been in consultation with donors from time to time and approval of projects before the final financing decision. Consequently, it is not that the government decides which donors should finance certain projects, but that the donor(s) decide which project should be financed and then design them. Even though alignment is possible and can be seen, in general a significant amount of the potential for synergy for development seems to have been lost.

The extent of alignment of donor programmes/development initiatives with national ARD priorities can also be seen from donor aid disbursement. Donors have made efforts to align their budget allocations to meet government priorities, as evidenced by the changing amount of aid disbursed through each sector from 2006 to 2009 (RGC 2010) and the gradually expanding use of programme-based approaches<sup>3</sup> in many sectors, including ARD (Chan Sophal *et al.* 2008). However, ARD and education are among the important sectors that consistently receive funding below the

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3 Programme-based approaches are a way of engaging in development cooperation based on the principle of coordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. They share the following features: leadership by the host country/organisation; a single comprehensive programme and budget framework; a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. (Aid Effectiveness Report 2010)

level requested in the NSDP, reflecting the fact that these sectors have the highest aid volatility (FAO 2011; RGC 2010) (Table 2 and Figure 7); other sectors such as combating HIV and AIDS, receive far more budget than required in the NSDP.

Table 2: Aid Volatility by Major Sector, 1992-1996 to 2002-2006 (%)<sup>4</sup>

Sector	1992-1996	1997-2001	2002-2006
Agriculture	<b>28.4</b>	<b>31.4</b>	<b>47.6</b>
Education	20.4	15.5	5.7
Land management	28.7	7	20.2
Health	29.2	21	8.9

Source: Cited in FAO 2011 (calculated from CDC statistics, RGC 2010, Brookings Institute)

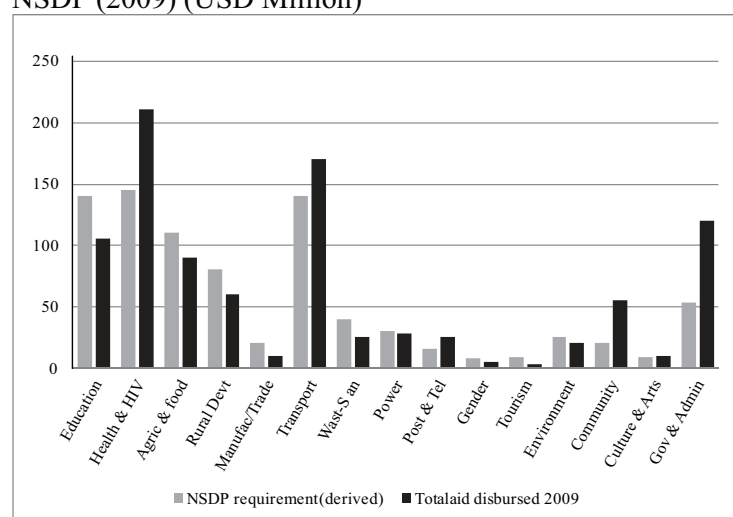
Case study findings confirm that several factors shape how well donors align their programmes with government priorities.

*First, some donors may not want to mainstream their development agenda with national priorities.* Global studies on foreign aid imply that, even though the core purpose of aid is to promote growth and reduce poverty, some aid is given to further donors' own political and strategic or even commercial interests (Riddell 2007). In Cambodia's ARD sector, different donors may also have different interests in taking part in sector development. When interviewed, major donors working in Cambodia's ARD sector implied that they formulate their country assistance strategy by combining three elements—a country situation analysis, national development strategy and their own development assistance agenda. This makes perfect alignment of aid disbursements with government priorities almost impossible to achieve.

*Second, even though government owns the ARD agenda, donors control a large proportion of the financing to fund projects and programmes.* Government institutions responsible for ARD have limited capacity to provide direction to donors in relation to meeting government ARD priorities, which means that donors have a certain amount of freedom to direct their substantial financing of the sector. As we have seen, the question then remains as to what extent donors are willing to align their programming with the government.

*Third, alignment is also determined by whether ARD ministries can provide “donor-friendly mechanisms”.* This review found that positive collaboration, effectiveness and transparency in the use of funds encourage donors to provide more financing to a particular government institution, for example the National Council for HIV/AIDS and Dermatology (NCHADS) (Hughes 2009). This could explain why aid to combat HIV/AIDS is usually above the requirement set in the NSDP (Figure

Figure 7: Alignment of Development Cooperation with the NSDP (2009) (USD Million)



Source: RGC (2010)

4 Aid volatility levels are calculated as a percentage by dividing the root mean squared error by the mean of the relevant aid flow during the corresponding period.

7). Government expenditure on fisheries development, management and conservation during 2007-2008 was approximately USD1 million per year, of which donor funds directly contributed some 80percent. This was a significant increase over previous years. The CDC estimates that in 2006, official development assistance (ODA) to fisheries amounted to around USD240,000 or 0.9percent of all ODA (FiA 2009). This overwhelming support suggest donor dominance in the sector (Annex 2). With limited information provided, it is hard to justify whether the government institutions that involved in ARD could provide such mechanism to the donor. But from the donor interview, limited government staff capacity among these institutions is one of the biggest challenges for positive project collaboration.

Overall, the alignment of development partners' programmes with government priorities in ARD has gradually been improving. This reflects donor commitment to improved aid effectiveness through the Paris Declaration principles, as well as increased government ownership and capacity in terms of providing input into policy formulation. The successful formulation of several ARD sub-sectoral policies appears to be the most significant result of this improved alignment. At least the policies provide a clear framework and serve as a platform for both government and donors to work together.

#### ***4.2.2. Harmonisation of ARD Policies/Programmes***

Conceptually speaking, harmonisation for policy coherence in ARD attempts to support the following issues: (1) aid programmes that are working complement to each other, (2) incomplete aid programmes prevent other activities from succeeding; and (3) aid programmes work against one another.

Cambodia has long been an aid-dependent country, and also regarded as a top priority for donors with regard to assistance with rehabilitation and development. From 1992 to 2003, official development assistance (ODA) disbursement to the country reached USD 5.2 billion, with 28 percent from multilateral sources, 64 percent from bilateral sources and 8 percent from NGOs (World Bank 2005). In 2009, total aid disbursement was USD 989.5 million, which was equivalent to 9 percent of GDP (RGC 2010). Large numbers of donors have been involved in Cambodia's development, in almost every sector, including ARD. However, assistance given without an effective strategic or coordinated framework has ended up fragmented and with limited impact. Differing conceptualisations of policy by development partners have also sometimes undermined sustainable and unified development. An example of this is the formulation of two similar national development strategies (i.e., SEDP II and NPRS with assistance from two international financial institutions ADB and World Bank). That the two development policies were implemented at the same time suggests limited coordination and collaboration among major donors in Cambodia.

Realising that lack of coordination and harmonisation of donor initiatives could misroute development, the government launched its *Action Plan for Harmonisation and Alignment* in 2004 to get development partners to collaborate more closely and work in a more complementary manner. Since then, major donors have made efforts to harmonise their work. For instance, the ADB, World Bank and the United Kingdom Department for International Development (UK DFID) country strategies and the UN Development Assistance Framework (UNDAF) were prepared in unprecedented close cooperation between the four partners (and regular consultation with the government, other donors, civil society and the private sector). It was hoped this would improve their common understanding of development challenges in Cambodia and their ability to adopt a coordinated policy dialogue, reduce transaction costs and programme duplication and, by replacing the sometimes contradictory donor negotiations with a collective dialogue, enable the government to develop ownership and cohesion in its own policy framework. In addition, there is evidence that

ADB, DFID, the UN and the World Bank have coordinated their programming based on comparative advantage and greater reliance on sector-wide development. Similarly, ADB, JICA and the World Bank have worked closely to strengthen synergies among their programmes at operational level. The government, with ADB and the World Bank, has prepared a report on standard operating procedures for improved implementation of donor projects.

At the policy level, the integration of two overlapping national policies, SEDP II and NPRS, into the NSDP 2006-2010 clearly showed the efforts of the government and two major donors at that time (ADB and World Bank) to ensure more harmonised programme initiatives.<sup>5</sup> The NSDP 2006-2010 and its 2009-2013 Update also provide an opportunity for ensuring greater development impact by increasing government and donor harmonisation around a unified development framework to achieve the CMDGs.

Findings from the four case studies confirm that harmonisation of the different donor ARD programmes has improved further through Cambodia's successful formulation of several sub-sectoral policies for ARD, through a participatory process and with wider stakeholder consultation. These policies were formulated based on the comprehensive framework of the NSDP to ensure alignment with national policy. They also set down institutional guidance for the harmonisation of different ARD initiatives, marking another significant cornerstone in efforts to improve harmonisation.

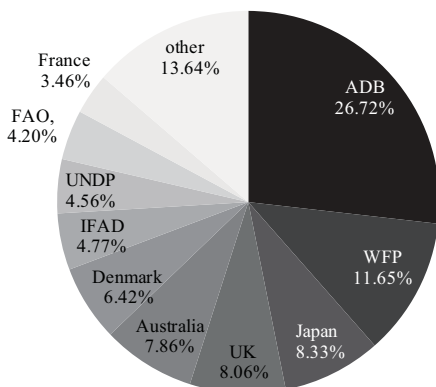
A review of the Council for the Development of Cambodia (CDC) ODA Database, along with qualitative information gathered through key informant interviews, shows the contributions of different donors and the ways they initiate their programmes in ARD have harmonised gradually (Figures 8 and 9).

More than 20 development partners, including UN agencies, international finance institutes (IFIs) and bilateral donors, are working differently in their preferred areas of interest within the ARD development framework. ADB is the biggest partner in this area, with 26.72 percent of the total, followed by the World Food Programme (WFP), Japan, the UK, Australia, Denmark, International Fund for Agricultural Development (IFAD), FAO, France, South Korea and the US (Figure 8). It is interesting to note the relatively low level of commitment of the World Bank and the IMF in ARD, given that ADB plays a prominent role in the sector: this could be related to the division of responsibilities of the major IFIs in Cambodian development. As for programme focus, water and irrigation receive the biggest share of foreign aid to agriculture, with rural development (policy and administration), fisheries and agricultural production sharing around 10 percent each. Sector policy and management attracts around 5 percent of total aid in the sector, food security and nutrition 6 percent and emergency food assistance about 7 percent (Figure 9). The various ARD initiatives from different donors suggest why the harmonisation of different programme initiatives is not an easy task, and why the potential development of synergy through harmonisation of different donor interests might be reduced.

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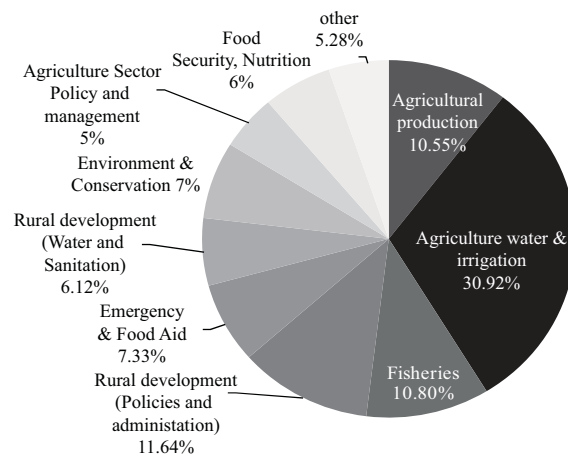
5 SEDP II and NPRS had many similar characteristics, and were even implemented in the same period of time. Both provided an overall framework for development aimed at poverty reduction and emphasised participatory processes in their preparation. SEDP II was prepared with technical assistance from ADB. The NPRS was proposed by the World Bank and the IMF in 1999, originally as a condition for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, to guide the allocation of resources freed by debt relief into poverty-reducing activities.

Figure 8: Agriculture and Related Sectors—  
10 biggest donors



Source: CDC ODA Database (FAO 2011)

Figure 9: Aid to Agriculture—Main Sub-sectors



Source: CDC ODA Database (FAO 2011)

Figures 8 and 9 and Annex 5 show that each development partner has a different institutional focus in terms of ARD programme choice and design, as well as a different mission and different comparative advantages (i.e. different experiences in development programming and different emphases in the allocation of funds to ARD). As such, there is plenty of room for complementarity, synergy and collaboration among donors given this variety of interests and the different levels of capacity, which could help reduce unnecessary duplication and programme rivalries. Evidence from the case studies additionally suggests that donors have been extremely active with regard to improving their aid effectiveness through harmonising their own programme initiatives. The interviews revealed that development partners have consulted extensively with government and donors themselves in order to avoid duplication and seek ways to work in complement to each other, while accepting the need to mainstream their programmes to align with ARD sub-sectoral development policy. As a result, different donors in ARD have different activity levels. For example, FAO is practically absent with regard to non-farm activities, whereas ADB, the UK and UN agencies are present. DANIDA plays a leading role in natural resource management and livelihoods, especially fisheries (Annex 2). All this suggests progress in the harmonisation of different ARD policy initiatives and better coordination among donors taking part in ARD sector development.

Efforts are also being made to harmonise aid delivery priorities and to secure alignment objectives by establishing and strengthening programme-based approaches. However, key informant interviews confirmed that major development partners in Cambodia, such as ADB, are often caught between working in harmony and responding to differing priorities and concerns of head offices. The inevitable consequence is continued fragmentation of aid investments and multi-sector involvement of many development partners.

#### 4.2.3. Policy Coherence within Government and Donors

Conceptually speaking, policy coherence within government and donors seeks to address the coordination of government activities to prevent development from suffering because (1) key activities or necessary policies have been omitted or under-provided; (2) government policies work against other policies; or (3) activities have not been linked in time and hence delayed progress. This is how potential synergies are lost.



Interviews with key donor representatives and senior government officials yielded interesting insights into the issue of policy incoherence within government ARD sub-sectoral policy, as Boxes 1-4 illustrate. This incoherence mainly arises as a result of challenges related to intra-government coordination. A joint country situation analysis by major donors (ADB, UN agencies, DFID and the World Bank) (World Bank 2005) indicates that most institutions in Cambodia (not only those related to ARD) were barely functioning when the government began its first mandate in 1993. Structural limitations and weak capacity within administrative systems remain formidable challenges. Weak coordination among agencies has also prevented a concerted effort to develop synergy between sector levels. Weak coordination at national level during the preparatory stages of key ARD sub-sector policy documents has been a key impediment with regard to bringing about greater synergy and proper sequencing among these instruments.

