

PROGRAM PERFORMANCE AUDIT REPORT

ON THE

**AGRICULTURE SECTOR PROGRAM
(Loan 1445-CAM[SF])**

IN

CAMBODIA

July 2003

CURRENCY EQUIVALENTS

Currency Unit – riel (KR)

	At Appraisal (15 May 1996)	At Project Completion (5 September 2000)	At Operations Evaluation (11 March 2003)
KR1.00 =	\$0.0004	\$0.000260	\$0.000261
\$1.00 =	KR2,500	KR3,850	KR3,835

ABBREVIATIONS

ACLEDA	–	Association of Cambodian Local Economic Development Agencies
ADB	–	Asian Development Bank
ADOR	–	Agriculture Development Options Review
AIC	–	Agricultural Input Company
AusAID	–	Australian Agency for International Development
BAMS	–	Bureau of Agricultural Materials Standards
CARD	–	Council for Agricultural and Rural Development
COCMA	–	Compagnie Centrale des Matériels Agricoles
EMT	–	Ennattien Munlethan Tchonnebat
GDP	–	gross domestic product
MAFF	–	Ministry of Agriculture, Forestry and Fisheries
MEF	–	Ministry of Economy and Finance
MFI	–	microfinance institution
MLMUPC	–	Ministry of Land Management, Urban Planning, and Construction
MOWRAM	–	Ministry of Water Resources and Meteorology
MRD	–	Ministry of Rural Development
NA	–	National Assembly
NGO	–	non-government organization
O&M	–	operations and maintenance
OEM	–	Operations Evaluation Mission
PCR	–	program completion report
PPAR	–	program performance audit report
PRASAC	–	Program for Rehabilitation in the Agriculture Sector Cambodia
RDB	–	Rural Development Bank
RDC	–	rural development committee
RRP	–	report and recommendation of the President
SDR	–	special drawing rights
SOE	–	state-owned enterprise
TA	–	technical assistance
UNDP	–	United Nations Development Programme

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars

CONTENTS

	Page
BASIC DATA	ii
EXECUTIVE SUMMARY	iii
I. BACKGROUND	1
A. Rationale	1
B. Formulation	1
C. Objectives and Scope	2
D. Financing Arrangements	2
E. Implementing Arrangements	3
F. Program Completion Report	3
G. Operations Evaluation	4
II. IMPLEMENTATION PERFORMANCE	4
A. Effectiveness of Design	4
B. Policy Reform Measures	5
C. Program Management	9
III. PROGRAM RESULTS	10
A. Performance Indicators	10
B. Impact of Policies	10
C. Institutional Impact	13
D. Social Impact	13
E. Environmental Impact	14
F. Overall Sector Performance	14
G. Sustainability	14
IV. KEY ISSUES FOR THE FUTURE	15
A. Sustainability of Rural Roads	15
B. Sustainability of Agricultural Extension Services	15
C. Market-Induced Technology Improvement	15
V. CONCLUSIONS	16
A. Overall Assessment	16
B. Key Lessons Learned	17
C. Follow-Up Actions	17
APPENDIXES	
1. Statistical Tables	19
2. Milestones and Key Events for Agriculture Sector Policy and Institutional Reforms in Cambodia (1979-2003)	32
3. Policy Measures and Status of Implementation	35
4. Cost of Transportation and Unofficial Fees in Rice Trade and Marketing	40

BASIC DATA
Loan 1445-CAM(SF): Agriculture Sector Program

Program Preparation/Institution Building

TA No.	Name of Technical Assistance	Type	No. of Person-Months	Amount (\$'000)	Approval Date
	Agriculture Development Options Review I ¹		26	716	Sep 1993
1971	Agriculture Development Options Review II ²	ADTA	17.5	515	27 Oct 1993
2591	Agricultural Policy Reform Support	ADTA	50	1,500	20 Jun 1996

Key Program Data (\$ million)	As per ADB	
	Loan Documents	Actual
Total Program Cost ³	30.0	28.4
ADB Loan Amount/Utilization	30.0	28.4

Key Dates	Expected	Actual
Fact-Finding I		13 Mar–7 Apr 1995
Fact-Finding II		16 Jul–4 Aug 1995
Fact-Finding III		28 Nov–9 Dec 1995
Appraisal		10–17 Mar 1996
Loan Negotiations		13–16 May 1996
Board Approval		20 Jun 1996
Loan Agreement		29 Jul 1996
Loan Effectiveness	27 Oct 1996	28 Oct 1996
First Tranche Release	Oct 1996	18 Dec 1996
Second Tranche Release	Sep 1998	5 Sep 2000
Project Completion	30 Sep 1999	5 Sep 2000
Loan Closing	31 Dec 1999	5 Sep 2000
Months (from effectiveness to completion)	35	46

Borrower Kingdom of Cambodia

Executing Agencies Ministry of Agriculture, Forestry and Fisheries
Ministry of Economy and Finance
Office of the Council of Ministers
Ministry of Rural Development

Type of Mission	No. of Missions	No. of Person-Days
Fact-Finding	3	189 ⁴
Appraisal	1	24
Review	5	31
Special Project Administration	1	15
Project Completion	1	46
Operations Evaluation ⁵	1	80

ADB = Asian Development Bank, ADOR = Agriculture Development Options Review, ADTA = advisory technical assistance, ASP = Agriculture Sector Program, FAO = Food and Agriculture Organization of the United Nations, UNDP = United Nations Development Programme.

¹ Financed by UNDP and implemented by FAO in 1993 and 1994.

² Extensive preparation and policy dialogue was provided for the formulation of ASP.

³ From ADB's Special Fund Resources, equivalent to SDR20.7 million.

⁴ The first Fact-Finding Mission also carried out technical assistance fact-finding on a proposed project preparatory technical assistance for a rural finance project and a review of the agricultural component of the Special Rehabilitation Assistance Project (Loan 1199-CAM(SF)).

⁵ Comprising Q. Ye (senior evaluation specialist/mission leader), D. West (international consultant), and R. Chea (local consultant).

EXECUTIVE SUMMARY

The Agriculture Sector Program was designed to support the Government's ongoing reforms in agriculture. As a primary source of food, income, and employment, agriculture was seen as a basis for political stability and a potential engine for economic growth. The program was expected to remove key constraints to agricultural growth and provide the Government with budgetary support.

The key constraints identified at appraisal were instability and uncertain land tenure; limited Government budgetary resources; and farmers' limited access to markets, inputs, finance, and technical advice. Accordingly, the program included 14 policy measures to revise the Land Law and improve farmers' access to markets, inputs, finance, and technical advice. The program assumed that improvements in access to these basic elements would encourage farmers to adopt improved technologies. This would boost productivity and production, stimulate economic growth, improve farm income, increase employment, improve food security, reduce urban migration, enhance capacity to earn foreign exchange, and increase government revenues.

The 14 measures were (i) revising the Land Law; (ii) providing market information through radio broadcasts; (iii) instituting mechanisms for operating and maintaining of rural roads; (iv) continuing to lift a ban on rice exports; (v) establishing fertilizer pricing formulas; (vi) formulating a management plan for Agricultural Input Company; (vii) implementing quality standards for agricultural materials; (viii) devising a policy on cost recovery and financing of irrigation operations and maintenance; (ix) maintaining a liberal interest rate policy; (x) creating a rural credit strategy and policies; (xi) promoting technology through mass media; (xii) designing a strategy for agricultural research and extension; (xiii) developing a divestment plan for state-owned rubber estates; and (xiv) establishing rural development committees in all provinces.

On 20 June 1996, the Asian Development Bank (ADB) approved an Asian Development Fund loan equivalent to \$30 million to support the Agriculture Sector Program. Counterpart funds generated from the loan proceeds were earmarked to support implementation of program measures, and to meet the Government's counterpart funding needs for agricultural and social projects financed by ADB or other agencies.

The Government actively participated in program design and implementation. It established task forces to implement specific reform measures. The Government remained committed, and continued to implement the reform measures after loan closing in 2000, with financial support from counterpart funds.

The program's objective to promote agricultural growth was highly relevant. Its most fundamental reform was the passage of the 2001 Land Law, which many government officials and nongovernment organizations saw as a significant achievement. By involving broad participation of stakeholders, the reform process was said to have established a model for stakeholder participation in policy reforms. The reform has generated strong government ownership and momentum, and attracted external support for continued efforts at land reform. ADB's contribution to land reform is widely recognized in Cambodia.

The reforms on funding mechanisms for operating and maintaining rural roads and irrigation systems were also important, timely, and have generated momentum for continued efforts. Reforms to state-owned rubber estates have not been completed; an upcoming agriculture sector development program will continue in this effort.

Some objectives, however, were overly ambitious, unrelated to reform measures, or unachievable by the end of the program period. The program also omitted important reforms such as an overall sector strategy and institutional reforms to key government agencies. It also included less relevant measures such as fertilizer pricing formulas, which had no impact because private traders sell fertilizer at market prices.

The 14 measures were all implemented as designed; implementation has continued to date. The reforms, however, have not yet led farmers to adopt improved technologies, a process that by nature is a long-term one. As the first program loan in Cambodia, it was not possible for the program to remove all key constraints in the agriculture sector, and the remaining obstacles, especially the depressed farmgate prices, continue to restrict the full impact of reforms. As a result, many of the overly stated objectives have not been achieved.

Sustainability of benefits—especially in land reform and funding mechanisms for operations and maintenance—is likely because the reforms have generated strong Government ownership and momentum. The agricultural extension system and other institutions established under the program, including an agricultural research institute and a bureau to implement quality standards for agricultural materials, may suffer insufficient financing in the future when external support eventually withdraws.

The program has generated significant institutional impacts. In particular, the new Land Law has provided a legal platform for land administration and management. Government staff in task forces have improved their capacity to implement policy. The program's social impact, however, has so far been limited due to slow growth in agriculture and a shortage of alternative rural jobs.

Overall, the program is rated successful, taking into account the above achievements and weaknesses.

Important issues are identified. First, roads are critical to rural development. While many rural roads have been rehabilitated, insufficient financing may hamper their maintenance. The national budget for maintaining rural roads has increased substantially but is still far from adequate, and a large portion of the funds has been used for rehabilitation rather than maintenance. It is important for the Government to allocate sufficient budget for road maintenance, and to develop transparent mechanisms to monitor its proper use.

Second, the agricultural extension system to date relies on external financing. The Government may not be able to sustain the current level of payments to extension workers after project completion, and well-trained staff may be lost. The Government needs to search for alternatives that are affordable in the long run, including measures that allow the private sector to play an active role.

Third, a primary factor in farmers' decisions to adopt new technology is the level of farmgate prices, which are currently low because of poor quality of most rural roads; unofficial fees at checkpoints on roads and in ports; a meager, low-quality farm surplus; few buyers; and farmers' weak bargaining power. Even if rural roads improve in the long run, farmers may not benefit fully from new technologies because of the limited domestic market, with about 70% of the labor force producing rice and only one million consumers in Phnom Penh. Instead of directly promoting technologies, the Government should focus on strategies to nurture the private sector and create an enabling environment for market-induced technology improvement.

Valuable lessons learned from the program include the following: (i) sufficient time is needed to allow the Government and civil society to fully participate in reforms because undue time pressure may encourage the Government to use consultants to merely meet reform requirements on time without benefiting from the reform process; (ii) earmarking the use of counterpart funds enabled reform implementation to continue after loan closing; (iii) the attached technical assistance, which focused on program implementation and used consultants to implement reform measures for the Government, resulted in the achievement of all program measures but not program objectives; (iv) identification of key sector issues is necessary but may not be sufficient for the design of a program loan; in-depth analysis of the underlying causes is needed to establish clear causal links between sector issues, underlying causes, policy interventions, and expected outcomes; (v) proper sequencing in policy interventions should be highlighted, with focus on the most binding obstacle(s) and remaining constraints identified as risks; (vi) promotion of agricultural technologies should not be based solely on technical potential without considering market limitations; and (vii) overstatement in program objectives may lead to less favorable rating of program performance and should be removed at the design stage.

I. BACKGROUND

A. Rationale

1. The program¹ was designed to support the Government's ongoing reforms in the agriculture sector. When it was appraised in 1996, agriculture accounted for 40% of gross domestic product (GDP) and 78% of employment (Appendix 1, Table A1.1). Being a primary source of food, income, and employment, agriculture was seen as the basis of political stability in Cambodia. Within agriculture, rice was the single largest subsector, accounting for 40% of agricultural production. Rubber was another important subsector, providing 5% of the countries export earnings.

2. At the time of appraisal, several fundamental reforms had been completed: private ownership of property had been restored; the previously enforced collective farming had been abandoned; prices had been liberalized; and about 90% of state-owned enterprises (SOEs) had been privatized through leasing operations (Appendix 2). Notwithstanding the reforms, the country remained one of the poorest in Asia, with a per-capita income of \$230 in 1996. Rice yields fluctuated between 1.3 and 1.4 tons per hectare (t/ha) in the early 1990s, then reached 1.79 t/ha in 1995 with a bumper harvest that made the country just about self-sufficient in rice production, with regional disparities remaining. Rubber yield was about 710 kilograms per hectare, about half its technical potential. Against this backdrop, agriculture was seen as the potential engine for economic growth, with a technical possibility of doubling rice and rubber yields. By addressing key issues in this sector, the program was expected to remove constraints to agricultural growth.

3. Financially, the program was intended to alleviate the Government's severe financial constraints by providing budgetary support. At appraisal, the Government was able to pay only salaries, and development financing relied completely on external agencies. The Government's lack of counterpart funds has limited its ability to absorb development assistance.

B. Formulation

4. The program design was based on substantial sector studies, including the first Agriculture Development Options Review (ADOR) financed by the United Nations Development Programme (UNDP) and implemented by the Food and Agricultural Organization in November 1993–January 1994, and a second financed by the Asian Development Bank (ADB) and implemented in April–August 1994.² As much of the data in the country was destroyed during three decades of war, the first ADOR focused on an inventory of human, institutional, and natural resources as well as a review of technical options for agricultural development. The second ADOR adopted a participatory approach involving government officials and representatives from the private sector, farmers, nongovernment organizations (NGOs), and international organizations. A total of 10 policy papers together with an Agriculture Sector Development Policy Statement of the Ministry of Agriculture, Forestry and Fisheries (MAFF) were produced by nine focus groups working together with consultants. Because government officials lacked basic economic knowledge, were unfamiliar with the participatory approach and had little data, the focus groups identified issues without in-depth analysis of the underlying causes. There was also no action plan with effective measures to achieve the objectives in the

¹ ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Cambodia for the Agriculture Sector Program*. Manila.

² ADB. 1993. *Technical Assistance to Cambodia for Agriculture Development Options Review*. Manila.

Policy Statement. Nevertheless, the ADOR introduced the basic concept of market economy, identified an initial set of issues, and provided a basis for program formulation.

5. Consequently, no program preparation technical assistance (TA) was used. ADB fielded four missions during the course of program design; senior officials of MAFF worked closely with the missions to ensure implementability of the proposed reform measures. The missions worked closely with other aid agencies, including the Australian Agency for International Development (AusAID), which provided long-term support for agricultural research and extension in Cambodia since 1995.

C. Objectives and Scope

6. The objective was to tap the productive potential of the agriculture sector in order to (i) stimulate economic growth, (ii) improve household income, (iii) increase employment, (iv) improve food security, (v) reduce urban migration, (vi) conserve the environment, (vii) enhance capacity to earn foreign exchange, and (viii) provide an economic base to increase government revenues.

7. The Report and Recommendation of the President (RRP) identified six key constraints in the agriculture sector: (i) instability and uncertain land tenure, (ii) restricted access to markets, (iii) limited access to inputs, (iv) lack of access to finance, (v) limited access to technical advice and management expertise, and (v) limited government budgetary resources. Accordingly, six components were included: (i) reforms in land tenure, (ii) access to markets and market information, (iii) access to inputs, (iv) access to finance, (v) access to technical advice and management expertise, and (vi) increased government budgetary resources.