These weaknesses reflect the symptoms of deeper institutional complexity and fragmentation, and show the problems of a proliferation of government ministries and agencies—underpinned by political interests—whereby different central bodies are assigned to take the lead on different yet closely connected issues. Having to coordinate a large number of senior office-holders across different ministries can be both inefficient and problematic, especially given their often overlapping and competing responsibilities, power bases, visions and mandates.

The case studies present several major instances where these problems clearly impede forward movement in critical areas. For example, fisheries policy has implications for a range of policy areas, such as land, water resource management, energy and environmental conservation. Hence, a wide range of institutions is working on areas that touch on fisheries, including MoLMUPC, MoE, MRD and MoWRAM, as well as government committees such as the Mekong River Commission and the Tonle Sap Basin Authority. This leads to overlapping roles and responsibilities among different institutions and authorities. Such issues are also found in Water Resource Management policy (Boxes 2 and 4).

Similarly, the promotion of off-farm activities, such as SME development, is also undermined by the complexity of government institutions with roles and responsibilities in the sub-sector. Despite the participatory formulation of the SME Development Framework, the various government institutions involved in the sub-sector tend to have their own SME promotion strategies, regulations, policy focuses and objectives. Until 2004, none of the ministries officially coordinated SME promotion activities or shared information. This has resulted in considerable duplication of data collection and often redundant strategies. At worst, policies designed to promote SME development contradict each other. It will take time to improve and adjust the new SME development framework to address the complexity of existing laws, regulations and roles and responsibilities among government institutions (Box 3).

As the case studies show, it is not only issues of intra-government coordination that create incoherence but also the **differing donor initiatives in formulating a number of sub-sectoral policies**. In the ARD sector, different donors participated in the formulation of these policies, for instance, the Strategy for Agriculture and Water, the Strategic Framework for Food Security and Nutrition 2007-2010, the National Programme for Household Food Security and Poverty Reduction 2007-2011, the Fisheries Policy, the Water Resource Management Policy and the SME Development Framework. Some components of these sectoral policies were found to overlap, leading to the problem of contradicting or overlapping roles and responsibilities among implementing institutions.

The government is well aware of these institutional challenges and has mainstreamed institutional reform in the NSDP and in those ARD sub-sectoral policies. Since 2000, the Council for Administrative Reform (CAR) has implemented a series of reforms, including the Governance Action

Plan and later the National Programme for Administrative Reform, to gradually and systematically transform the administration and the civil service into effective public service providers and trusted development partners (RGC 2010).

The current public administration is less than 10 years old and still faces a number of challenges in implementation. From the donors' point of view, even though much is being devoted to policy formulation, the implementation of reforms has been slow. Interviews with various government officials suggested that the different ARD institutions increasingly understand the importance of collective action, cooperation, networking and information sharing to promote collaboration in the implementation of ARD sectoral policies. However, this synergy has not yet been coordinated through more systematic and coherent strategic planning. Nevertheless, officials believe government efforts in administrative reform will gradually resolve the issue of limited coordination and overlapping roles and responsibilities among ARD institutions to improve synergy in the sector and policy coherence.

#### *4.2.4. Mechanisms to Coordinate and Improve Coherence*

Great efforts have been made by both government and donors to improve policy coherence, not only in ARD but also in other sectors, through the promotion of harmonisation, alignment and coordination of programmes and policies.

During its first mandate in 1993, the government created the **Cambodia Rehabilitation and Development Board (CRDB)** at the CDC as the in-country aid coordination focal point. In 1996, the Consultative Group mechanism between the government and development partners became active. This led to the **Consultative Group Meeting**, which was later transformed into the **Cambodia Development Cooperation Forum (CDCF)**, held annually to bring government, development partners and civil society together to discuss challenges in national development public policy processes. In response to the global agenda on promoting aid effectiveness, Cambodia has also committed itself to implementing the February 2003 **Rome Declaration on Harmonisation of Development Assistance**. Following a series of government–donor workshops in 2004, the **Action Plan for Harmonisation and Alignment 2004–2008** was adopted, in which all parties committed to changing the way they do business in Cambodia. In 2005, both government and donors committed to the **Paris Declaration on Aid Effectiveness**.

At national level, all these efforts and mechanisms have been most effective in guiding centrally located stakeholders in their efforts to improve aid effectiveness beyond central government, and to cover development partners and NGOs with a coordinating mandate. These initiatives have been extremely important in challenging donor agencies to rethink long-standing aid practices and in motivating donors to commit to working more closely together. However, when set against the enormous problems caused or exacerbated by multiple agencies still continuing to implement their own programmes relatively independently, progress appears modest, and achieving smooth coordination and coherence among development partners and their different initiatives remains a challenge (VBNK 2010).

At sectoral level, the **TWGs** are the platforms on which government ownership and strategic leadership are supposed to be exercised. The 18 government–donor sectoral working groups aim to coordinate and support government cooperation and donor support. Most of these TWGs, six of which work directly in the ARD sector, are co-chaired by a senior official or ministry official and a leading donor organisation, with members from relevant ministries and donor agencies (Table 3). A high-level **Government–Development Partner Coordination Committee (GDCC)** was created in 2004 to provide policy guidance to the TWGs and to set priorities on development cooperation. The



GDCC is also tasked with coordinating the TWGs and resolving issues and problems that cannot be solved at the TWG level. The GDCC now meets semi-annually and a GDCC Secretariat has been established at CRDB.

The TWG mechanism is particularly intended to attain the following objectives (RGC 2006):

1. Strengthen government ownership and leadership of a partnership-based development process;
2. Promote alignment of development partners' support with national development priorities, policies and strategies;
3. Harmonise development partners' procedures;
4. Provide a forum for the programming of all resources—domestic and external—to minimise overlap and finance according to priority;
5. Foster the development of programme-based approaches and/or sector-wide approaches (SWAps);
6. Promote partnership and sectoral policies and strategies;
7. Provide an opportunity to objectively monitor and evaluate the effectiveness and impact of all resources;
8. Identify and agree on an appropriate approach to capacity development; and
9. By locating the GDCC at the centre of the TWG structure, allow for effective monitoring of the overall coordination mechanism which, in turn, aims to promote lesson learning, identification of good practice and overall implementation of the government aid effectiveness agenda.

All the six ARD TWGs play a critical role both in improving the coherence of ARD policy and in ensuring coordination between development partners and government ARD institutions.

Interviews revealed that not all ARD TWGs are perceived to function well. Some are beginning to come to grips with issues but others are not demonstrating much progress. This uneven performance influences differing capacities to deliver. Some case studies suggest other factors that contribute to the weak performance of some TWGs, such as a breakdown in communication, goodwill, participation and trust in TWGs between government and development partner participants.

Table 3: ARD TWGs

No	Name of TWG	Name of government chair	Lead donor facilitator
1	Decentralisation and De-concentration	Ministry of Interior	UK (DFID)
2	Planning and Poverty Reduction	Ministry of Planning	UN, World Bank
3	Agriculture and Water	MAFF and MoWRAM	AusAID, AFD
4	Fisheries	Fisheries Administration (MAFF)	DFID
5	Forestry and Environment	Forestry Administration (MAFF), MoE	DANIDA
6	Food Security and Nutrition	Ministry of Planning, CARD	FAO, WFP

Source: USAID Country Mission Office

Nevertheless, we also were told of a number of success factors related to TWGs with regard to increased cooperation in the sector; stronger institutional leadership; more ministry staff with

solid qualifications and motivation; lively development partner interest and willingness to provide support; and lesser involvement of highly contentious political issues, powerful financial interest and jurisdictional rivalries. The setting up of networking and the training of TWG secretariats and aid effectiveness focal points have created a useful platform for better awareness, understanding and sharing of information and means for improving aid delivery and management.

Overall, findings from both the literature review and interviews reveal that both government and donors have made tremendous efforts to improve aid effectiveness and to work towards more policy coherence and better coordination. A wide range of mechanisms has been put in place at both national and sectoral level. This means there are now sufficient mechanisms to improve aid effectiveness and policy coherence. However, some mechanisms that play a very important role in coordination and coherence are not functioning effectively. There should be a concrete study on ways to improve the performance and promote the effectiveness of TWGs.

#### **4.3. Lessons Learnt**

This study generates several lessons learnt:

1. The success of the government in formulating sectoral policy for ARD marked a cornerstone in sector development. All the case studies confirm that donors now have a better vision in terms of taking part in the ARD sector through the framework of ARD policies. However, though sectoral policies are comprehensive, they are also too ambitious, reflecting both government and development partner priorities. Interviews revealed that ARD policies do not show clear priorities, which leads to fragmentation in aid disbursements.
2. Improving the functioning of the TWGs is key not only to improving coherence but also to promoting good coordination among different government institutions and development partners. It seems that synergy in the ARD sector is in the hands of the six TWGs currently working on ARD issues. Getting the TWGs to work effectively will be an extremely difficult task. Their limited performance so far arises from breakdowns in communication, goodwill, participation and trust between the government and development partner participants, which is only a surface symptom of deeper issues related to coordination, differing interests and fragmentation among ministries as well as donors. These issues are too complex to have a generic solution. All four case studies showed some evidence to support this problem. For example, the SME sub-committee was formed in 2004 to serve as a mechanism to coordinate framework activities, including the promotion of policies to develop SMEs. However, even though progress in promoting better coordination among government institutions has been made, the issues of lacking coordination and overlapping roles and responsibilities still exist among the 25 different government institutions and organisations. The difficulties in improving coordination somehow lead to the malfunctions in this sub-committee.
3. Cambodia still needs a great deal of support from development partners in various sectors. Hence, a tension remains in terms of the ownership of the aid agenda. Excessive dependence on aid may hinder the country from exercising policy autonomy. Also, the government faces capacity constraints in terms of formulating policies, which means the government and donors jointly decide development policy content and budget allocations, including aid money, and jointly monitor development activities.
4. Coherence among the different ARD initiatives is determined not only by donors' efforts and commitments but also, largely, by government action to tailor and direct donors' activities. While Cambodia still needs support and also faces a number of internal challenges, the country still needs to continuously demonstrate self-reliance with regard to developing and managing policy implementation. Other aid-recipient countries have shown encouraging

evidence that a combination of good leadership and good policy can help boost self-reliance to increase the level of aid effectiveness to promote a national development strategy (Ohno 2005). Some research even suggests that aid works best if it is given to countries and governments with strong commitment and capacity to use it well, with transparent and accountable institutions and with policies and strategies geared towards poverty reduction and even better governance, which have been developed in a participatory way and are owned by the country's government and citizens (Riddell 2007). Such means could help Cambodia's government achieve a coherent ARD strategy that could provide real synergy in the sector.

5. Donor initiatives in the delivery of aid have yielded significant results in terms of rural livelihood improvements and ARD sector development. But the most important outcome has been the production of national development policy (NSDP) and sub-sectoral policy. These outcomes of donor efforts have not contributed directly to growth but have served as a guideline for donors and the government to work together in the same direction and promote better coordination among donors.
6. Donors work with government but do not seriously take into account capacity building for government staff in the area of policy formulation and assessment. Meanwhile, donors' desire for efficiency, impacts, innovation, experimentation, speed of implementation and control may lead to donor-driven and -implemented projects, meaning a conflict between donor aims and the aim to concede ownership to government and develop its capacity in this regard. For instance, donors may prefer to produce their own materials rather than develop the capacity of government to do this; to sub-contract projects to NGOs rather than implement them through government; or to create special project implementation units rather than work through existing structures. Improved coordination between donors may not necessarily help promote government ownership and capacity development; rather, it may result in better coordinated but still donor-driven and -implemented projects if it does not take into account government and country needs.



## Conclusion

This study shows that ARD policy coherence through the harmonisation and alignment of donors' initiatives with government ARD policies has improved. A number of factors explain this.

First, government and donor efforts have meant the gradual improvement of national development policies towards a clearer vision for development. This has been a significant cornerstone in the successful formulation of different ARD sub-sectoral policies, which then provide a platform for the sector's development.

Second, problems of **alignment** are not a factor in ARD policy incoherence. Newly formulated ARD policies have been developed jointly by both government and donors, and consolidate government development priorities and donor preference areas into one comprehensive framework, which has made it easier for donors to align with government priorities.

Third, ARD policies provide enough room for complementarities and collaboration among donors, yielding a reduction in unnecessary duplication and rivalry between ARD programmes, which signifies greater **harmonisation** of donor initiatives. Improved harmonisation also reflects the government's and donors' efforts to improve aid effectiveness.

The study concludes that there is no significant policy incoherence in ARD in terms of alignment and harmonisation. **Prioritisation** is practically absent in ARD policies, however, and this is a problem for increasing synergy in the sector. Donors identify different priority interventions based on their own situation analyses and assistance agendas. Most ARD donors still practise piecemeal programmes within the framework of different ARD policies. Meanwhile, the dominance of donor-funded programmes limits government capacity to direct donor initiatives according to its priorities. This dependency on donor assistance largely disables the government from defragmenting donor assistance, despite its good intentions.

Policy incoherence within ARD sub-sectoral policy is created mainly by **weak intra-government** coordination. Weak coordination, institutional complexity and fragmentation are the factors that create overlapping or contradictory sectoral policies which undermine development. Donors' initiatives in the formulation of sub-sectoral policies and their requirement for additional laws, regulations and policies also often contribute to policy contradiction and overlap.

Cambodia has deployed various mechanisms to address policy coherence and improve aid effectiveness. Those mechanisms should be sufficient to address policy and coordination issues at different levels. At the sectoral level, the various TWGs related to ARD are playing an important role in coordinating and supporting government cooperation and donor input. Ensuring the effectiveness of these TWGs will be one of the most important tasks in ensuring policy coherence between government and donors and among donors. And, both government and donors will have a very important role in carrying out this task in the effort to improve policy coherence.