8. The program included 14 policy measures: (i) revision of the 1992 Land Law; (ii) provision of market information through radio broadcasts; (iii) establishment of mechanisms for operating and maintaining of rural roads; (iv) continuation of a lift of a ban on rice exports; (v) establishment of fertilizer pricing formulas; (vi) formulation of a management plan for the Agricultural Input Company (AIC); (vii) establishment of quality standards for agricultural materials; (viii) formulation of a policy on cost recovery and financing of irrigation operations and maintenance (O&M); (ix) maintenance of a liberal interest rate policy; (x) creation of a rural credit strategy and policies; (xi) promotion of technology through mass media; (xii) formulation of a strategy for agricultural research and extension; (xiii) development of a divestment plan for state-owned rubber estates; and (xiv) creation of rural development committees in all provinces. In view of the Government's weak capacity, a TA was attached to facilitate program implementation.³

D. Financing Arrangements

9. The program was approved with a loan of SDR20.689 million (\$30.0 million equivalent) from ADB's Special Funds Resources. Justification for the loan size was loosely identified in the RRP, which anticipated substantial adjustment costs in the rubber industry due to lost revenues and large-scale layoffs after privatization. It also estimated that the agriculture sector would need \$40.0 million a year to import improved technologies. The loan was to be disbursed against a broad range of imports subject to a list of ineligible items. The financing arrangements stipulated that counterpart funds generated from the loan proceeds support program measures and meet the Government's contributions to agricultural and social sector projects financed by ADB or other agencies.

³ ADB. 1996. *Technical Assistance to Cambodia for Agricultural Policy Reform Support*. Manila.

E. Implementing Arrangements

10. The program scope required the participation of four executing agencies. These were MAFF, the Ministry of Economy and Finance (MEF), the Office of the Council of Ministers, and the Ministry of Rural Development (MRD). After the Government was reorganized in 1998, the Ministry of Land Management, Urban Planning, and Construction (MLMUPC) was established by separating the Geography and Cadastral Survey Department from the Council of Ministers; and the Ministry of Water Resources and Meteorology (MOWRAM) was established by separating from MAFF. These two new ministries also participated as executing agencies. A working group was to be established within each agency, with task forces established to implement specific measures.

11. The Council for Agricultural and Rural Development (CARD) was to coordinate the program's implementation.⁴ A Program Secretariat was to be set up within MAFF to monitor implementation. In practice, CARD acted as a steering committee, while the secretariat coordinated implementation including planning and budgetary management.

12. The program was to be implemented over 3 years, from 1996 to 1999. Implementation was smooth in the beginning, with task forces established as planned. External factors, as well as numerous difficulties encountered in revising the Land Law (para. 23)—which was a condition for the release of the second tranche—delayed it by 2 years to September 2000. This coincided with the overall completion of the program, which was delayed by 1 year. The Government divided implementation into two stages, with Stage I (1996–2000) focusing on policy formulation and Stage II (2001–2005) on implementation. Stage II has been financed by the counterpart funds from the loan (para. 9).

F. Program Completion Report

13. The secretariat submitted a Program Completion Report (PCR) in February 2001, which provided detailed information on implementation. The PCR considered the program design overly ambitious for Cambodia, which suffered from a severe shortage of human resources and lacked experience in program implementation. While the performance of ADB was rated satisfactory, the PCR criticized ADB's frequent change of design and implementation staff, which created difficulties for Government counterparts.

14. ADB's PCR was circulated in December 2001, which rated the program successful but identified a number of problems, including (i) lack of a clear strategy in design, which spread over a wide range of reform areas; and (ii) lack of a clear causal linkage between reform measures and outcomes. Remaining issues were also discussed, including (i) insufficient financing for road maintenance; (ii) the need to officially adopt the quality standards for agricultural materials; (iii) the unclear role of the AIC (para. 8), which was marginalized by the rapid growth of the private sector; and (iv) a need to further implement the divestment plan for government-owned rubber estates. Finally, the PCR recommended a number of actions, most of which have now been implemented, such as increasing budgetary allocation for rural road maintenance and formulating subdecrees to implement the Land Law.

⁴ Under the chairmanship of the co-Prime Ministers and represented by ministries relating to agricultural and rural development, CARD was the highest authority of the Government for interministerial coordination on agricultural and rural sector issues. The CARD Secretariat currently has about 20 staff.

G. Operations Evaluation

15. An Operations Evaluation Mission (OEM) visited Cambodia in February and March 2003. The OEM held discussions with concerned government agencies, NGOs, international agencies, rural financial institutions, rice millers, and consultants working in the agriculture sector. Field trips were conducted to consult with local governments, field staff, farmers, and workers in the rubber estates. This Program Performance Audit Report (PPAR) focuses on the relevance and achievements of the program reforms, its contribution to agricultural development, and the sustainability of its achievements. Copies of the draft PPAR were submitted for review to CARD, MEF, MAFF, MRD, MOWRAM, MLMUPC, as well as ADB staff concerned. Comments received were considered in finalizing the PPAR.

II. IMPLEMENTATION PERFORMANCE

A. Effectiveness of Design

16. The program design correctly identified a set of key constraints in the agriculture sector. The objective of promoting agricultural growth was highly relevant to the Government and ADB. The program included the fundamental reform of revising the Land Law; the development of funding mechanisms for operating and maintaining rural roads and irrigation systems were important and timely.

17. While the design appeared to be logical, with six components corresponding to the six key constraints identified (para. 7), the causal linkage between policy measures, outputs, and objectives was less clear. The design implicitly assumed that successful implementation of the 14 program measures (para. 8) would lead to farmers' improved access to markets, inputs, finance, and technical advice, and consequently adoption of improved technologies, increased farm productivity and production, and the eight objectives stated in para. 6.

18. The OEM found that some of the program measures did not contribute to the expected outputs. For example, the fertilizer pricing formulas and the management plan of AIC did not have any impact, as private traders sold fertilizer at market prices. The radio program on market prices provided information on prices but did not improve farmers' access to markets (para. 48). The mass media program broadcast information on technology but did not provide technical advice to farmers. Analysis also shows that improvements in access may not encourage farmers to adopt new technologies without favorable farmgate prices (para. 71). Finally, increased farm productivity and production may not lead to increased farm income if output prices fall alongside rising food supply, which was the case for rice prices over the past 5 years (para. 48).

19. The program design omitted two important reforms. First, it did not develop an overall strategy for agricultural and rural development, although strategies for individual subsectors (such as rural credit, agriculture research and extension) were included. Second, the program targeted reforms for minor agencies such as AIC but not for key institutions such as MAFF, which needed to fundamentally change its role as the economy moved away from central planning. The ADOR produced the MAFF Policy Statement (para. 4), which was merely a list of policy objectives without measures to achieve them or analysis of key issues and underlying causes. The program could have required review and updating of the Policy Statement by a core group of senior MAFF officials, through this exercise developing their capacity to analyze and formulate policy.

20. The above weaknesses reflect a lack of clear framework in the program design, which was not a mandatory requirement at appraisal. A rigorous framework based on problem-tree analysis could have helped the appraisal team clearly identify primary causes of the problems at issue; examine the cause-effect linkages and underlying assumptions; and guided better selection, prioritization, and sequencing of program measures. It is noted, however, that the program was formulated at a very difficult time when about one third of the country was inaccessible because of poor roads and the presence of the Khmer Rouge; the Government suffered a severe shortage of capable staff; and it was very difficult to convince senior officials to switch from the centrally planned economy to the unknowns of a market system. Consequently, the design focused on feasibility of reform measures, aiming to introduce basic elements of a market economy to be followed by future interventions. As a follow-up action, the Government and ADB are in the process of preparing an agriculture sector development program to continue reform.

B. Policy Reform Measures

21. Of the 14 measures, 2 were preapproval conditions, 7 were conditions for second tranche release, and the remaining 5 were nontranche conditions. These measures were all implemented as designed. A summary of the implementation status is given in Appendix 3.

1. Stability and Land Tenure

22. At the time of appraisal, the 1992 Land Law was considered incoherent and problematic.⁵ To strengthen agricultural land tenure and provide a sound basis for future agricultural policy, investment, and land management, the program required the submission of a revised Land Law to the National Assembly (NA) within 2 years of loan effectiveness.

23. The draft Land Law was submitted to the NA on 27 July 2000, approved by the NA on 20 July 2001, and enacted as law with the King's signature on 30 August 2001. This measure was delayed by 2 years due to (i) internal civil conflict in July 1997 and National Elections in 1998, which significantly disrupted normal government operations; (ii) establishment of MLMUPC in 1999 and the transfer of responsibility for Land Law revision from the Council of Ministers to MLMUPC; (iii) difficulties encountered in the initial stages;⁶ and (iv) substantial time needed to consult with a wide range of stakeholders. In particular, NGOs formed a working group and worked closely with the Government, reviewing the final draft article by article with the author, and meeting the minister of MLMUPC for important issues. Finally, a joint Government-NGO forum with various stakeholder representatives was held in April 2000.