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## Annex 1

### Case Study 1 – Rice Production Programmes and Policy in Cambodia

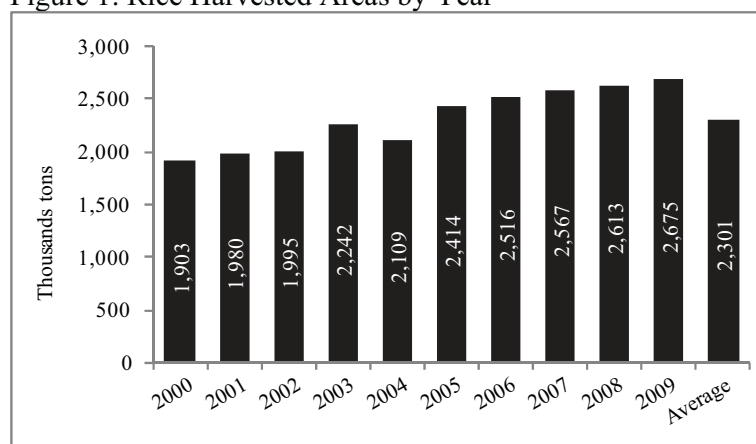
#### 1. Context and Issues

Rice is the staple food and traditional diet for Cambodians. A rice-based farming system has existed in the country for more than two thousand years and rice is still the dominant crop (Nesbitt 1997 cited in Yu and Diao 2010). Over the last ten years, the total cultivated area has gradually increased from 1.9 million ha in 2000 to 2.6 million ha in 2009; the average annual rice cultivated area over the same period stood at about 2.3 million hectares (Figure 1). In 2005, paddy occupied 84 percent of total agricultural land, while the rest was used for industrial (8 percent) and subsidiary crops (8 percent) (Sothath and Sophal, 2010). Rice production was also increased, from 4 million tonnes in 2000 to 7.5 million tonnes in 2009. The annual average paddy rice production over the same period was about 5.4 million tonnes (Figure 2). It is estimated that domestic food requirement consumes on average about 1.9 million tonnes of milled rice per year (MAFF 2010a). The average yield is about 2.3 tonnes per ha; yield fluctuates year by year depending on rainfall distribution and the weather (see Appendix Table 1). According to Yu and Diao (2010), the rice yield grew about 3.9 percent per year between 1994 and 2007.

In Cambodia, rice is grown in two seasons, wet and dry. For the last ten years, on average, about 87 percent of the total rice growing area was cultivated in the wet season, whereas only 13 percent was cultivated in the dry season (MAFF 2010a). Generally, the wet season rice crop depends on rainfall, and yields less than the dry season crop. Non-irrigated wet season rice accounts for more than 75 percent of total rice production (Yu and Diao 2010).

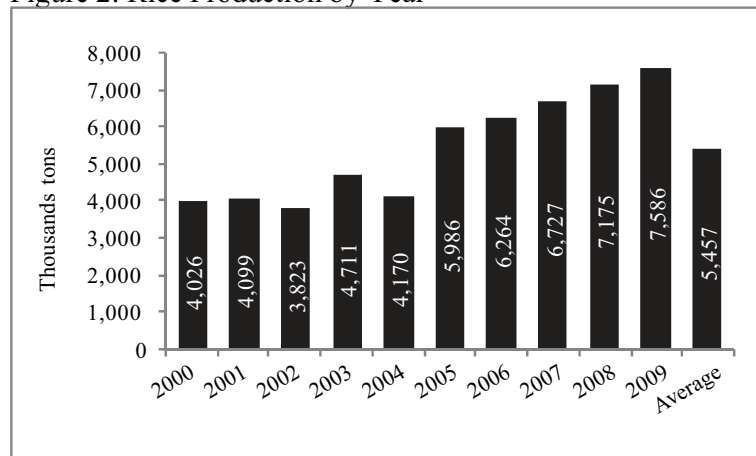
Rice has contributed significantly to Cambodia's economic growth for the last decade. Its share of GDP increased from 6.7 percent (contributing 22 percent of the agriculture sector's total GDP share) in 2002 to 8.6

Figure 1: Rice Harvested Areas by Year



Source: MAFF 2010a

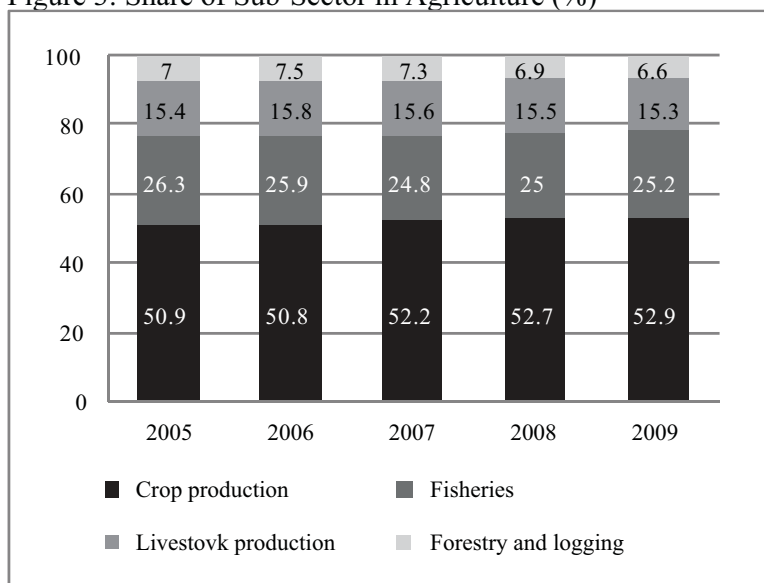
Figure 2: Rice Production by Year



Source: MAFF 2010a

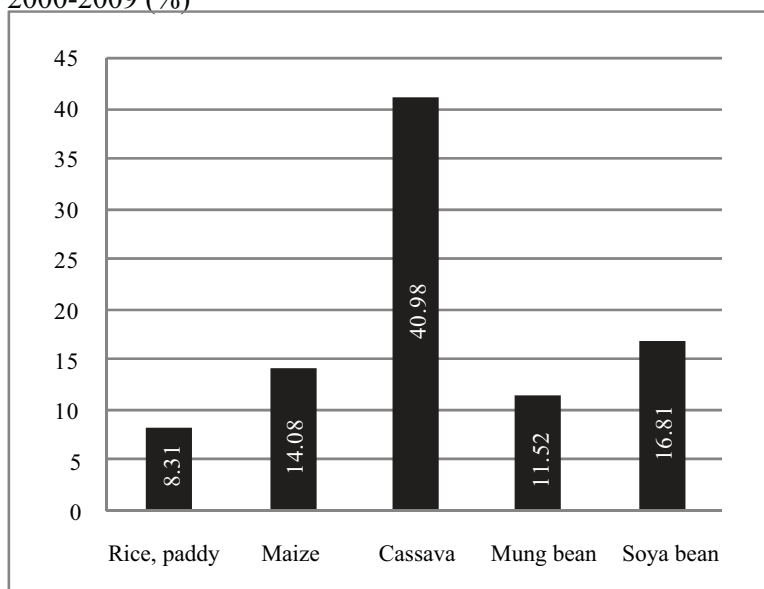


Figure 3: Share of Sub-Sector in Agriculture (%)



Source: MAFF 2010a

Figure 4: Average Annual growth Rate of Main Crops from 2000-2009 (%)



Source: Author's calculation (MAFF 2010a)

(Appendix Table 1). Generally, millions of tonnes of paddy rice have been exported informally to neighbouring countries, namely Vietnam and Thailand, since Cambodia lacks good quality rice millers and is hindered by unfavourable trading conditions, such as informal fees and high transport and processing costs. Only 20,000 tonnes of paddy rice were recorded as being officially exported in 2009 (RGC 2010b).

Cambodia's surge of economic growth during the last decade means that the agriculture sector's share of GDP has decreased overtime, from 45.0 percent in 1994 to 35.9 percent in 2000 and then to 26.5 percent in 2008 (NIS cited in Theng & Chhim 2010). Between 2005 and 2009, crop production – the major crop being rice – contributed more than fifty percent of the sector's GDP share (Figure 3).

percent (29 percent of agriculture sector's total GDP share) in 2007, in 2000 prices (NIS cited in IMF 2009). Because most of the rice is grown as a subsistence crop and mainly used for rural household consumption, its contribution to GDP has only changed slightly over the last decade. There are no statistics on labour employed in the rice sub-sector specifically; however, there are records for the agriculture sector. According to NIS (cited in IMF 2009) the share of employment in agriculture decreased from 65.2 percent in 2002 to 50.6 percent in 2007. This decrease, to some extent, reflects the increased employment needs of the industry and services sectors e.g. the share of the total labour force employed in industry increased from 10.2 percent in 2002 to 15.4 percent in 2007, and that of services rose from 19.5 percent in 2002 to 28.7 percent in 2007.

Although most of the rice produced in Cambodia is consumed on the domestic market, the sub-sector still holds great potential for export. For the period 2000-2009, annual paddy rice surplus was about 1.6 million tonnes on average; the surplus increased every year from 0.14 million tonnes in 2000 to 3.5 million tonnes in 2009

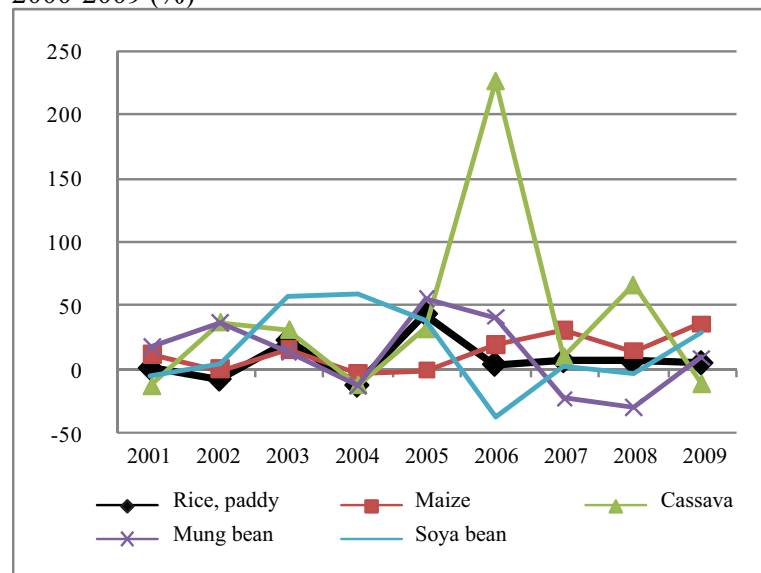
The annual average growth rate of rice production in the period 2000 to 2009 was 8.31percent, lagging behind that of maize at 14.08percent, cassava at 40.98percent, mung beans at 11.52percent and soya beans at 16.81percent (Figure 4). Despite the fact that its growth rate was lower, the gross production value of rice was still the highest compared to other crops, and the rate of growth has increased steadily since 2005 (Figure 6). It is noted that the highest growth rate of rice was 43.54percent in 2005 and that of cassava reached about 226.05 percent in 2006 (Figure 5). Generally, the gross production value of the main crops has been increasing since 2005 due partly to the expansion of crop production areas, improved seeds, better farming techniques, fertiliser, irrigation and favourable weather (Ngo and Chan 2010; Theng and Chhim 2010).

### Government Strategies and Policies:

The government of Cambodia has prioritised agriculture, especially the rice sub-sector, as the main sector for alleviating poverty in the country, particularly rural poverty. The government's main national development strategies for the period 2000-2009 are set out in the Socio-Economic Development Plan (SEDP-II) 2001-2005 - continued from SEDP-I 1995-2000; the National Poverty Reduction Strategy (NPRS) 2003-2005; Rectangular Strategy Phase I and II; the National Strategic Development Plan (NSDP) 2006-2010; and the NSDP- Update 2010-2013. In 2010, with a view to increasing rice export, the government released a policy on the promotion of paddy rice production and milled rice export; one of the goals is to export one million tonnes of milled rice by 2015. There are two other sector level strategies which specifically aim at improving agriculture and water management, namely the Agricultural Sector Strategic Development Plan (ASSDP) 2006-2010 and the Strategy for Agriculture and Water (SAW) 2006-2010. SAW has recently been updated and extended to cover 2010-2013.

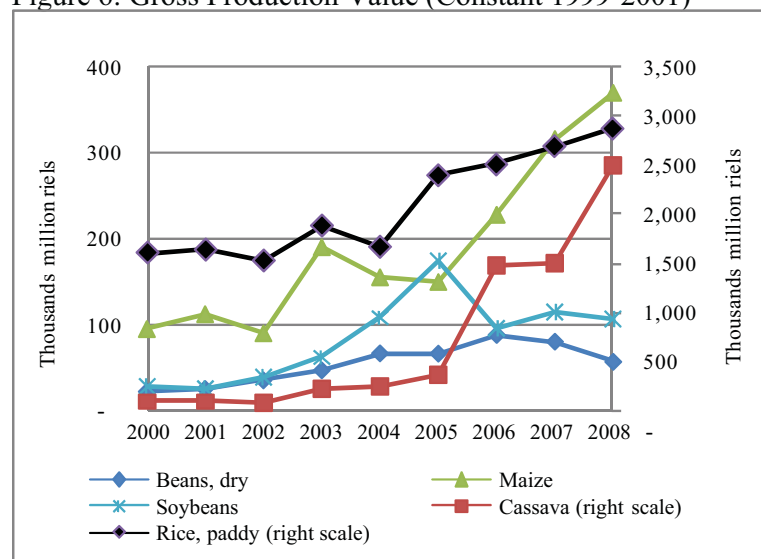
Although development of the rice sub-sector was not an explicit objective of SEDP-II, agricultural growth was recognised and prioritised as the primary direct source of income in the rural

Figure: 5 Annual growth Rate of Main Crops from 2000-2009 (%)



Source: Author's calculation (MAFF 2010a)

Figure 6: Gross Production Value (Constant 1999-2001)



Source: Author compiled from FAOSTAT, retrieved on 14 January 2011

economy and hence, considered important for poverty reduction (RGC 2002b). The NPRS mainly focused on the promotion of agricultural development, water resources management and irrigation development to reduce poverty as well as to improve living standards for the poor (RGC 2002a).

The first phase of the Rectangular Strategy (RS), aimed at promoting growth, employment, equity and efficiency, was officially implemented in 2004 and the second phase in 2008. It forms the foundation of the third and fourth legislatures of the government, which mandate from 2003-2008 and 2008-2013, respectively. Good governance is the core rectangle. Agriculture is the first rectangle, which means that it is the first priority that the government needs to deal with, and its angles are improving agriculture and diversification, land reform and mine clearance, fisheries reform and forestry reform (RGC 2008). The NSDP is a comprehensive strategy that was formulated using the RS as its agenda. It synthesises various policy documents into a single document for the five year plan (RGC 2006). Table 1 shows the main agriculture sector indicators targeted in the NSDP.

Table 1: NSDP Macro-Goals and Critical Indicators for Agriculture

Targeted indicators	2005	2010
- Paddy yield per hectare (tonnes)	1.97	2.4
- Irrigated area (% of rice area)	20	25
- Land reforms: land titles to farmers (% of total agricultural land)	12	24

Source: RGC 2006

The NSDP-update extends the NSDP to cover 2010-2013. Similarly to NSDP 2006-10, it is a single government policy platform which elaborates Rectangular Strategy Phase II with the overall goal of reducing poverty and stimulating economic growth. The agricultural sector is seen as the main vehicle for achieving the government's strategic goals (RGC 2010a). Table 2 shows the agricultural sector indicators targeted in the NSDP-update.

Table 2: NSDP-update Macro-Goals and Critical Indicators for Agriculture

Targeted indicators	2010	2015
- Paddy yield per hectare (tonnes)	2.8	3.0
- Irrigated area (% of rice area)	33.5	-
- Land reforms: land titles to farmers (% of total agricultural land)	24	-

Source: RGC 2010a

With the ambitious millennium development goal of halving the number of Cambodians living in poverty by the year 2015, the government recognised the critical importance of the agriculture sector, but specifically rice as being the one sub-sector that could make this happen, particularly, for rural people. Thus, the policy to promote paddy rice production and export set 2015 as the target year to reach paddy rice surplus of 4 million tonnes and milled rice production of at least one million tonnes. The government's vision is to bring Cambodia into the world market as a key milled rice exporting country. The government has committed to removing all barriers to milled rice export. Measures have been set related to paddy rice production, collection and processing, logistics, and marketing. The policy clearly assigns specific responsibilities to all government agencies concerned (RGC 2010b).

Two sector strategies, specifically for agricultural development, were formulated. The Agricultural Sector Strategic Development Plan (ASSDP) 2006-2010 is a specialised policy on agriculture, fisheries and forestry that captures relevant elements from the RS and NSDP. It was undertaken by the Ministry of Agriculture, Fisheries and Forestry (MAFF). The overall objective of this strategy was to improve agricultural productivity and diversification, which mostly referred to the rice sub-sector. Five programmes specifically focused on this strategy: 1) agricultural productivity and diversification; 2) market access for agricultural products; 3) institutional and legislative framework and human resource development; 4) sustainable fisheries resource management; and 5) sustainable forestry resource management (MAFF 2005).

Similarly to the ASSDP, the Strategy for Agriculture and Water (SAW) 2006-2010 elaborated on relevant components from the RS and NSDP – enhancement of the agricultural sector and rehabilitation and construction of physical infrastructure. The overall goal of the strategy is to contribute to poverty reduction, food security and economic growth through enhancing agricultural productivity and diversification and improving water resources development and management. SAW was updated and extended to cover 2010-2013. There are five programmes in this strategy: 1) institutional capacity building and management for agriculture and water; 2) food security; 3) agriculture and agri-business (value chain); 4) water resources, irrigation management and land; and 5) agricultural and water resource research, education and extension. MAFF and the Ministry of Water Resources and Meteorology (MOWRAM) are responsible for leading SAW, which they implement through the mechanism of the Technical Working Group on Agriculture and Water (TWG-AW) (TWGAW 2007).

### **Strategies and Programmes of Principal Donors:**

Since 2000, 15 major donors have been involved in the agricultural sector (CDC 2010; MAFF 2010b). Projects related to sub-components such as water and irrigation and extension services can impact directly on the rice sub-sector. The key donors are ADB, AusAID, China, FAO, France, IFAD, JICA, Korea and the EU.

ADB has its own country strategy and programme to help reduce poverty in Cambodia. Its key strategic objectives are: 1) sustainable economic growth through agriculture and rural development, 2) human resources and social development, and 3) creating an enabling environment for private sector development. With regard to the agricultural sector, it focuses on (i) improving farmers' ability to raise productivity, diversifying production towards higher-value crops, and connecting producers to markets; (ii) enhancing the market environment for private agriculture-based enterprise growth; and (iii) strengthening institutional capacity for competitive commercial agriculture (ADB 2005). ADB has mostly funded projects in the Tonle Sap region. AusAID mostly focuses on the agricultural sector, especially rice, as the central pivot for its strategies and programmes. AusAID's most well known contemporary programme, the Cambodia Agriculture Value Chain Project (CAVAC) which was implemented in 2009 and is scheduled to complete in 2013, largely focuses on rice production.

The FAO is a UN organisation that specialises in agriculture; therefore, its programme and strategy need to harmonise with the United Nations Development Assistance Framework (UNDAF). UNDAF's initial strategic plan for 2006-2010 has been updated to 2011-2015. UNDAF intends to improve agricultural productivity and diversification in line with national programmes for agricultural development and rural poverty alleviation (United Nations 2010). There is no specific mention of rice production in this framework. The French Development Agency (FDA) has many programmes in Cambodia; its projects related to agriculture focus on irrigation, particularly in the north western region (CDC 2010).

IFAD's development programmes focus on rural people and improving service delivery and agricultural productivity, including rice production. IFAD has its own development plan named the Country Strategic Opportunities Programme (COSOP). The active COSOP, covering the period 2008 to 2012, has two strategic objectives: sustainable livelihood improvement of the rural poor, and promotion of decentralisation and de-concentration and local governance for pro-poor agricultural and rural development (IFAD 2007). The activities of JICA in Cambodia are mostly related to infrastructural development. In terms of supporting the agriculture sector, it has provided technical services and funded the rehabilitation of some irrigation systems (CDC 2010). The European Commission (EC) has its own Country Strategy Paper and National Indicative Programme for Cambodia and aligns its main strategic objectives with the Cambodian government's strategic plan, though there is no specific reference to the rice sector in this strategy. The main EC supported programme is ECOSORN, an integrated development project in the north-western provinces of Cambodia.

Over the last decade Korea and China have been emerging as donors for Cambodia. They have a few projects related to agriculture which focus on water resources and irrigation-based rural community development. The majority of aid provided by China has funded irrigation development (CDC 2010).

## **2. Coherence of Rice Sector Policy**

This section discusses three main issues of policy coherence in the rice sector: (i) the alignment of policies and programmes to support the promotion of the rice sub-sector; (ii) the harmonisation of policies and programmes; (iii) policy coherence within the government and donors' policies.

### ***2.1. Alignment of Donor Policies and Programmes to Government Rice Sector Policy and Strategy***

The government has had no specific strategy for rice production since 2000. Since it is the main sub-sector in agriculture, the rice crop was prioritised in all economic development agendas and strategies, mainly the Socioeconomic Development Plan (SEDP), National Poverty Reduction Strategy (NPRS), Rectangular Strategy (RS), and the National Strategic Development Plan (NSDP). All ministries that are actively involved in the agricultural sector must be aligned to these strategies, specifically the Ministry of Agriculture, Forestry and Fisheries (MAFF), and the Ministry of Water Resources Management and Meteorology (MOWRAM). These two ministries also have individual and joint strategies which focus on specific tasks such as the Agricultural Sector Strategic Development Plan (ASSDP) and the Strategy for Agriculture and Water (SAW). These two strategies have captured some elements from the RS and NSDP.

It is believed that enhancing the productivity of the rice sector could improve the living standards of poor people, especially in rural areas. The government released a policy in 2010 to promote rice production and rice export, thus providing a platform for the government to improve the rice sector and achieve the targets set for rice productivity and milled rice export by 2015. The policy was formulated in consultation with relevant ministries and major donors, and clearly defines ministries' responsibilities.

The major donors that have clear strategies to reduce poverty through developing Cambodia's agricultural sector have also aligned their strategies, policies and programmes with the government's national strategies and vision, for instance ADB, FOA, AusAID and IFAD.



## ***2.2. Harmonisation of Policies and Programmes***

The rice sector continues to be targeted by development partners to reduce poverty in Cambodia. Those donors have their own specific strategies for development. Despite the fact that rice was not specifically targeted in ADB's country strategy for Cambodia, its projects related to agriculture focus on raising productivity and increasing diversification, as well as improving connection to markets and enhancing the market environment. AusAID put rice at the centre of its development assistance to Cambodia; its main projects specifically focus on the agricultural value chain. The FAO is the main UN agency working in Cambodia's agriculture sector, focusing on four components – water management, diversification, intensification and constraints analysis. It is also involved in training farmers and MAFF staff on crop intensification and diversification, and small-scale irrigation. At grassroots level, FAO uses a participatory approach, including the establishment of farmer organisations and farmer field schools. IFAD focuses on improving agricultural productivity and service delivery. Other major donors such as China, France, Japan, Korea and the EU mostly focus on irrigation development, though their specific target areas vary.

Generally the major donors involved in agricultural development, particularly the rice sub-sector, align and harmonise their strategies or programmes with government policy and have done so since the RS and NSDP was first implemented.

## ***2.3. Policy Coherence Within Government and Donors Policies***

The government had no specific policy for rice sub-sector development between 2000 and 2009. However, rice was prioritised in all agricultural development and poverty reduction strategies and policies. Ministries harmonised their individual strategies and programmes with national strategic plans and objectives. The two main ministries involved in the development of the rice sector are MAFF and MOWRAM. They are responsible for the two strategic frameworks formulated by the government: the Agricultural Sector Strategic Development Plan 2006-2010 and the Strategy for Agriculture and Water 2006-2010. Major donors' programmes involved in agriculture, particularly rice, were in line with all of the government's strategies.

## **3. Mechanism to Coordinate and Improve Coherence**

The Technical Working Group on Agriculture and Water (TWG-AW), established under the framework of the Council for Development of Cambodia (CDC), is co-chaired by MAFF and MOWRAM and is the mechanism for dealing with agricultural development, including the rice sub-sector. The most important objective of this mechanism is to promote the optimal and most effective use of all resources available to the government, both domestic and external, to implement the relevant components outlined in the NSDP. The success of TWG-AW as reflected in the result of SAW 2010 and its update 2010-2013 suggests the good performance of the TWG-AW. However, the smooth functioning of the TWG-AW is often undermined by its members' poor attendance of meetings and the lack of funding to run the meetings on schedule. The main reasons for low attendance at meetings are: 1) donors tend to only participate in those meetings where the agenda is in their interest; 2) senior government staff are not interested in participating in the meeting because the SAW 2006-2010 has not been widely implemented yet; 3) the contact list is not updated with members that have left and new ones that have joined which hampers communications.

There is a declaration by the government and its development partners on enhancing aid effectiveness. The main aim is to support the NSDP and Cambodia Millennium Development Goals (CMDG). From interviews, development partners have committed to align and harmonise their programmes and strategies with the government's vision for the agricultural sector, including the rice sub-sector. Many development partners have a wide variety of ARD focused programmes,

however a large proportion of these focus on the rehabilitation of small and medium scale irrigation facilities to enable increased rice production. Although MAFF is the government agency responsible for implementing agricultural activities in the country, it needs a lot of support from development partners to deliver services. This lack of support hinders MAFF from exercising the government's policy prioritisation.

#### **4. Lesson learned**

Although Cambodia's economic structure has changed rapidly over the last decade, the agricultural sector, especially rice, remains critically important for driving economic growth and poverty reduction. Even though it had no specific policy until very recently (2010), the government has included rice sub-sector development in various development strategies and policies. Since the government launched the NSDP in 2005, donors have aligned and harmonised their programmes related to agriculture, mostly in the rice sub-sector, respectively.

The TWG-AW is a very important feature of agriculture and water development in Cambodia because it is the specific mechanism through which government and donors can discuss and harmonise their strategies, policies and programmes.



Table A1: Ten years of Rice Production from 2000 to 2009

Items	Unit	Year										Average
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
<b>Cultivated area</b>	<b>ha</b>	<b>2,318,495</b>	<b>2,240,917</b>	<b>2,137,125</b>	<b>2,314,285</b>	<b>2,374,175</b>	<b>2,443,530</b>	<b>2,541,433</b>	<b>2,585,905</b>	<b>2,615,741</b>	<b>2,719,080</b>	<b>2,429,069</b>
wet season	ha	2,058,648	1,974,048	1,845,135	2,030,735	2,075,646	2,121,591	2,212,015	2,241,114	2,255,104	2,334,228	2,114,826
dry season	ha	259,847	266,869	291,990	283,550	298,529	321,939	329,418	344,791	360,637	384,852	314,242
<b>Harvested area</b>	<b>ha</b>	<b>1,903,159</b>	<b>1,980,295</b>	<b>1,994,645</b>	<b>2,242,036</b>	<b>2,109,050</b>	<b>2,414,455</b>	<b>2,516,415</b>	<b>2,566,952</b>	<b>2,613,363</b>	<b>2,674,603</b>	<b>2,301,497</b>
wet season	ha	1,647,812	1,723,385	1,709,652	1,967,036	1,815,619	2,093,564	2,188,726	2,222,596	2,252,733	2,290,552	1,991,168
dry season	ha	255,347	256,910	284,993	275,000	293,431	320,891	327,689	344,356	360,630	384,051	310,330
<b>Yield</b>	<b>T/ha</b>	<b>2.115</b>	<b>2.070</b>	<b>1.916</b>	<b>2.101</b>	<b>1.977</b>	<b>2.479</b>	<b>2.489</b>	<b>2.621</b>	<b>2.746</b>	<b>2.836</b>	<b>2.335</b>
wet season	T/ha	1.949	1.901	1.706	1.951	1.725	2.261	2.272	2.413	2.540	2.620	2.134
dry season	T/ha	3.187	3.204	3.181	3.175	3.536	3.901	3.938	3.959	4.030	4.126	3.624
<b>Production</b>	<b>T</b>	<b>4,026,092</b>	<b>4,099,016</b>	<b>3,822,509</b>	<b>4,710,957</b>	<b>4,170,284</b>	<b>5,986,179</b>	<b>6,264,123</b>	<b>6,727,127</b>	<b>7,175,473</b>	<b>7,585,870</b>	<b>5,456,763</b>
wet season	T	3,212,269	3,275,953	2,915,900	3,837,957	3,132,581	4,734,300	4,973,694	5,363,690	5,722,142	6,001,385	4,316,987
dry season	T	813,823	823,063	906,609	873,000	1,037,703	1,251,879	1,290,429	1,363,437	1,453,331	1,584,485	1,139,776
<b>Food requirement</b>	<b>T</b>	<b>1,980,642</b>	<b>1,918,184</b>	<b>1,972,367</b>	<b>1,936,565</b>	<b>1,905,896</b>	<b>2,013,533</b>	<b>2,053,983</b>	<b>2,096,025</b>	<b>1,970,270</b>	<b>1,979,214</b>	<b>1,982,668</b>
<b>Milled rice surplus</b>	<b>T</b>	<b>91,185</b>	<b>364,148</b>	<b>156,006</b>	<b>686,496</b>	<b>416,118</b>	<b>1,319,571</b>	<b>1,433,880</b>	<b>1,649,640</b>	<b>2,025,033</b>	<b>2,244,598</b>	<b>1,038,668</b>
<b>Paddy surplus</b>	<b>T</b>	<b>142,477</b>	<b>568,981</b>	<b>243,759</b>	<b>1,072,650</b>	<b>650,184</b>	<b>2,061,830</b>	<b>2,240,438</b>	<b>2,577,562</b>	<b>3,164,114</b>	<b>3,507,185</b>	<b>1,622,918</b>