⁵ The 1992 Land Law provided for individual private ownership of resident land but allowed only usufruct ("to the user go the fruit") combined with inheritance rights for agricultural land, which belonged to the state. Meanwhile, government policy allowed individuals to have title to agricultural land, which was not protected by law. While usufruct was rooted in historical and deeply held cultural and religious beliefs, the colonial administration had introduced land ownership, cadastral surveys, and titling. Furthermore, the expanding population in relation to available land was changing people's attitude towards land ownership. Claim for land by returning refugees, demobilized soldiers, and internally displaced people after the war intensified land disputes. It was foreseen at appraisal that uncertainties in land title and tenure would become a major constraint to long-term agricultural development.

⁶ The Government started revising the Land Law in 1998 with assistance from two consultants financed by the attached TA grant. Ad hoc consultation with NGOs was conducted on the first draft, which was revised by the Government after interministerial discussions. NGOs and ADB did not accept the second draft, considering it "substantial scaled down" on issues relating to the land rights of indigenous people. Another consultant was engaged in 1999 to work out a completely new draft. The third draft was prepared in French, and substantial time was spent to translate it into Khmer and English.

24. Revising the Land Law within 2 years was overly ambitious, considering its complexity, its effect on a wide range of social groups, the need for broad consultations with the civil society, and the weak capacity of Government. Although the extra time in legal reform slowed the release of the second tranche, delay in the tranche release did not cause any problem because utilization of funds was slow and the tranche remained unused 1 year after its release.⁷

25. Following the reforms under the program, ADB provided another TA⁸ to facilitate implementation of the Land Law. With assistance from various agencies, MLMUPC has been drafting subdecrees and regulations for implementation, training officials and judges, and conducting a public awareness campaign. Systematic land registration has commenced under a project financed by the World Bank and other agencies.

2. Access to Markets and Market Information

26. Three measures were designed to improve farmers' access to markets: a radio program to provide price information, a funding mechanism to operate and maintain rural roads, and continued suspension of a ban on rice exports. The ban on rice export, which was imposed in the early 1990s when Cambodia suffered serious shortages, was lifted in December 1995 when the country reached rice self-sufficiency, and has not been reimposed. The radio program began in August 1997 and a similar television program started in February 1998. These programs continued with assistance from the Food and Agriculture Organization and broadcast price data collected by marketing offices of MAFF. The broadcasts reach most of the country except for remote northeast provinces due to inadequate wattage of radio stations. A survey conducted by MAFF in 1998 suggested high awareness of the program among farmers and traders.

27. A consultant under the Rural Infrastructure Improvement Project prepared a report on rural road maintenance.⁹ It proposed using petroleum taxes for rural road maintenance, a strategy agreed upon by the Government in December 1998. MRD then came up with a comprehensive policy on rural roads in December 1999. Currently, MRD is implementing this new policy, establishing standards for road maintenance; clarifying maintenance responsibilities, including community contributions; conducting a test project allowing private firms to collect road-use fees, which they would use for maintenance; pilot-testing road maintenance by private contractors using government funds; and developing a plan to transfer the maintenance of 20% of all rural roads to local communities. The OEM inspected some rural roads including those under pilot testing. It noted that roads suitable for self-finance through fee collection are limited to those with heavy traffic. The OEM's discussions with rural residents also found that, although they consider roads important and are willing to contribute to maintenance, their ability and willingness to pay are far below full cost.

28. Based on information from MRD, the national budget for rural road maintenance has increased by 25 times from \$50,000 in 2000 to \$1.25 million in 2003, reflecting a rising awareness of this important issue. In spite of the rapid increase, the current budget is far from adequate. A recent World Bank review found that up to 11,000 kilometer (km) of tertiary roads has been rehabilitated by MRD in recent years, but only about 4,000 km of higher-priority (interdistrict) roads is subject to any regular maintenance, and proper maintenance of them would require an annual budget of \$3.3 million. A further concern is that the maintenance

⁷ ADB's PCR Mission found in September 2001 that about \$16 million of the program counterpart funds had not been used, of which \$10.5 million was earmarked for program implementation in 2001–2005.

⁸ ADB. 2000. *Technical Assistance to Cambodia for Implementation of Land Legislation*. Manila.

⁹ ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Cambodia for the Rural Infrastructure Improvement Project*. Manila.

budget has so far been used more for rehabilitation, reportedly due to a lack of clear separation of rehabilitation from routine and periodic maintenance. The OEM was informed that this has recently been corrected.

3. Access to Inputs

29. The program assumed that rice yields could be doubled and the constraint to achieving this was farmers' limited access to inputs, primarily fertilizer and improved seeds. Consequently, four measures were designed to (i) establish fertilizer pricing formulas to ensure no subsidies; (ii) prepare and implement a management plan for the state input company, Compagnie Centrale des Matériels Agricoles, or COCMA; (iii) issue a decree establishing quality standards for agricultural materials and set up a bureau to monitor its compliance; and (iv) devise and initiate implementation of a policy to finance O&M of irrigation systems.

30. Fertilizer pricing formulas were developed by a consultant under the attached TA and approved by the Government on 28 October 1998. The consultant also prepared a management plan for COCMA, which led to a subdecree issued on 18 February 1999 to convert COCMA into AIC, an autonomous public enterprise. AIC had no trading business since its formation because of continued Government control and inability to compete with private traders. Currently, AIC receives no Government subsidy but has survived on interest earnings from a cash fund left from COCMA. In retrospect, the program should have required liquidation of AIC. The concern of potential social unrest caused by reducing employees proved to be unjustified, as the number of COCMA staff was reduced from 126 to 53 without encountering strong resistance (para. 60).

31. The subdecree on quality standards for agricultural materials was prepared by a consultant under the attached TA and approved by the Government on 28 October 1998. The Bureau of Agricultural Materials Standards (BAMS) was established on 21 January 1999. Guidelines for implementation of the subdecree were issued in October 2002. Provincial inspectors were trained accordingly. Implementation of the subdecree has been difficult, because most trade is informal. Furthermore, BAMS does not have sufficient staff or operational funds to inspect all imported chemicals, nor does it have an analytical laboratory for testing. While a laboratory is included in the budget for BAMS in 2001-2005 with investment from program counterpart funds, a budget for the laboratory's ongoing O&M is not provided.

32. Policy for financing irrigation O&M was issued in June 2000, including guidelines for formation of farmer water user communities and full recovery of O&M costs. The MOWRAM plans to pilot-test the new policies in 11 irrigation schemes in 2001–2005 using program funds. The OEM visited one pilot area and found that formation of the user communities was in an early stage. Farmers showed interest in being organized for irrigation O&M and were willing to contribute, but the amount they were willing to pay was small.

4. Access to Finance

33. Assuming rural credit is a precondition to the adoption of technologies, the program required that the Government (i) maintain a liberal interest rate policy, leaving the determination of rates to financial intermediates; and (ii) formulate a rural credit strategy. The free interest rate policy was announced in March 1995—well before the program formulation—and has been maintained to date. The Council of Ministers adopted the strategy for rural finance on 8 January 1999. As a result, the Rural Development Bank (RDB), formed in 1998 as a retail bank, was converted into acting as a wholesaler to microfinance institutions (MFIs). Shortly after, ADB

approved a Rural Credit and Savings Project¹⁰ to provide financial and technical support to RDB. However, slow loan disbursement led to cancellation of \$14.8 million of its \$20.7 million loan proceeds in December 2002. The slow disbursement was caused by a number of factors. First, RDB has only three eligible clients.¹¹ Second, RDB charges an annual interest rate of 12% on US dollar loans, including 4% for its services, without the capacity to deliver services or training. Its loans are not attractive to eligible borrowers who have access to concessional funds from other external sources.

34. Currently, three largest MFIs dominate the supply of rural credit in Cambodia (, Appendix 1, Table A1.2): Association of Cambodian Local Economic Development Agencies (ACLEDA) alone occupies 60% of the rural credit market, followed by Program for Rehabilitation in the Agriculture Sector Cambodia (PRASAC) with 14% of the market, and Ennastien Munlethan Tchonnebat (EMT) with 9% of the market. Interest rates are reportedly declining for loans to small or medium enterprises (Appendix 1, Table A1.3), but remain high for microcredit. For example, ACLEDA charges a monthly interest rate of 5% for microcredit versus 2.5% for medium loans (\$2,000 or above) and 1.5% for large loans (\$10,000–\$70,000). Similarly, PRASAC charges 4-5% per month and EMT, 4% per month for micro loans (Appendix 1, Table A1.4). The high interest rates probably reflect extra costs in microlending as well as insufficient competition among microcredit suppliers.