Source: MAFF 2010

Table A2: Production of Main Crops in Cambodia (Tonnes)

Items	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average
Rice	4,026,092	4,099,016	3,822,509	4,710,957	4,170,284	5,986,179	6,264,123	6,727,127	7,175,473	7,585,870	5,456,763
Maize	71,462	80,215	80,470	93,362	91,203	90,732	108,836	142,391	163,106	221,287	114,306
Cassava	16,279	14,239	19,563	25,740	22,749	30,032	97,918	108,122	179,945	160,326	67,491
Mung beans	24,991	29,431	39,802	44,940	39,089	60,570	85,140	65,261	45,605	49,599	48,443
Soya beans	33,256	31,997	33,438	53,064	84,886	118,760	75,053	76,981	74,413	96,388	67,824

Source: MAFF 2010

Table A3: Annual Growth of Production of Main Crops in Cambodia (%)

Items	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average
Rice	01.811	-6.746	23.243	-11.477	43.544	4.643	07.391	6.665	05.719	08.31
Maize	12.248	0.318	16.021	-2.313	-0.516	19.953	30.831	14.548	35.671	14.08
Cassava	-12.531	37.390	31.575	-11.620	32.015	226.046	10.421	66.428	-10.903	40.98
Mung beans	17.766	35.238	12.909	-13.020	54.954	40.565	-23.349	-30.119	8.758	11.52
Soya beans	-3.786	4.504	58.694	59.969	39.905	-36.803	2.569	-3.336	29.531	16.81

Source: Author's calculation using data from MAFF 2010

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## Annex 2

### Case Study 2 – Policy on Fisheries Sector

#### 1. Context and Issues

Cambodia's fisheries provide full-time, part-time and seasonal employment for up to 6 million people – over one third of the population (RGC 2010). The fisheries sector is also critical to domestic food security, providing over 80 percent of animal protein in the national diet and a prime source of essential vitamins and micro-nutrients in a country where 30 percent of children are undernourished. Freshwater capture fisheries in Cambodia are among the largest and most significant in the world, with an estimated catch of 250,000 to 400,000 tonnes per year (Table 1).

Table 1: Trend of Fish Capture and Export 2000-2008

	2000	2002	2004	2006	2008
<b>Fisheries:</b>					
Inland (tonnes)	245,600	360,300	250,000	422,000	365,000
Marine (tonnes)	36,000	45,850	55,800	60,500	66,000
<b>Aquaculture:</b>					
Inland (tonnes)	14,410	14,547	18,585	34,160	39,035
Marine (tonnes)	20	53	75	40	75
<b>Trade and Export:</b> (tonnes)	43,600	52,500	45,850	30,000	25,000
Flooded forests:	778,399.4 ha				
<b>Other:</b> (fingerlings)	7,508,000	13,420,000	15,793,000	21,335,000	37,193,000

Sources: FiA 2010; FiA 2005 for data on flooded forests

The coastal area also has high potential for fisheries production. In aggregate, fisheries production is estimated to be worth around USD200-300 million per year at the point of landing and the value of fish exports has been estimated to be as high as USD100 million per year (RGC 2010). The combined value of fisheries harvesting, processing and trade contribute an estimated 8-12 percent of GDP (RGC 2010).

For all these reasons – rural livelihoods, food security and contribution to the national economy – sustaining Cambodia's fisheries and the value they generate is a national priority. A series of policy reforms implemented since 2000 have significantly expanded local communities' access to freshwater fisheries, and instituted a system that enables community-based management. Key actions include 1) reduction of commercial fishing lots; 2) creation of a dedicated department to support community fisheries; 3) capacity building of community fishery organisations at local level supported by a range of government, donor and NGO initiatives; and 4) revision of the fisheries law and adoption of regulations that establish the legal authority of community fishery organisations to manage designated fishing grounds. One side of the Rectangular Strategy is devoted to fisheries reform which aims at enforcing the law, making action plans and strengthening all relevant institutions to achieve the national goals of environmental fisheries protection, conservation of

biodiversity, socioeconomic development, good governance and poverty alleviation. These goals are clearly mentioned in the government's political programme on the fisheries sector as well as in the Socio Economic Development Plan, the Preliminary Strategy of Poverty Alleviation and the Good Governance Action Plans.

In its Strategic Planning Framework (SPF) for Fisheries, the Fisheries Administration defines seven goals that encompass the government's vision for the future of the sector. These goals include 1) maintaining a high and sustainable contribution of fisheries and aquaculture for national prosperity; 2) improving livelihoods and resilience in the fisheries sector, sustainable management of the fisheries domain and associated resources, and sustaining abundant fish supply as a valuable source of food; 3) promoting sustainable, profitable and responsible business development in the sector; 4) collaborating closely with neighbouring countries for fisheries management, development and conservation; and 5) enabling appropriate policy and regulatory environment to support the fisheries sector.

The implementation of the fisheries policy has made some significant achievements and led to a more poverty-focused approach. Since the release of the fishing lot to community use in 2000, 433 inland and 35 coastal fishing communities have been established. In addition, 235 community fish refuges (CFR) have also been established, mostly in remote areas far away from important water bodies. This reflects the policy reform's great success in ensuring people's access to fisheries resources.

Despite this significant success, increasing pressure on fisheries resources threatens the livelihoods of the most vulnerable. Driving factors include destructive fishing practices, land use change, fishing beyond the natural regeneration capacity of the systems, upstream dam development on the Mekong River and climate change. Lastly, as the range of competing water and wetlands use expands along with the number of people seeking a livelihood from fishing, the most vulnerable are being excluded. Nonetheless, the potential for building a resilient fishery with equitable distribution of benefits remains.

To address those challenges, government, donors and NGOs have been paying particular attention to implementing the fisheries policy through their programmes and projects. The outcomes of the programme implementation reflect to some extent whether (i) fisheries policies have been comprehensively formulated and (ii) different fishery development frameworks create enough synergy for development. Rather than focusing on fisheries policy implementation, this case study aims at exploring the coherence of fishery sector policy between the government, donors and implementing institutions such as NGOs.

## **2. Coherence of Fisheries Sector Policy**

This section discusses three main policy coherence issues that affect the fisheries sector: (i) alignment of donor programmes with the government's policies and priorities; (ii) coherence within government policy; and (iii) harmonisation of different policies and programmes across different donors and the government.

### ***2.1. Alignment of Donor Policies and Programmes to Government Fisheries Policy and Action Plan***

Given the importance of fisheries to livelihood improvement, fisheries reforms are an integral component of the overall Enhancement of Agriculture Sector Strategy, the first triangle of the National Socio-Economic Development Plan (NSDP). Fisheries policy is well aligned with national policy at macro level, or in other words, it is relatively easy to claim alignment within the very broad framework of the NSDP. Donors also find it easy to align their programmes and policies to fit the

fisheries policy framework. One of the most obvious examples is DANIDA's Natural Resources and Livelihood Programme that has provided substantial financial support to both the fisheries and forestry sectors. Despite the alignment of donors' programmes with government policy, information gathered in our interviews suggests that donors' programmes have a broad development remit which includes fisheries as a part of their portfolio. Few have a specialist natural resources and environment focus, for example DANIDA. Again, the fisheries policy formulated by the government is comprehensive and covers almost every aspect of fisheries development which makes it almost impossible for donors not to align their efforts with national policy, whatever their programmes regarding fisheries are. The alignment of the government's fisheries policy and donors' fisheries initiatives also signifies a more assertive effort from the government to improve both macro policy e.g. the NSDP as well as sectoral policy i.e. fisheries policy.

Some critical challenges regarding the issue of alignment were raised by the key informants. Although the fisheries policy is comprehensive, it fails to clearly prioritise contemporary issues. Some donors said that even though they try to align their policy and programme, they still lack a clear sense of how to prioritise their programme to fit perfectly with the government's policy priorities. They would rather come up with their own programme that also to some extent fits with government policy. Resources that have been channelled through donors' support would have been used more effectively had the government clearly prioritised areas for development and coordinated resource allocation to priority sectors and had the development partners fully committed to doing so. Government expenditure on fisheries development, management and conservation during 2007-2008 was approximately USD1 million per year, of which donor funds directly contributed some 80percent. This was a significant increase over previous years. The CDC estimates that in 2006, official development assistance (ODA) to fisheries amounted to around USD240,000 or 0.9percent of all ODA (FiA 2009). This overwhelming support and dominance of donor funding suggests the government's limited autonomy and capacity to exercise fisheries sector policy and why previous policies have failed to clearly define priorities.

The government realises that the fisheries policy is ambitious. It is therefore necessary to set principles for prioritisation so that these may be applied in lower level development and action planning when and where necessary. The new strategic framework for fisheries 2010-2019 has clear and focused policy priorities for the fisheries sector. The key policy areas are 1) research and development; 2) human resource development at central as well as cantonment level; 3) aquaculture production, both inland and marine; 4) community fishery and rice field fisheries production; 5) reduction of post-harvest loss and waste of small scale operations; 6) development and implementation of fisheries cantonment plans; 7) conservation and protection, including (i) mapping, demarcation and protection of flooded forest, (ii) the protection and conservation of upper Mekong deep pools, (iii) areas of critical fisheries habitats under sustainable management, (iv) a comprehensive plan for regional cooperation to address international issues facing fisheries in Cambodia, including climate change, damming and environmental degradation, to be developed by the end of 2011 (RGC 2010).

## ***2.2. Harmonisation of Policies and Programmes***

The fisheries policy provides the government and donors with good and clear guidance for designing and implementing their policies and programmes. Development partners have made concerted efforts to better harmonise their projects and avoid duplication. As well as prioritising harmonisation, some development partners have also adopted a programme-based approach (PBA), for example, the community fisheries project in the Tonle Sap supported by the FAO, and the Natural Resources Management and Livelihood Programme supported by major donors such as DANIDA, DFID and NZ Aid. There are around 30 NGOs involved in fisheries related activities in Cambodia.



Most of these have a broad development remit which includes fisheries as a part of their portfolio. Few are specialist fisheries organisations. Many of these are concerned with fisheries conservation or fisheries development. Some are also involved directly in post-harvest fisheries especially in trade-related issues. Other NGOs are involved in credit provision to poor rural people and some have been involved in secondary and tertiary industry development (FiA 2009).

From the interviews, there is no evidence that donor aid programmes and government policy work against one another. Both the Fishery Administration and development partners have a broad spectrum of policies and procedures in place to promote wider and deeper harmonisation in delivering aid. One of the key factors that improve harmonisation of policy among government institutions and donors is improved coordination during policy design and formulation. According to the Fisheries Administration (FiA), the strategic planning framework has been built through a process of consultation with different stakeholders in the fisheries sector over many years. The FiA has worked closely with development partners to understand their aims and aspirations and engaged with them through direct consultation and a number of “Fisheries Forums” to consider the main issues facing the sector and, in particular, to identify its opportunities and challenges. The FiA has also worked closely with communities and communes, where fisheries are either a source of food or employment, to understand the needs of these communities where fisheries development and management are concerned. This was done through a wide-reaching process of needs assessments, impact assessments and consultation meetings. From this perspective, the harmonisation of fisheries policy – both choice and design – is achieved. Again, this clear policy framework contributes substantially to the better harmonisation of aid programmes.

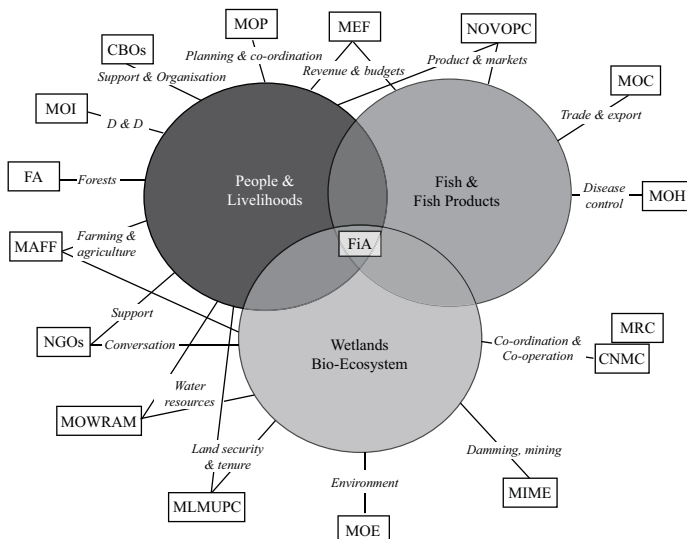
Despite the great efforts made to harmonise policy and programmes, lack of funding to implement some activities was reported. Key informants pointed out that even though consultation is improved and project implementation is better coordinated, some aid efforts are still fragmented

### ***2.3. Policy Coherence Within Government Policies***

The fisheries sector is inextricably linked with many parts of Cambodian government and society. Diverse institutions across a broad spectrum are working in various areas that touch on the fisheries sector and fisheries policies, including the Ministry of Land, the Ministry of the Environment, the Ministry of Rural Development and the Ministry of Water Resource Management (Figure 1). Although they are not primarily concerned with fisheries, these institutions are working to respond to the changes that affect the sector. The fisheries policy covers a gamut of policy implications such as land policy, water resource management policy, energy policy and environmental conservation policy. A large part of the success of future fisheries planning depends upon the rural economy being diverse enough to address the needs of the ever-expanding population and those displaced by better managed fisheries. This then brings livelihood diversification policy, which is already on the NSDP rural development agenda, into sharp focus. One lesson is that the lack of effective coordination in policy formulation and design leads to overlapping and conflicting roles and responsibilities and to some extent undermines the development of the fisheries sector. Clear evidence of impact on fishery management at sub-national level is vital. For effective fisheries management, harmonisation and coordination of fisheries, agriculture and environment policy is needed. This is a hot issue in promoting sustainable fisheries management, but is constrained by the lack of political will to cooperate at ministry level (CDRI 2010). As a consequence, the opportunity for a synergy of a wide range of policies for fisheries development is lost.



Figure 1: Linkages of the Fisheries Sector with Other Parts of Cambodian Government and Society



Source: RGC 2010

### 3. Mechanism to Coordinate and Improve Coherence

The Technical Working Group on Fisheries (TWGF) is the mechanism through which government and development partners could work together and improve coordination on fisheries issues. The TWGF was established to improve aid coordination and serves primarily to promote aid effectiveness and development partnerships related to fisheries. It has been chaired by both government and development partners – DANIDA in particular. Over the past five years the TWGF has brought together government development partners and civil society organisations (CSOs) to identify and review the fishery sector action plan and policy.

The main roles of the TWGF are to:

- (1) Operate as an effective informing and influencing interface between Fishery Administration, development partners and NGOs.
- (2) Facilitate high level policy dialogue to ensure the policy and plans of the fisheries sector reflect its importance to the livelihoods of poor rural people and to national policy.
- (3) Ensure mutual accountability of the Fishery Administration and development partners for development result.
- (4) Exercise and support effective leadership (i.e. ownership) over fisheries sector development policies and strategies and coordinate development initiatives.
- (5) Align development partners' overall support with Cambodia's development strategies institutions and procedures.
- (6) Harmonise development partners' actions for transparency and effective collective efforts.
- (7) Manage and facilitate jointly-agreed result-oriented reporting and assessment frameworks to better manage resources and improve decision making.
- (8) Encourage development partners to support the FiA.

The TWGF plays a critical role in ensuring policy coherence and promoting coordination. Its 2010 progress report further indicates that most of the group's activities are in good progress and on schedule. This reflects the effectiveness of the TWGF and the commitment of both government and development partners to improve coordination of policy formulation towards more effective use of aid.

The TWGF reported some difficulties in the implementation of its Action Plan 2006, namely that many activities require TWGF members to work through the thematic sub-group, for example, debating certain issues and presenting them to the TWGF meeting. But the regular TWGF meetings are poorly attended which has implications for overall implementation and coordination among stakeholders. As with other TWGs, the main reasons for low participation in the meetings are: 1) the contact list is not kept updated: 2) donors tend to attend only those meetings where the agenda is in their interest: 3) senior government staff are not motivated to participate in the meetings given that implementation of the policy to date has not been significant.

#### **4. Lesson Learned**

Significant progress in improving the coherence of fisheries related policy choices and design between the fishery administration and development partners has been made. With clear and comprehensive improved fishery policy, development partners can align their policy initiative with government fishery policy. There is evidence that duplication of programme activities and areas of implementation is declining through better consultation and coordination among development partners and between development partners and the Fishery Administration. This suggests a more harmonised programme among donors and the government under the umbrella of one policy framework. The Technical Working Group on Fisheries plays a very important role in ensuring coordination between government and donors and other development partners. Thus the TWG is a vital mechanism for improving coherence and reconciling different policy initiatives. However, low participation and attendance from stakeholders could hamper the progress of policy formulation and coordination. It is necessary to ensure and sustain active participation from the TWGF. Improved coordination among government institutions is important to avoid overlapping roles and responsibilities.

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## **Annex 3**

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### **Case Study 3 – Policy Support for the Promotion of Non-farm Rural Enterprise – A Focus on SME Development Policy**

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#### **1. Context and Issues**

The majority (around 80 percent) of Cambodia's total population of 13.4 million live and work in rural areas. Almost 80 percent of the poor live in rural areas and depend on agriculture for their livelihood and access to common property resources for extra income. Cambodia has experienced strong economic growth, averaging 9.5 percent per annum over the period 1999-2008. Much of the growth was concentrated in a few sectors – garments, manufacturing, transport, and hotel and restaurants – and was largely urban based. Although this pattern of growth has changed the structure of the economy, it has brought less significant benefit to the majority of people in terms of employment opportunities, especially those who live in rural areas. An estimate by UNDP and ILO in 2007 put the number of new labour force entrants per year in Cambodia at some 300,000, most of whom are unskilled youth. But growth in the formal sector is not large enough to absorb the growing labour force. With limited employment opportunities, the remaining workers have to find work or self employment in the informal sector, especially in subsistence agriculture. In other words, the benefits of Cambodia's industrialisation have barely impacted on rural areas and thus encouraged the growth of inequality.

One of the most critical challenges for poverty alleviation and sustainable rural livelihoods in Cambodia today is to secure employment for its expanding labour force. The development of the small and medium enterprise (SME) sector is important to rural livelihoods in Cambodia because of its power to generate employment and income for poverty alleviation and a decent standard of living. In developing economies, small businesses are characteristically set up with small amounts of financial capital, low level technology and unskilled labour. This context reflects the current phenomena of rural livelihood change in Cambodia. In the wake of economic reform and liberalisation in the early 1990s, micro and small enterprises – as part of private sector development – held much promise for catalysing positive change in rural livelihoods, but only to the extent that Cambodia could harness the dynamic of this sector. Some non-farm activities have flourished in rural areas but have yet to grow to a magnitude that could transform the structure of rural employment. Even though the SME sector in Cambodia is young, it has great potential to absorb the labour surplus from the agriculture sector.

The number of Cambodian manufacturing SMEs has increased steadily. Statistics provided by the Ministry of Industry, Mines and Energy (MIME 2010) show that 35,560 SMEs operate across the country, employing 125,332 people (Table 1). Compared to 2008 the number of SMEs has increased by 9.41 percent. According to an IFC survey in 2009, micro enterprises represent 97 percent of all businesses operating in Cambodia and 55 percent of businesses are located in provincial areas. The MIME estimated that there were approximately 60,000 industrial SMEs in Cambodia in 2009 but the number of registered enterprises is less than half of all Cambodian manufacturing SMEs (MIME 2010). Many of Cambodia's enterprises have remained informal due to barriers that impede registration and little perceived benefit from joining the formal sector. SMEs in Cambodia are suffering

from obsolete technologies, inadequate training, shortage of capital, and limited market information and channels, thus yielding low income. All these constraints suggest the low productivity of SME that have family-oriented style and being isolated from modern methods. Other constraints to SMEs include lack of regulatory and legal framework, lack of access to and the high cost of institutional finance, and the lack and high costs of infrastructure services such as transport and energy. From the policy point of view, SMEs have so far been constrained by the absence of a development strategy for the sector.

Table 1: Registered SMEs by Industry

Enterprise type	2008		2009		Incremental (%)	
	Number	Labour	Number	Labour	Number	Labour
Food, beverages and tobacco	26,208	57,496	29,987	90,148	14.42	57.79
Textiles, apparel, leather	1,478	12,104	1,443	12,173	-2.37	0.57
Wood products, furniture	-	-	-	-	0.00	0.00
Paper products, printing, publishing	43	884	48	932	11.63	4.41
Chemicals, petroleum, coal, plastics	192	1,678	203	1,810	5.73	7.87
Non-metallic mineral products	875	11,615	987	10,737	12.80	-7.56
Fabricated metal products	3,039	9,921	1,902	1,170	-37.41	-37.81
Other manufacturing	965	3,285	990	3,371	2.59	2.62
<b>Total</b>	<b>32,800</b>	<b>96,983</b>	<b>35,560</b>	<b>125,332</b>	<b>9.41</b>	<b>29.23</b>

Source: Ministry of Industry Mines and Energy (MIME) 2010

In the last decade many schemes have promoted Cambodia's off-farm sector for the country's development. These initiatives have been led and implemented by various government institutions and international agencies, including NGOs. Yet until 2005 there was no clear policy that specifically addressed the issue of promoting non-farm enterprise or SMEs, other than some piecemeal initiatives and programmes that several government institutions and a few NGOs and international agencies had undertaken. The rural non-farm sector, especially SME, was not mentioned in the first Socio-Economic Development Plan (SEDP 1996-2000) nor does it appear explicitly in the second SEDP. Even the Poverty Reduction Strategy Paper (PRSP) prepared by the government only makes a passing remark about this sector. Even now, with SEDP 2006-2010 and the updated NSDP 2010-2013, the explicit framework for non-rural enterprise promotion is still unclear. Under NSDP, the promotion of SMEs, private sector development and investment, job creation, improved agricultural productivity and diversification appear to be most relevant for the development of non-farm enterprise. Several sectoral policies have mentioned the non-farm sector and promoting rural enterprise, namely, 1) SME development framework, 2) Strategy for Agriculture and Water – Agricultural and Agribusiness Support Programme, 3) Strategic Framework for Food Security and Nutrition in Cambodia – Increasing Wage Employment Opportunities and Micro-enterprise Business Opportunity. Major donors in Cambodia such as the Asian Development Bank (ADB), the World Bank and the EU also mainstream the promotion of non-farm enterprise and SMEs in their country assistance strategies. Due to unclear framework and the different initiatives undertaken by

various stakeholders, the outcome and impact of policy and programmes on promoting non-farm enterprise have been unclear.

## **2. Coherence of Policy to Promote SMEs**

This section discusses three main issues of policy coherence in the non-farm sector: (i) alignment of donor programmes with government policies; (ii) harmonisation of different policies and programmes across different donors and the government; and (iii) coherence within government policy.

### ***2.1. Alignment of donor programmes with government policy***

Until 2005, the government had no clear policy for promoting rural non-farm enterprise and the SME sector. This oversight has hindered a comprehensive government response to the challenges of the sector. Various initiatives, that form a patchwork of projects and programmes, tackle different elements of current issues but each by itself is unlikely to contribute significantly to SME or non-farm rural enterprise development. The impact of these programmes and projects could only be traced through individual programme and project evaluation while the national progress of the non-farm sector could not be tracked at all. Major donors and the government realise the need to reduce the fragmentation of development programmes and projects in the non-farm sector. In 2004, donors in partnership with the government devised the “Investment Climate Assessment and Reform Strategy” which included the needs of rural areas and defined a common agenda for private sector development (SME and other non-farm enterprise) that should benefit rural entrepreneurs.

In July 2004 the government of Cambodia produced the Rectangular Strategy, with thirteen approaches to encouraging SME sector development<sup>6</sup>. None of these thirteen approaches were implemented at the time but the Rectangular Strategy has provided a foundation for SME development framework. In 2005 the SME Development Framework was designed by the government with technical assistance from ADB. This framework was to serve as the strategy and comprehensive implementation plan of the government and its development partners until 2010. The framework is the first concerted effort by the government and development partners to promote the development of Cambodia’s SMEs and non-farm enterprise. The main objective of this framework is to promote SME sector development through: 1) improving the legal and regulatory framework, 2) facilitating SME access to finance, and 3) coordinating SME support activities, linking them to the work and tasks of a number of ministries and institutions. To ensure proper alignment of development initiatives, the SME development framework also served as a tool for inter-ministerial communication in order to improve coordination with donor agencies involved in this sector. However, non-farm rural enterprise and SMEs also appear in other recent sectoral policy such as the Agriculture and Water Strategy, the Strategic Framework for Food Security and Nutrition and Fisheries Policy.

### ***2.2. Harmonisation of policies and programmes***

Various development partners have been working on different initiatives within the SME Development Framework. ADB focuses on 1) improving the climate for private sector development

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6 Those strategies are (1) provide SMEs with medium and long term finance, (2) suppress smuggling, (3) reduce registration and start-up procedure for SMEs, (4) facilitate export-import activities by simplifying processes, (5) support newly established industries for a period, (6) promote linkages between SMEs and large enterprises, (7) help SMEs enhance productivity and reduce production costs, (8) improve quality of domestic product to international standards, (9) establish national libraries to test quality and criteria of products, (10) strengthen mechanisms for the protection of industrial property rights, (11) promote vocational training/skills domestically and abroad, (12) expand and accelerate the “One Village One Product” programme, (13) strengthen legal framework (Workshop on SME Development Programme, SME Development Framework Sector Road Map 2005)

through a combination of catalytic investments and through policy, institutional and regulatory reform; 2) supporting capacity building for business development services and access to market; and 3) promoting the development of a sound market-based financial system by establishing a foundation for banking and insurance industries and financial markets. The International Monetary Fund (IMF) takes part in fiscal reform and development of the banking system. AFD provides assistance to microfinance institutes. Similarly, GTZ and USAID provide credit lines to SMEs through commercial banks. The Asia Foundation initiates the development of business associations and provincial SMEs. GTZ, IFC, Japan, MPDF, USAID and UNIDO support the private sector forum and help coordinate and support small enterprises.

Review of development partners' non-farm enterprise promotion programmes suggests there have been no significant issues in terms of harmonisation of programme choice and design. Given the comprehensive coverage of SME development framework, the programmes appear to be well harmonised and complementary within the development framework. There appears to have been no significant duplication of programmes or any indication that different programme initiatives have been working against each other. This has been achieved through 1) better consultation among donors to gain input prior to designing projects, 2) using the SME development framework as one of the road maps for programme formulation, 3) better coordination, for instance, sharing information as reported by a donor working in the SME promotion sector. The programmes are designed in synergy with government strategy and existing development activities. However, they were mainly initiated by development partners and the government has failed to lead these initiatives to meet national policy priorities that reflect its vision for the non-farm sector – SME development.