5. Access to Technical Advice and Management Expertise

35. Three measures were designed to improve farmers' access to technical advice: (i) a low-cost mass media program on agricultural technologies; (ii) a strategy for agricultural research and extension; and (iii) plans for future operation of the state-owned rubber estates. With support from AusAID, weekly radio broadcasts commenced in 1998 and are operating to date. The AusAID support ended in March 2001, and the mass media programs are currently financed by program funds for 2001–2005. The upcoming sector development program will fill in the gap after 2005.

36. The strategy for agricultural research and extension was developed by a consultant, financed by AusAID and approved by the Government on 28 October 1998. As the strategy was developed without full Government participation, senior MAFF management have little knowledge of its contents. Application of the strategy is supported by externally funded projects, with the largest one from AusAID. These projects typically provide supplementary salaries and travel allowance to extension staff, covering limited targeting areas and with short life spans.

37. As the strategy called for separation of agricultural research from government management, the Cambodia Agricultural Research and Development Institute was established on 16 August 1999 with financial support from AusAID. A 5-year plan (2001–2005) for the institute is financed by a budget of \$3.5 million from program funds. The institute has received further support from AusAID for 2002–2007 with a target to reach self-financing. This target seems unrealistic, and the sustainability of the institute is at risk when external support eventually withdraws. While MAFF indicates its willingness to support the institute when such support withdraws, it is possible that high-quality researchers currently paid by external funds will find MAFF salaries unattractively low by comparison.

¹⁰ ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Cambodia for the Rural Credit and Savings Project*. Manila.

¹¹ As a wholesaler, RDB is allowed to lend only to specialized banks and licensed MFIs. As of December 2002, Cambodia had only three licensed MFIs and four specialized banks, and only one specialized bank handled microcredit. In addition to the specialized banks and licensed MFIs, Cambodia had 27 NGOs registered as microcredit operators, of which four or five were in the process of obtaining a license.

38. As designed, a divestment plan for the rubber estates was prepared with assistance from the attached TA. The plan included: (i) establishment of public enterprises outside MAFF; (ii) reconstruction and consolidation to establish viable economic entities; and (iii) sale of public shares to private investors. As the first step, the Government issued seven subdecrees on 15 March 1999 to convert the seven rubber estates into autonomous public entities. Each estate is managed by a board of directors heavily dominated by government representatives from MEF, MAFF, and the Council of Ministers. While no budget is allocated to the estates, some of them received government loans in ad hoc arrangements when they incurred losses. A recent World Bank review found that in 2001, the seven estates made a profit of KR700.0 million on a capital stock valued at approximately KR420.0 billion, or a rate of return of about 0.2%. Nevertheless, the OEM was informed that financial status of the estates improved significantly in 2002–2003 due primarily to a sharp increase in world rubber prices.¹²

6. Increased Government Budgetary Resources

39. The Government's limited access to development finance was a major constraint to agricultural development, and the program was to help by providing budgetary support. A measure was included to set up rural development committees (RDCs) in all provinces to ensure optimal use of the scarce resources.

40. The idea of RDC was initiated by MRD and expanded nationwide under a government decentralization scheme called Seila, which has been financed by bilateral agencies and managed by UNDP. As of 31 December 2002, RDCs had been established in all 24 provinces but were functioning in only 17 provinces, with a plan to cover the remaining seven provinces in 2003. The Government also issued a circular on 17 June 1999 with guidelines for RDC operation at commune and village levels. At the provincial level, an RDC acts like an assembly and approves development budgets allocated through Seila. The executive committee under the provincial RDC is a powerful institution, coordinating all line agencies' departments at the provincial level. At the commune level, commune councils established through elections in February 2002 have superseded the RDC. At the village level, some 9,000 village development committees have been established covering roughly 70% of rural villages.

C. Program Management

1. Disbursement and Procurement

41. The first tranche of \$14.9 million equivalent was released in 23 December 1996, 2 months after loan effectiveness. The second tranche of \$13.5 million equivalent was released on 5 September 2000, 2 years later than the appraisal had anticipated because of delays in revising the Land Law, a condition for the tranche release. Disbursement was based on reimbursements for goods already imported while complying with a negative list. There were no procurement packages or single items that cost more than \$5.0 million. As of December 2002, \$2.4 million of the counterpart funds had been used for implementation; \$14.9 million for meeting the Government's contributions to 11 agriculture or social sector projects financed by ADB; and \$10.5 million committed for program implementation in 2001–2005, leaving a balance of \$0.7 million.

¹² The rubber estates received a price discount due to low quality of their products. The OEM was informed that rubber price increased from about \$500 per ton (t) to about \$1,000/t in the world market, and from about \$400/t to about \$800/t for the estates in the past 12–18 months.

2. Performance of ADB and the Government

42. Overall, ADB's performance is rated satisfactory. ADB fielded four missions during the course of program preparation. These missions involved active participation of the Government to ensure feasibility of reform measures. While the program included fundamental reform in land tenure, it omitted important reforms in developing an overall sector development strategy and institutional change in key government agencies. Due to security problems, no review mission was fielded in the first year of implementation. However, ADB sent six review missions in the next 3 years and supervised implementation closely. In particular, ADB's contributions to the success of the land reform were well recognized in Cambodia.

43. The performance of the Government is also rated satisfactory. The Government actively participated in program design and implementation. The task forces were established on time and worked effectively, contributing to the accomplishment of all reform measures. The secretariat collected reports from various task forces and submitted consolidated semiannual reports, as well as a PCR to CARD and ADB, as required. The Government remained committed and continues to implement program measures after loan closing, with financial support from counterpart funds. On the downside, however, implementation relied on task forces financed by short-term externally assisted projects, so reform measures were not integrated into the normal government functions.

3. Effectiveness of Technical Assistance

44. The attached TA was designed to support implementation by providing a long-term program adviser and short-term experts. The adviser, who understood the local language and had close relationships with senior government officials, facilitated communications between ADB and the Government and contributed to the fulfillment of all reform measures. The short-term experts directly implemented a number of measures, such as drafting strategies, decrees, and regulations. On the downside, however, the design of the TA focused entirely on the immediate needs of program implementation without building long-term capacity in the Government. While most measures under the program were implemented, the Government remains weak in policy analysis and formulation, and without a clear long-term vision to guide agricultural and rural development. The experts developed strategies within a short span, but failed to use the process to train government officials in policy analysis. On balance, the TA is rated successful.

III. PROGRAM RESULTS

A. Performance Indicators

45. The RRP anticipated that successful implementation of the program would improve farmers' access to markets, inputs, finance, and technical advice, leading to increased crop yields, food production, rural household income, foreign exchange earnings, rural employment, as well as improved nutrition and reduced rural-urban migration. However, no quantifiable indicators were identified in the RRP.

B. Impact of Policies

1. Reforms on Land Tenure

46. Many Government officials and NGOs saw the passage of the 2001 Land Law as a significant achievement. It is widely believed that the new Land Law will provide legal protection

for land tenure, reduce land disputes, and facilitate land management. Since the new Law took effect, possession of land through occupation has ended and has been replaced by social land concession to the poor.¹³ A subdecree on social concession was approved on 19 March 2003; guidelines for implementation are being prepared.

47. The program's primary contribution to the new Land Law was well recognized. It financed the experts to draft and redraft the Law, and set a time frame (albeit overly tight) with direct linkage to the release of the second tranche of the loan, thus providing incentive and pressure for the Government to complete the reform. Equally important was the reform process, which involved broad participation of stakeholders. In particular, NGOs' active participation fostered a strong sense of ownership of the Land Law, because it was their joint product with the Government. Following the enactment of the Land Law, NGOs initiated a grassroots information campaign to raise farmers' awareness of their new legal rights.

2. Access to Markets and Market Information

48. Farmers' access to market information has improved, thanks to the radio program on prices. The impact, however, has so far been limited. As shown in Table A1.5 of Appendix 1, rice prices remain low and are declining. Village-level buyers remain few because of the poor conditions of most rural roads; a small, poor-quality farm surplus; and the high cost of transportation, which often includes unofficial tolls on roads and in ports. Consequently, farmers have little bargaining power even if they know prices in outside markets.