### ***2.3. Policy coherence within government and donor policies***

It is not policy choice and design that create incoherent policies and dissipate efforts to develop the SME sector as a whole; rather it is the poor coordination and extreme complexity of the government institutions that share the responsibility for promoting the SME sector. Up until 2004 there was no single department controlling SME promotion policies. Instead as many as 25 different ministries and organisations had developed their own SME promotion strategies, regulations and policies focusing on achieving varying outcomes (Baily 2007). This increases not only uncertainty regarding requirements and government assistance, but also the compliance cost to SMEs. Baily (2007) also found that SMEs in Cambodia are exposed to burdensome and often unnecessary regulations and inspection with uncertain interpretation. Almost half of Cambodian firms claimed that regulations were vague, open to interpretation, inconsistent and unpredictable, while tax policy and other regulations were at best a moderate constraint to their operations. For example, an SME garment manufacturer headed by a female entrepreneur would be subject to regulations and policies from at least three ministries – Ministry of Commerce (MoC), Ministry of Women Affairs (MoWA), and Ministry of Environment (MoE).

None of the ministries officially coordinate SME promotion activities or share information. This results in considerable duplication of data collection and often redundant strategies, which in turn not only increase uncertainty regarding requirements and government assistance, but also the compliance cost to SMEs. For instance, an SME garment manufacturer headed by a female entrepreneur would be subject to regulations and policies from at least the Ministry of Commerce (MOC), the Ministry of Women's Affairs, and the Ministry of Environment. Although the government recognises the need to develop a supportive regulatory environment, it lacks a coordinated framework to implement the necessary policy actions. Individual ministries continue to have their own uncoordinated approaches to SME development. There is little available information on the industry structure, and few channels for communicating and disseminating information.



The SME Development Framework 2005-2010 was put in place to enable the various government institutions and development partners to align and coordinate their activities for a more coordinated approach towards a synergistic development of the SME sector. More time is needed to improve and adjust this relatively new policy framework in order to address the complexity of existing laws and regulations, and the duplication of government institutions' roles and responsibilities. Some progress has been made in implementing some key priorities of the SME development framework, for example, simplifying procedures and promoting business environment. But ensuring smooth coordination among the large number of government institutions involved remains an extremely difficult challenge. In contrast, from our interviews with various development partners, it appears that coordination within development partners or between development partners and the government is not problematic since most of donor initiatives in the sector are within the SME development framework.

Another key issue related to incoherence within government policy is the lack of an effective mechanism to support domestic producers and processors to develop domestic productive competitiveness. Although Cambodia has great potential for diversifying its industry, local SMEs are unlikely to enjoy the kind of government-provided incentives that garment factories could benefit from such as export and regulations. This lack of an effective mechanism results in a number of cross-cutting issues, creating a bottleneck that impedes Cambodia from exploring its diversification potential. According to The new Strategic Framework of the General Department of Industry 2010-2015, these common problems include: 1) lack of domestic investment along the value chain, mainly in agro-industry for agricultural products; 2) strong dependency on neighbouring countries for export; 3) inadequate marketing on the global scale and no international standard recognition; and 4) poor enforcement of rules and regulations to protect business operations.

The new Strategic Framework of the General Department of Industry 2010-2015 recognises the need 1) to introduce new incentive schemes, which should be designed to encourage investment by specific sector rather than "one size fit all", in order to develop the SME sector's potential; and 2) to expand financial systems to rural areas to promote rural productive sectors that could boost the potential for rural employment and rural income.

### **3. Mechanism to Coordinate and Improve Coherence**

The SME sub-committee was formed in 2004 to serve as a mechanism to coordinate framework activities, including the promotion of policies to develop SMEs. The committee's establishment marks the first inter-ministerial body in Cambodia with the specific objective to formulate and implement a set of policies on the SME sector. By coordinating the SME policies of different government departments and associations, it is hoped that duplicated and contradicting policies can be avoided. This sub-committee appears to be a unique mechanism to address overall issues in SME development, including donor coordination. Since its establishment, the SME sub-committee has made recommendations for the improvement of SME development framework implementation and for better coordination among line ministries and donor assistance.

The SME sub-committee's success is evident in the formulation of the SME development framework that provides guidelines for government ministries and development partners to align their programme and project initiatives. This framework also serves as a platform where implementing agencies can better harmonise their programmes. However, even though progress has been made in promoting better coordination among government institutions, the issues of lacking effective coordination and overlapping roles and responsibilities still exist and continue to hamper the sector's development. This could be due to the inconsistency and unpredictability of regulatory inspections, and the demand to register SMEs at various government institutions. Improving coordination between



the large number of government institutions involved in the sector seems extremely difficult to achieve.

#### **4. Lesson learned**

Cambodia is now facing the challenge of creating enough jobs for its increasing unskilled labour force. Economic growth still remains concentrated in urban areas and has hardly benefited the majority of people in terms of employment opportunities, especially those living in rural areas. The majority of people are still dependant on the slow growth of the agricultural sector. Job creation through promoting off-farm employment and rural SME development appears to be an ideal solution for addressing the issue of unemployment. But this sector is hampered by obsolete technology, lack of skilled workers, limited access to financial capital and market information, and the high cost of production due to energy and transport prices. It is only relatively recently that SME sector development has been clearly stated in the NSDP 2006-2010, suggesting that previous SME development initiatives had been undertaken in a piecemeal fashion. However, the NSDP provides fundamental guidelines for the SME development framework.

Now that the SME development framework has been implemented, various line ministries and development partners have a clearer vision of how to harmonise and align their programmes and initiatives towards a more synergistic development of the SME sector. Although most of the programmes are operating within the SME development framework, no prioritisation of the programmes themselves has been made. A key lesson learned in this case is that the overlapping roles and responsibilities of government institutions involved in the SME sector could slow down the SME promotion activities. The government's recognition of the critical need to address this issue led to the establishment of the SME sub-committee. Some progress has been made, but ensuring smooth and effective coordination among these government institutions requires a long term effort.

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## **Case Study 4 – Water Resources Management Policy**

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### **1. Context and Issues**

Cambodia has abundant water. Its rivers and streams, lakes, aquifers and marine waters are an important resource for national economic development in many areas such as agriculture, manufacturing, small-scale industry, hydropower, navigation, tourism, environmental protection and daily life. From the perspective of developing the country's agricultural sector, the government has made water resource management a top priority in national planning. Agricultural production in Cambodia suffers mainly from lack of irrigation and poor or redundant irrigation systems. Irrigation serves as insurance against crop failure during dry spells and provides opportunities for farmers to grow two or even three rice crops a year. Despite the important role of irrigation for improving rice productivity, only around 32 percent of Cambodia's total rice production area is irrigated (MoWRAM 2010). Thus, agriculture is mostly dependent on the vagaries of rainfall and capacity to cultivate crops during the dry season is limited. Ensuring access to irrigation water for the rural poor would substantially improve their livelihoods.

Since 1993, a series of laws and policies on water resource management have been instituted and gradually improved to meet the needs of agricultural development. On the domestic front, Cambodia's water laws are many and varied, for example: 1) the new Constitution of the Kingdom of Cambodia 1993 – Articles 58 and 59; 2) the law on Environmental Protection and Natural Resource Management 1996 – Article 8; 3) the Land Law 2001 – Articles 144-146, Articles 155-159 and Article 49; 4) the Law on Fisheries Management and Administration 2005; 5) Circular No.01 (11 January 1999) on the "Implementation of Policy of Sustainable Irrigation Systems"; and 6) the Law on Water Resources Management 2007.

The policies that specifically relate to water management are: (1) Sustainability of Operation and Maintenance of Irrigation System, 2000; (2) National Water Sector Profile, 2001; (3) National Water Resource Policy, 2004; (4) Strategic Framework for Decentralisation and De-concentration Reform, 2005; (5) Strategy for Agriculture and Water 2006-2010; and (6) National Water Resources Policy 2009-2013. The National Water Resources Policy has so far focused on five main strategic areas: (1) management and rehabilitation of irrigation facilities and water resources; (2) flood and drought management; (3) law and regulation of water resource management; (4) management of information on water and meteorology; and (5) administration management and human resources development. Similarly, the fourth programme on Water Resource Management and Agriculture Land Management falls into the first, second and third programmes of the Water Resource Management Policy. The review of these laws and policies suggests general improvement and clarification of water resources management policies, which in turn could serve as a comprehensive framework to guide the implementation of the government's and development partners' initiatives in developing the water resource sector.

The Ministry of Water Resources and Meteorology takes lead responsibility in water resources management policy formulation and implementation together with the Ministry of Agriculture, Forestry and Fisheries. Other related ministries include the Ministry of Rural

Development, Ministry of Environment, Ministry of Industry, Mining and Energy, Ministry of Public Works and Transport, Ministry of Economics and Finance, Ministry of Health and the Cambodia National Mekong Committee (CNMC). Development partners also contribute significantly to implementing the water resource management policy, including JICA, AFD, UNDP, FAO, KOICA, ADB, the World Bank and IFAD. China and India are newly emerging donors in this sector.

Major achievements of the water resource management policy to date are the expansion of the irrigated rice growing area and ensuring rights and access to water resources for the poor. According to statistics from the Ministry of Water Resources Management, the irrigated rice production area expanded from 28,048 ha in 2004 to 54,053ha in 2008 (Table 1), boosting rice production from 5,986,179 tonnes in 2005 to 7,585,870 tonnes in 2009. Cambodia has recently produced rice surplus of around 2,244,598 tonnes (MAFF 2010)

Table 1: Progress of Irrigated Rice Production Land and Number of Projects

	2004	2005	2006	2007	2008	Total
Number of projects	30	23	39	18	31	141
Wet season rice (ha)	16,223	37,276	75,101	25,493	25,493	191,202
Dry season rice (ha)	11,825	6,570	14,110	14,957	28,560	76,022
Total irrigated land	28,048	43,846	89,211	56,066	54,053	267,224
Expenditure (riels)	3,503,962,000	17,985,000,000	38,466,177,198	32,714,008,440	70,540,000,000	
Expenditure (USD)	433,405,44.8	367,605	646,870	17,286,664.8	69,999	22,711,683.6

Source: MoWRAM 2010

There have been significant successes in terms of promoting access to water resources for agricultural production and empowering people to manage water resources. The water resource management policy framework, the Ministry of Water Resources Management, development partners and NGOs facilitated the establishment of Farmer Water User Communities (FWUC). The policy also empowers farmers to take over the management of irrigation schemes in their area. Between 2004 and 2008, 350 FWUCs were established and benefited 305,550 families in those areas where irrigation schemes have been rehabilitated or constructed. These achievements not only contribute to increasing agricultural productivity but also improve livelihoods and empower the capacity of rural communities to manage and take ownership of their irrigation facilities.

Despite this success, a key issue within water resource management policy concerns the challenge of cooperation between agencies. As mentioned above, a number of institutions are involved in water management. Even though policy frameworks have been improved, overlapping responsibilities among stakeholders persist, leading to inefficient management. For instance, some overlapping roles and responsibilities between MoWRAM and MoE have been found in terms of water resources management and environmental protection. Many implementing institutions require extensive and complex solutions to ensure smooth coordination among them.

## **2. Coherence of Water Resources Management Policy**

This section discusses three main issues of policy coherence in water management issues; (i) alignment of donor programmes to government policy; (ii) coherence within government policy; and (iii) harmonisation of different policies and programmes across different donors and the government.

### ***2.1. Alignment of policies and programmes to government Water Resources Management Policy***

There has been general improvement in the formulation of donors' policies and programmes within the last five years since the Strategic Plan for Water Resources and Meteorology 2006-2010 and the Agriculture and Water Strategy 2006-2010 were implemented. From the donors' perspective, the policy shaped the design and formulation of their policies and programmes related to water resource management. For example, ADB's Country Assistance Strategy focuses on irrigation facility rehabilitation and an AusAid project which focuses on the Mekong Water Resource Programme. Before the national policies were put in place, donors would usually design their programmes based on their country's development agenda. Some donors, such as AFD (Agence Francaise de Developpement), even applied their best practice or lessons learned from their experience working in other countries. Although these were not necessarily bad practices, they led to fragmented aid delivery and an unclear agenda for the overall goal of water resources management in Cambodia.

It is easy to claim that the donors have now aligned their policies and programmes with the government's water resources management framework. But whether the government has 100 percent ownership of the policy design is questionable. From our key informant interviews, it appears that the policy was drafted using technical assistance with input from the government and development partners through a participatory process. This means that, due to limited government capacity, donors still claim some ownership over policy design and use that to mainstream their original policy agenda and programme in the existing policy framework. Most donors prefer to fund programmes to rehabilitate small-scale irrigation schemes (ADB, JICA, EU) and some prefer to promote climate change resilient water management and agricultural practice (UNDP). Yet few NGOs provide support to the Water User Association (GRET) (Table 2). In the water resource management sector, a large proportion of financial support comes from donors. Although these projects are principally under the supervision and coordination of the government, the donors still have a significant role in determining their policy choice and design, albeit in a piecemeal fashion. Information from donor interviews suggests that major donors' focus and their policies and programmes also shift according to global development trends and re-prioritisation. For example, the French government has now shifted its focus and offers more assistance to other developing countries in Africa. However, the study found no evidence that the donor focus on water resources management sector in Cambodia has changed or been diverted according to global development agendas.

### ***2.2. Harmonisation of Policies and Programmes***

At macro-level, the Strategic plan for Water Resources Management 2006-2010 and the Strategy for Agriculture and Water 2006-2010 set the institutional guide lines for coordinating efforts. Since then the harmonisation of government policies and donor programmes on water resource management has gradually improved. This is evidenced by fewer duplicated donor programmes and more shared analysis among donors, and between donors and the government. Donors and government have set a broad policy framework for water resource management to promote wider and deeper harmonisation and of course, aid to implement the projects. The key informant interviews found no evidence to suggest that donors' programmes work against each other in this area.