49. The continued suspension of the rice export ban is necessary but not sufficient to improve farmers' access to markets overseas. The real constraints to exports are cumbersome procedures of export clearance, unofficial checkpoints, and port fees. Appendix 4 presents the results of six case studies conducted by World Bank consultants in July 2002 on transaction costs in rice trade and marketing. The study found that unofficial fees ranged from 19% to 57% of total transaction costs. The OEM's interviews with farmers, rice millers, consultants, and staff in aid agencies found a widespread perception that unofficial fees have become a major obstacle to rural development in Cambodia.¹⁴

50. The above factors severely restrict farm profitability. Table A1.7 of Appendix 1 presents case studies conducted by World Bank consultants on rice production costs and revenues for different varieties in various regions. The results revealed an average gross margin of \$49 per ha in rice production, with high variations ranging from a negative value to \$132 per ha.

3. Access to Inputs

51. Measures on fertilizer pricing formulas and AIC management had no impact because fertilizer was and still is sold by private traders at market prices, and AIC has had no business in the past 3–4 years. The impact of the quality standards for agricultural materials has been minimal because BAMS lacks capacity to inspect. As the policies to operate and maintain irrigation have been developed by government officials with strong ownership, continued implementation of the policies is likely. It is noted, however, that farmers' access to irrigation

¹³ Social land concession is a legal mechanism to transfer state land to the poor for residential or subsistence farming purposes.

¹⁴ Unofficial fees are related to government officials' extremely low salaries. As shown in Table A1.6 of Appendix 1, the average monthly salary in the public sector was \$13 in June 1999, less than 18% of the average in the private sector. Recent data is not available; however, the OEM was told that most officials currently receive a salary of \$20–\$25 per month, substantially below the private-sector average.

services has improved only in a few areas with public investment projects. The access may not be sustainable unless sufficient funding is secured.

4. Access to Finance

52. Program measures requiring that the Government maintain a liberal interest rate and formulate a rural credit strategy have not resolved key constraints in rural finance. While market forces determine interest rates, they remain high relative to farm output prices, and few farmers borrow formal credit at market rates to adopt improved technology. The credit strategy, the conversion of RDB into a wholesaler for MFIs, and the loan to RDB have not led to improved competition among microcredit suppliers. While commercial lending to agriculture more than tripled from KR10.9 billion in March 1995 to KR35.6 billion in December 2001 (Appendix 1, Table A1.8), and rural credit increased by 57% from KR114 billion in December 2000 to KR179 billion in December 2002 (Appendix 1, Table A1.9), the increased loans were used more by small or medium enterprises in the rural areas than by farmers for agricultural production. As shown in Table A1.9 of Appendix 1, the number of borrowers dropped by 5.6% during this period and the average loan size increased from KR336,600 (\$88) in 2000 to KR557,700 (\$139) in 2002.

53. Many reasons underlie the above observations. On the demand side, farmers complained about the high interest rate, which was 4%–5% per month for micro loans. However, they use informal credit from moneylenders who charge a much higher rate (about 10% per month) because informal loans are readily available, access is quick, and the repayment schedule is negotiable. In contrast, formal credit requires complicated application procedures and supporting documentation. The slow process of loan approval, the short length of the loan period, and the monthly repayment requirement do not match well with farmers' production needs and cash flow patterns.

54. On the supply side, lending to farmers is perceived as risky because they lack diversified revenue sources. The small size of microcredit necessitates high transaction costs, especially in areas with poor road conditions. Although many NGOs are reportedly providing microcredit in rural areas, their operations are small, and the rural credit market remains dominated by three large MFIs. The largest of them, ACLEDA, has increasingly shifted away from microcredit towards more profitable large-scale lending and financial services.

5. Access to Technical Advice and Management Expertise

55. The mass media program has, to a limited extent, improved farmers' access to new technology as the program covers most rural areas. It has not, however, encouraged farmers to adopt new technology, because they need hands-on technical advice on specific problems. The long-term impacts of agricultural research and extension are limited, because their funding is uncertain after AusAID withdraws. Without long-term operation, it is not clear if the substantial external funds spent on establishing the system and training staff will be justified.

56. Reforms to rubber estates reduced government spending by removing about 21,000 workers from the MAFF payroll. The reform also contributed to improved operations, although a more important cause was a sharp increase in world rubber prices. The reform, however, had no impact on rubber farmers' access to technical advice or management expertise because there were neither technology investments nor significant improvements in management. The upcoming sector development program aims at further divestment of the rubber estates,

requiring the Government to update and revise the 1998 divestment plan and implement it accordingly.

6. Government Budgetary Resources

57. It is difficult to link the establishment of the RDCs to an improvement in government budgetary resources, although program funds did mitigate the Government's financing constraints. In the long run, the RDCs may contribute to a better use of development funds allocated to provinces and communes. Nevertheless, the Government continues to suffer from insufficient budget to pay salaries, making it difficult to curtail unofficial fees, which, in turn, undermine the Government and aid agencies' efforts in public investment.

C. Institutional Impact

58. The most significant institutional impact was generated by the land reform, which has provided a legal foundation for land administration and management. The involvement of civil society in the reform process has set a good model of stakeholder participation in legal reforms. In the case where Government primarily developed strategy (such as the case of irrigation O&M), the reform generated strong interest within the Government and momentum for continuity. Government staff in the various task forces also increased their capacity to implement policy. In the long run, the RDC could become an effective mechanism for beneficiary participation in rural development at the grassroots level. Overall, however, government institutional capacity remains weak in the agriculture sector, which lacks a coherent policy framework. The current institutional structure represents overlapping jurisdiction among government ministries as well as a lack of coordination among them.

D. Social Impact

59. The Land Law has provided a legal framework for land distribution to the poor and motivated continued reforms including issuance of a subdecree on social land concession. Subject to successful implementation, the Land Law could contribute positively to social stability and land tenure security for the majority of farmers in the long run.

60. Program reforms to state-owned enterprises (AIC and the rubber estates) did not cause any social problems, a concern expressed at appraisal. AIC reduced its staff through normal retirement, severance packages, and staff transfers; the divestment of rubber estates did not lead to substantial reduction in the number of rubber workers, or deterioration in their living standards. The other program measures have not yet generated noticeable social impacts. A farm household survey conducted in six provinces in June 2002 found little short-term impact from the program's reforms: the majority of the surveyed farmers reported no changes in their living standards. The OEM's discussions with farmers confirm this finding.

61. Overall, poverty remains widespread in Cambodia at 36% in the country as a whole and 40% in rural areas (Appendix 1, Table A1.10). The majority (79%) of the poor are those with household heads engaged in agriculture. Since rice is the primary source of income for most rural households, the low profitability of rice production (para. 50) and the lack of alternative employment are the primary causes of rural poverty. Surveys on monthly household expenditure further revealed a decline in living standards in rural areas and a widening gap between rural and urban quality of life (Appendix 1, Table A1.11). Survey results from 1995–2000 found large numbers of landless people in some provinces (Appendix 1, Table A1.12), due primarily to a post-war population boom.

E. Environmental Impact

62. By focusing on policy reforms, the program did not generate significant environmental impact. The quality standards for agricultural materials could have had a more positive environmental impact if BAMS had had the capacity to effectively implement them.

F. Overall Sector Performance

63. As shown in Table A1.1 of Appendix 1, gross agricultural product increased slowly and with large variations from year to year during the program period (1996–2000). Overall, agricultural production increased by 10% during this period, lower than the overall GDP growth rate of 19%. Agriculture as a share of total GDP declined from 40% in 1996 to 38% in 2000. Slow growth in agriculture was, however, attributable in part to external factors including severe floods in 2000 and 2001. Despite high expectations at appraisal, agricultural exports actually fell, with timber exports declining from \$224 million in 1994 to \$9 million in 2001, primarily due to a ban on commercial logging. Meanwhile, rubber exports declined by 27% from \$32 million in 1996 to \$23 million in 2000; its share in total export dropped from 5% in 1996 to less than 2% in 2000.

64. Within agriculture, rice production increased from 3.4 million t in 1995 to 4.0 million t in 2001, with paddy yield increasing from 1.79 t/ha in 1995 to 2.11 t/ha in 2001. This represents an accumulated growth of 18% in both rice yield and rice production over 6 years. Food security is no longer a major concern, as self-sufficiency in rice production has been maintained since 1995. Overall, however, rice productivity is low compared with neighboring countries, with high variations between years because of dependence on rainfall.