Table 2: Major Donors' Water Resource Management Programmes 2005-2010

Organisation	Project or Programme	Targeted Area	Year
ADB	Northwest Irrigation Sector	Pursat, Battambang, BanteayMeanchey and Siem Reap	2010
	Water Resources Management Sector Development	National and river basins within the Tonle Sap basin	2006
	Stung Chinit Irrigation and Rural Infrastructure	Chinit River Basin in Kompong Thom Province	2009
AUSAID	Mekong Water Resources Programme Development Cooperation Report 2009	Mekong Region	2009
DFID	None		
EU	The EU-funded economic and social pre-launch of the Northwest Provinces Project	Battambang, BanteayMeanchey and Siem Reap	2006
UNDP	Promoting Climate Change Resilient Water Management and Agriculture Practice in Rural Cambodia	(Choamkhsan district) Preah Vihear province and (Chit Borei district) Kratie province	2010
ECOSORN	Irrigation Intervention for Rice Growing Community	Kanseang Leu village, Chansar commune, Sout Nikom district, Siem Reap province	2006
JICA	Rehabilitation of the Kandal Stung Irrigation System in the Lower Prek Thnot Basin	Kandal Province	2005
	Technical Service Centre Project for Irrigation System, Phase I	Kandal	2001-2006
	Technical Service Centre Project for Irrigation System, Phase II	Kandal	2006-2009
	Project on Capacity Building for Water Supply System in Cambodia (Phase 2)	Kandal	N/A
	The Basin-wide Basic Irrigation and Drainage Master Plan Study in the Kingdom of Cambodia	Battambang, Pursat, Kampong Chhnag	2007-2009
USAID	Strategy For Agriculture and Water 2006-2010	N/A	N/A
GRET	Irrigation and Water Management	N/A	N/A
	Support to Water User Associations in Cambodia	N/A	N/A
	Rehabilitation Project of Irrigation System in Stung Chinit, Cambodia - support for agricultural development and organisation of irrigators	N/A	N/A
	Rehabilitation project in Prey Nuppolde	Prey Nup	1998-2008
AFD	Aquaculture Sector	Battambang, Siem Reap, BanteayMeanchey and Pursat	2004-2011
	Rehabilitation project in Prey Nuppolde	Prey Nup	1998-2008
	Rehabilitation Project of Irrigation System in Stung Chinit, Cambodia - support for agricultural development and organisation of irrigators	Stung Chinit	2001-2008
IFAD	N/A	N/A	N/A
WB	N/A	N/A	N/A
FAO	N/A	N/A	N/A
GTZ	N/A	N/A	N/A
DANIDA	N/A	N/A	N/A

Source: Synthesis of various donors' project documents

Table 2 summarises the major donors' water resource management programmes and shows that the major donors are mainly working on the rehabilitation and construction of small, medium and large scale irrigation infrastructures across the country. This suggests that donors select and design their policies and programmes to harmonise with those of other donors and with national government policy. There seems to be no significant problem of incoherence among policy choice and design between government and donors. But there is growing evidence that the issue of harmonisation in project implementation, such as the use of a country system for financial management, monitoring and evaluation procedure is still largely ignored by donors (VBNK and RBMG 2010). The interviews elicited insufficient information to be able to judge whether this lowers programme effectiveness or loss in development synergy. The study has not captured these aspects of programme implementation.

### ***2.3. Policy Coherence Within Government and Donor Policies***

As mentioned, a series of policies on water resources management have evolved over time but are still in the early stages of implementation, characterised by poor enforcement of laws and regulations, ambiguity of roles and responsibilities and lack of coordination leading to the loss of potential synergy for implementation among related institutions, for instance MoWRAM, MAFF and MoE. The Ministry of Water Resources plays a leading role in policy formulation and implementation but the responsibility for different types of water resource management is also splintered among several departments across various ministries, making coordination difficult. For example, spatial planning for the whole of Cambodia is the responsibility of the Ministry of Land Management, Urban Planning and Construction.

## **3. Mechanism to Coordinate and Improve Coherence**

From a policy point of view, there seems no significant incoherence, but coordination among government institutions appears to be an issue. The Technical Working Group on Agriculture and Water was established in 2004 to facilitate policy formulation, implementation and coordination among related institutions and donors. The structuring of the TWG on Fisheries, to be presented in the Government Donor Cooperation Committee (GDCC), represents a fundamental change in the institutional set up for planning, managing and monitoring progress of the implementation of agriculture and water development cooperation activities on a quarterly basis. This mechanism was established to improve the effectiveness and efficiency of aid use.

The TWG on Agriculture and Water, co-chaired by ministers from MAFF and MoWRAM and the lead donors, namely AusAID and UN-FAO, is progressively working on five major activities: 1) further development of the TWG as an effective vehicle for planning and coordinating the work of MAFF, MoWRAM and donors; 2) joint development of both a medium term strategy and a sectoral programme framework for agriculture and water (intersection between MAFF and MoWRAM mandates), building on existing MAFF and MoWRAM strategic documents as well as the recently released NSDP; 3) provision and exchange of information related to the TWG for Agriculture and Water's (TWG-AW) management of agricultural activities; 4) understanding and enhancing the links between agricultural extension and water management for agriculture; and 5) the promotion and development of sustainable management and irrigation activities.

The work of the TWG-AW has been effective in ensuring the harmonisation and alignment of aid programmes as well as donor policy to fit the Agriculture and Water Policy framework. But ensuring good coordination still remains a fundamental challenge. The limited capacity of government staff and poor attendance of committee meetings hinder the effectiveness of the TWG's work. Low attendance at TWG meetings could be because: 1) the contact list is not kept up to date as members leave and new ones join; 2) donors might only attend meetings when the agenda is in their interest:



3) senior government staff might not be motivated enough to participate given that the policy has yet to be widely implemented.

#### **4. Lesson Learned**

The Water Resource Management Policy and Agriculture and Water Policy were prepared under the framework of the National Strategic Development Plan 2006-2010. The policies aim to promote the agricultural sector which is critically important to the overall growth of the Cambodian economy and could have a significant impact on the majority of rural Cambodians.

After the consolidation of various laws and documents and years of improvement, the policy on water resources management now provides a clear strategic point of intervention which enables both government institutions and donors to align their programmes within the framework. This is largely why, in the case of water management policy, no significant policy incoherence has been found. However, the complexity of state institutions and unclear division of roles and responsibilities means the implementation and coordination of the policies is problematic.

Structurally, the mechanism to ensure alignment and harmonisation of policy planning appears to be in place through the establishment of the Technical Working Group. The TWG-AW is the platform where donors and government can work together and improve coordination for better policy planning and smoother implementation. Thus the TWG-AW is a useful mechanism for improving aid effectiveness in the implementation of water resources management and agriculture and water strategies. However, the effectiveness of the TWG-AW's efforts is undermined by poor participation; meetings are usually attended by junior staff who neither properly understand the issues nor have the authority to provide comments or make decisions. In addition, despite the fact that the government owns the political agenda, donors control the financial support. This weakens the government's voice in directing donors' programmes to target national priorities. And even though the prioritisation of a donor's programme may well reflect the government's policy framework for the water resources sector, the decision making is mainly done at the discretion of the donor.

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# Annex 5

## Major Donors Involved in Agricultural Development

(Thousand USD)		UN Agencies					Int'l Financial Institutions		European Union and Member Countries						Other Bilaterals					
SUB-SECTOR		FAO	IFAD	UNDP	WFP	UNEP	ADB	IBRD/ World Bank	Denmark	Finland	France	Spain	UK	EU/EC	Australia	Canada	Japan	New Zealand	Korea	USA
Agriculture financial services	3.22%						30,165									4,675				
Agriculture inputs	58.00%	200								92							5,930			
Agriculture Sec-tor policy and management	5.25%	142					27,070				3,366		26,112							
Agriculture wa-ter& irrigation	32.40%	4,114	53,987		56,892		90,820				17,111		18,336	426	45,544		33,641		29,200	
Cash and Export Crops	1.77%										11,743									
Education, Training	0.69%	2,576								102				567	533		3,328			
Extension Services	2.98%	3,197										365			23,567		5,038			
Fisheries	11.32%	7,108							65,300			1,052				372	9,609	5,040		
Food Crops	1.81%	65												2,115	16,929				412	33,853
Livestock and Veterinary	2.99%	1,849						11,000						8,577	418	3,834	4,811		1,800	
Post harvest	0.24%																2,639			
Forestry	0.83%	350				1,800						249		1,844			4,753			
Food Security, Nutrition	6.38%	16,902					40,080							12,011						
Environment & conservation	5.76%	4,393		8,595		2,500	20,260	7,863	7,392		2,954	1,656		440		2,206	12,438	126		
Emergency & Food Aid	7.68%	6,475			75,042		1,500													
Roral development (Policy and administration)	8.21%			43,063			57,030			2,798									2,800	
Roral develop-ment (Water and Sanitation)	6.42%						35,660						20,698		1,989	822	7,785		2,000	
Other	1.48%							340			4,033			2,123		5,148	4,337			
Grand Total	\$1,080,800	\$47,371	\$3,987	\$51,658	\$131,933	\$4,300	\$302,585	\$19,203	\$72,692	\$2,992	\$39,207	\$3,322	\$91,258	\$28,143	\$88,980	\$17,056	\$94,309	\$5,116	\$36,212	\$33,853
% of the Total		4.38%	5.00%	4.78%	12.21%	0.40%	28.00%	1.78%	6.73%	0.28%	3.63%	0.31%	8.44%	2.60%	8.23%	1.58%	8.73%	0.48%	3.35%	3.13%

\* Value expressed in thousand USD; \*Exchange rates used for the conversion of the local donor's currencies in USD as average x-rates between local donor currency and USD over the period 2007-2008

\* Projects included in the Matrix covered the period 2007-2009. Projects initiated before 2007 but completed after 2007 are included. Pipe line projects for the same period are also included (FAO 2011)

## Annex 6

### List of Key Informant Interviews

Case Study 1: Rice Production Supported Programme and Policy in Cambodia			
Institution to be interviewed	Person to interview	Contact	Date of interview
MAFF	Mr Mak Seun Director, Agricultural Extension,	E-mail: Mak_soeun@camnet.com.kh Tel: 012 826 617	23 Dec 2010
SNEC	Mr Ros Seilava, Deputy Secretary General	E-mail: rseilava@yahoo.com Tel: 012 909 786	31 Dec 2010
	H.E. Ung Luyna, Head of Social Policy Research and Analysis Division	E-mail: ungluyna@gmail.com Tel: 012 584 364	
Case Study 2: Policy on Fisheries Sector			
Institution to be interviewed	Person to interview	Contact	Date of interview
TWG on Fisheries	Mr Chan Danith and	E-mail: chandanith.fia@maff.gov.kh Tel: 012 966 157	16 Dec 2010
	Mr Richard Winterton (Advisor to FiA-TWG fisheries)		
DANIDA	Mr Jacob Kahl Jepsen Counsellor Royal Danish Embassy/DANIDA	E-mail: jajeps@um.dk Tel: 012 996 515	22 Dec 2010
	Mr Cheap Sam-An	E-mail: cheaan@um.dk Tel: 012 800 625	
	Mr SakSambath Senior Programme Officer	E-mail: saksam@um.dk Tel: 012 909 811	
World Fish Centre	Mr Mam Kosal	E-mail: K.Mam@CGIAR.ORG Tel: 011 318 767, 012 593 007	20 Dec 2010

Case Study 3: Water Resources Management Policy			
Institution to be interviewed	Person to interview	Contact	Date of interview
MoWRAM	Mr Mak Mony Chief of Coordination, M&E	E-mail: mak.mony@yahoo.com or twgaw09@gmail.com	22 Dec 2010
	Mr Tith Bone Executive Officer	E-mail: tithbone@yahoo.com Tel: 012 306 704	
FAO	Dr Iean Russell Program Development Advisor of Food Facility Project	E-mail: Iean.Russell@fao.org	27 Jan 2011
	Mr Soy Seung (ProgrammeAssistant)	E-mail: seung.soy@fao.org Tel: 023 216 566	
Case Study 4: Policy Support to the Promotion of Non-farm Rural Enterprise			
Institution to be interviewed	Person to interview	Contact	Date of interview
USAID	Ronit Gerard, Joan Woods, Janet Lawson, TuySamram , Angela Hogg	E-mail: stuy@usaid.gov Tel: 016 997 272	24 Dec 2010
IFC	Dr Bas Rozemuller Project Manager – Agribusiness Supply Chain Linkages	E-mail: brozemuller@ifc.org Tel: 012 905 685	2 Feb 2011
	Mr SimViryak Project Officer	Vsem@ifc.org	
For Cross Cutting Issue of Policy Coherence on Agriculture and Rural Development			
Institution to be interviewed	Person to interview	Contact	Date of Interview
TWG on Planning and Poverty Reduction	Mr Theng Pagnathun, Deputy Director General, MoP	E-mail: pagnathun@online.com.kh	28 Dec 2010
ADB	Mr Long Vou Piseth Project Implementation Officer (Agriculture & Rural Development)	E-mail: plong@adb.org	22 Dec 2010
	Mr Hem Chanthou Project Implementation Officer (Agriculture & Natural Resources)	E-mail: chem@adb.org	

EU	Mr.Koen Everaerts	E-mail: Koen.EVERAERT@ec.europa.eu	25 Jan 2011
	Mr Georges Dehoux	Georges.dehoux@ec.europa.eu	
	Ms Lea Jenin	lea.JENIN@ec.europa.eu	
AusAid	Dr Brett Balard, Agriculture and Rural Development Advisor	E-mail: Brett.Ballard@dfat.gov.au Tel: 012 819 562	23 Dec 2010
	Dr Sin Sovith Senior Programme Manager	sovith.sin@ausaid.gov.au	
	Mr Hean Vuthy Senior Programme Manager	vuthy.hean@ausaid.gov.au	
CIDA	Mr Srey Chanthy, Senior Agriculture and Rural Livelihood Development Programme	E-mail: srey_chanthy@yahoo.com Tel: 012 943 609	23 Dec 2010
CEA	Mr Chan Sophal President of the CEA	E-mail: sophal.chan@gmail.com Tel: 012 979 298	23 Dec 2010
	Mr Ngo Sothath Researcher		
Independent consultant	Mr Prom Tola	E-mail: tolaprom@yahoo.com	28 Dec 2010
TWG on partnership and harmonisation	Mr Ros Salin Deputy Director of Policy Dept CDC/CRDB	E-mail: ros.salin@crdb.gov.kh	20 Dec 2010
AFD	Moung Sideth Project Officer	E-mail: muongs@afd.fr Tel: 012-94-20-84	28 Dec 2010

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