65. The best performance is found in the production of poultry and fish, with poultry increasing by 34% and fish production more than tripling from 104,000 t in 1996 to 385,000 t in 2001, reflecting strong demand. In contrast, rubber production declined by 7% from 42,000 t in 1996 to 39,000 t in 2001. It is difficult, however, to attribute the above changes to the program, because the biggest improvement in rice production occurred in 1995, before program formulation, and the program did not include measures for fisheries or poultry. Nevertheless, the program may have contributed to sustaining the improved rice performance.

G. Sustainability

66. Implementation has continued after loan closing, with \$10.5 million from counterpart funds earmarked to finance various task forces in 2001–2005. The budget has provided strong incentives for executing agencies to continue implementation.

67. Sustainability of land reform benefits is highly likely because the new Land Law has generated strong government ownership and has attracted external support for continued reforms. However, sustainability of BAMS, the agricultural research institute, and the agricultural extension system is at risk, because the current level of financial support will fall substantially when external support is withdrawn. The upcoming sector development plan will fill in the short-term financial gap when AusAID withdraws, and the Government is required to increase budgetary allocation to agriculture in the medium and long term, including support for agricultural extension.

68. Sustainability of the funding mechanism for operating and maintaining rural roads depends on sufficient budgetary allocation and successful implementation of the pilot tests on private road maintenance. Sustainability of reforms to irrigation O&M depends not only on the

success of the pilot testing of a funding mechanism for O&M, but also on its successful replication on a wider scale. Sustainability of rubber estate reform depends on the success of further divestment under the upcoming sector development program.

IV. KEY ISSUES FOR THE FUTURE

A. Sustainability of Rural Roads

69. Rural roads are one of the most important engines of rural development. While many of them have been rehabilitated, long-term financing for their maintenance has not been secured. The national budget for rural road maintenance has increased substantially in the past 3 years, but it is still far from adequate, and a large portion of the budget has not been used for maintenance (para. 28). It is important that the Government allocates sufficient budget for road maintenance, and develops transparent mechanisms to enable public monitoring of the budget use. The current pilot tests allowing private contractors to maintain roads should be continued, modified based on lessons learned, and expanded as appropriate.

B. Sustainability of Agricultural Extension Services

70. Application of the program's extension strategy has so far relied on short-term externally financed projects. MAFF allocated only 0.8% of its annual budget for extension in 2002. There is a risk that the Government will not be able to sustain the current staff salaries after the completion of externally funded projects, and well-trained extension staff may be lost. Consequently, there appears a need to search for better alternatives affordable to the Government, including perhaps private extension services or semipublic systems. Currently, some agricultural companies are providing technical advice to farmers under contractual farming. There are also various businesspeople who have regular contact with farmers, such as rice millers, input suppliers, and small traders. It may be possible to provide training on improved technologies to these "agents" and through them provide technical advice to farmers. Potential benefits of this approach include the following: (i) businesspeople will likely promote only new technologies that have good market potential; (ii) they will have strong incentives to disseminate technologies because they will benefit from increased business; and (iii) farmers may have permanent access to technical advice, as this system will not rely on government financing. MAFF should be encouraged to pilot test the new approach in one or two districts with support from aid agencies.

C. Market-Induced Technology Improvement

71. The program design assumed that the lack of access to markets, inputs, finance, and technical advice was the primary reason farmers failed to adopt improved technology. The OEM's discussions with farmers found, however, that a primary determinant in farmers' decisions on technology adoption was farmgate price. Currently, farmgate prices of agricultural products are low caused by the poor quality of most rural roads; unofficial road and port tolls; a small, poor-quality farm surplus; and weak bargaining power of farmers. Even if rural roads are improved in the long run, limitations of the domestic market, with about 70% of the labor force producing rice and only one million consumers in Phnom Penh, may restrict farmers from benefiting fully from technological improvements. Because the prices of food products are inelastic, they may fall when domestic markets are saturated with supply, as was the case for rice over the past 5 years.¹⁵ The OEM was also informed that farm exports face strong

¹⁵ See declining trend of rice prices in 1997-2001 (Appendix 1, Table A1.5) alongside with rising rice production and productivity.

competition from Thailand and Viet Nam, where high-value crops such as vegetables and fruits, are of good quality and low in price.

72. There are no easy solutions. If government agencies promote any particular technology without market demand identified by the private sector, it may lead to declining prices of farm products. The Government should focus on creating an enabling environment for private sector participation, improving rural roads and ensuring their proper maintenance, simplifying export procedures, implementing measures to curtail unofficial fees, and setting regular forums with private companies to understand their constraints and search for solutions.

V. CONCLUSIONS

A. Overall Assessment

73. **Relevance.** The program's primary objective of promoting agricultural growth was highly relevant to both the Government and ADB at the time of appraisal. It remains so now. The program included the fundamental reform of revising the Land Law, as well as measures to develop funding mechanisms for operating and maintaining rural roads and irrigation systems. These reforms were highly relevant and timely. Some less relevant measures were included, however, such as devising fertilizer pricing formulas and formulating an AIC management plan. Others were overlooked, such as creating an overall sector strategy and restructuring key government agencies. On balance, the program is rated relevant.

74. **Efficacy.** The 14 measures were all implemented as designed. They have not, however, led farmers to adopt improved technologies, a process that is by nature long term. As the first program loan in Cambodia, it was not possible for the program to remove all key constraints in the agriculture sector. The remaining obstacles, especially depressed farmgate prices, continue to restrict the full impact of reform. As a result, many of the overly stated objectives have not been achieved.

75. **Efficiency.** The design used available sector studies without a program preparatory TA. Its implementation was largely smooth, although the release of the second loan tranche was postponed by 2 years because of delays in revising the Land Law. Given the complexity of land reform and the need for broad consultations with civil society, the extra time was necessary and the delay did not cause significant problems. The program earmarked the use of its counterpart funds and enabled continued implementation of the reform measures after loan closing. The attached TA financed consultants to implement program measures but wasted 6 months on fertilizer pricing formulas and an AIC management plan, two measures that did not generate any benefits. On balance, the program is rated efficient.

76. **Sustainability.** Implementation of the program measures continues to date. The benefits of land reform—the most significant achievement—are likely to continue, because the new Land Law has generated strong government ownership and momentum for continuity. Sustainability of the funding mechanisms to operate and maintain rural roads and irrigation systems is also likely, assuming continued efforts to implement new policies and success in pilot testing. The agricultural extension system and other institutions established under the program, such as BAMS and the agricultural research institute, may suffer insufficient financing when external support terminates. Reforms to rubber estates have not been completed, and the upcoming sector development program will continue this effort. On balance, the program's sustainability is rated likely.

77. **Institutional Development and Other Impacts.** The new Land Law has provided a legal platform for land administration and management in Cambodia. The revision process has set a good model of stakeholder participation in legislation reforms. The development of the new policies on irrigation O&M involved full participation of the Government and generated strong ownership for further implementation. The government staff on the task forces have improved their capacity to implement policy. The social impact of the program is so far limited, with slow growth in agriculture and persistent rural poverty. On balance, impacts on institutional and other forms of development are rated significant.

78. Based on the above criteria, the program is rated successful.

B. Key Lessons Learned

79. The success of the Land Law can be attributed to the full participation of the Government in the reform process, as well as extensive consultations with stakeholders. The long duration (4–5 years) of this process was justified: it produced a law accepted by all primary stakeholders, strong government ownership has led to continued reforms, and institutional capacity was developed through this process. In contrast, an unrealistic time frame for formulating strategies and policies generated undue pressure on the Government to use consultants to merely meet reform requirements on time without benefiting from reform process.

80. Earmarking the use of counterpart funds for reform purposes contributed to continued implementation after loan closing, and ensured that funds were used in accordance with the reform objectives.

81. The attached TA focused on short-term implementation and used consultants to implement reform measures for the Government. This resulted in the achievement of all program measures but not program objectives.

82. Identifying key sector issues is necessary but not sufficient for the design of a program loan. The program needs in-depth analysis of the various factors underlying the issues identified, as well as clear causal links among the sector issues, underlying causes, proposed policy interventions, and expected outcomes.

83. The importance of proper sequencing in the design of policy interventions should be highlighted. Since it is impossible for one program loan to remove all sector constraints, interventions should focus on the most binding obstacle(s), and the remaining constraints should be explicitly identified as risks or assumptions.

84. Promotion of agricultural technologies should not be based solely on their potential to raise productivity without considering marketing limitations. The promotion is best driven by market demand identified by the private sector instead of by government agencies.

85. Overstatement in program objectives may lead to less favorable rating of program performance, which needs to be evaluated against expectations specified in the RRP. Appraisal teams should be encouraged to limit themselves to realistic estimations; review of draft RRP should remove ambitious statements.

C. Follow-Up Actions

86. MEF should increase the budget allocated to the maintenance of at least 4,000 km of interdistrict roads, and develop transparent mechanisms to monitor proper use of the

maintenance budget. A report on this issue should be submitted to CARD and ADB by the end of 2004.

87. MRD should continue pilot-testing road maintenance by private contractors, modifying the model based on experiences and lessons learned, and expanding it as appropriate. The ministry should submit a report to CARD and ADB on the above achievements by the end of 2004.

88. MOWRAM should continue pilot testing on funding mechanisms for O&M of irrigation systems, modifying the policies based on experiences and lessons learned, and expanding the pilot as appropriate. It should submit a report to CARD and ADB on the above achievements by the end of 2004.

89. MAFF should search for sustainable funding mechanisms for agricultural extension, including pilot testing innovative approaches that will allow private sector participation. A report on the above efforts should be submitted to CARD and ADB by the end of 2004.

STATISTICAL TABLES

Table A1.1: Agricultural Performance

Item	1981	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TOTAL EMPLOYMENT, (Mn)	—	—	—	—	—	—	—	—	—	—	3944	4932	4456	4430	4909	5519	5275	—
Agriculture Employment	—	—	—	—	—	—	—	—	—	—	2959	4014	3482	3492	3771	4214	3889	—
As % of Total Employment	—	—	—	—	—	—	—	—	—	—	75.0	81.4	78.1	78.8	76.8	76.3	73.7	—
TOTAL GDP,^a (KR Bn)	—	—	—	212	233	241	244	262	281	5,970	6,343	6,875	7,115	7,378	7,485	8,003	8,434	—
Agriculture GDP	—	—	—	110	118	126	127	136	139	2,440	2,629	2,893	2,874	3,039	3,114	3,263	3,174	—
As % of Total GDP	—	—	—	52.0	50.5	52.3	52.3	51.8	49.4	40.9	41.5	42.1	40.4	41.2	41.6	40.8	37.6	—
Annual Growth Rate^b (%)																		
Total GDP	—	—	—	—	9.8	3.5	1.2	7.6	7.0	—	6.3	8.4	3.5	3.7	1.5	6.9	5.4	—
Agriculture GDP	—	—	—	—	6.5	7.1	1.2	6.7	1.9	—	7.8	10.0	-0.7	5.7	2.5	4.8	-2.7	—
Growth Since 1996 (1996=100) (%)																		
Total GDP	—	—	—	—	—	—	—	—	—	83.9	89.2	96.6	100.0	103.7	105.2	112.5	118.5	—
Agriculture GDP	—	—	—	—	—	—	—	—	—	84.9	91.5	100.7	100.0	105.7	108.4	113.5	110.4	—
EXPORTS^c (Mn \$)																		
Total Exports	—	—	—	36	45	79	86	253	265	283	490	854	644	862	913	973	1,327	1,374
Agricultural Exports																		
Rubber	—	—	4.4	2.8	7.2	6.8	4.7	18.6	12.6	13.9	25.6	41.2	31.9	22.8	26.9	28.1	31.9	23.2
Timber	—	—	0.5	0.5	1.4	4.8	4.8	20.9	25.0	84.5	223.5	73.1	95.9	95.6	90.1	73.5	25.3	9.1
As % of Total Exports																		
Rubber	—	—	—	7.7	16.1	8.6	5.5	7.4	4.8	4.9	5.2	4.8	5.0	2.6	2.9	2.9	2.4	1.7
Timber	—	—	—	1.4	3.1	6.1	5.6	8.3	9.5	29.9	45.6	8.6	14.9	11.1	9.9	7.6	1.9	0.7
Annual Growth Rate (%)																		
Total Export	—	—	—	—	23.8	76.8	8.3	194.4	4.7	7.0	73.1	74.3	-24.6	33.9	6.0	6.6	36.4	3.6
Rubber	—	—	—	(36.4)	157.1	(5.6)	(30.9)	295.7	(32.3)	10.3	84.2	60.9	(22.6)	(28.5)	18.0	4.5	13.5	(27.3)
Timber	—	—	—	0.0	180.0	242.9	0.0	335.4	19.6	238.0	164.5	(67.3)	31.2	(0.3)	(5.8)	(18.4)	(65.6)	(64.0)
Growth Since 1996 (1996=100) (%)																		
Total Export	—	—	—	5.6	7.0	12.3	13.3	39.2	41.1	44.0	76.1	132.7	100.0	133.9	141.8	151.2	206.2	213.5
Rubber	—	—	13.8	8.8	22.6	21.3	14.7	58.3	39.5	43.6	80.3	129.2	100.0	71.5	84.3	88.1	100.0	72.7
Timber	—	—	0.5	0.5	1.5	5.0	5.0	21.8	26.1	88.1	233.1	76.2	100.0	99.7	94.0	76.6	26.4	9.5

^a At constant prices for data from 1993–2000.

^b The break in national accounts series is due to the difference in methodology used in compiling data starting from 1993.

^c Figures for 2001 of agricultural exports was taken from Cambodia Statistical Yearbook 2001, National Institute of Statistics, 2002.

Table A1.1: Agricultural Performance (continued)

Item	1981	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	
PRODUCTION, ('000 tons, crop year)																			
Rice (Paddy)	1,260	1,812	2,093	1,815	2,500	2,672	2,500	2,400	2,221	2,383	2,223	3,318	3,390	3,415	3,510	4,041	4,026	4,099	
Paddy Yield (ton/ha)	1.13	1.25	1.38	1.32	1.37	1.44	1.35	1.40	1.32	1.31	1.49	1.79	1.83	1.77	1.79	1.94	1.94	2.11	
Maize	48	42	51	38	41	54	88	60	60	45	45	55	65	42	49	95	183	174	
Rubber	13	18	25	25	31	34	35	35	28	22	31	31	42	35	36	46	36	39	
Logs, '000 cu m	73	97	214	306	283	245	257	322	765	282	—	136	442	283	161	179	123	—	
Fish	64	71	74	82	87	82	111	118	111	109	94	113	104	115	122	284	136	385	
Annual Growth Rate (%)																			
Rice		43.8	15.5	(13.3)	37.7	6.9	(6.4)	(4.0)	(7.5)	7.3	(6.7)	49.3	2.2	0.7	2.8	15.1	(0.4)	1.8	
Paddy Yield		10.6	10.4	(4.3)	3.8	5.1	(6.2)	3.7	(5.7)	(0.8)	13.7	20.1	2.2	(3.3)	1.1	8.4	0.0	8.8	
Maize		(12.5)	21.4	(25.5)	7.9	31.7	63.0	(31.8)	0.0	(25.0)	0.0	22.2	18.2	(35.4)	16.7	93.9	92.6	(4.9)	
Rubber		38.5	38.9	0.0	24.0	9.7	2.9	0.0	(20.0)	(21.4)	40.9	0.0	35.5	(16.7)	2.9	27.8	(21.7)	8.3	
Logs		32.9	120.6	43.0	(7.5)	(13.4)	4.9	25.3	137.6	(63.1)	—	—	225.0	(36.0)	(43.1)	11.2	(31.3)	—	
Fish		10.9	4.2	10.8	6.1	-5.7	35.4	6.3	(5.9)	(1.8)	(13.8)	20.2	(8.0)	10.6	6.1	132.8	(52.1)	183.1	
Growth Since 1996 (1996=100) (%)																			
Rice	37.2	53.5	61.7	53.5	73.7	78.8	73.7	70.8	65.5	70.3	65.6	97.9	100.0	100.7	103.5	119.2	118.8	120.9	
Paddy Yield	61.7	68.3	75.4	72.1	74.9	78.7	73.8	76.5	72.1	71.6	81.4	97.8	100.0	96.7	97.8	106.0	106.0	115.3	
Maize	73.8	64.6	78.5	58.5	63.1	83.1	135.4	92.3	92.3	69.2	69.2	84.6	100.0	64.6	75.4	146.2	281.5	267.7	
Rubber	31.0	42.9	59.5	59.5	73.8	81.0	83.3	83.3	66.7	52.4	73.8	73.8	100.0	83.3	85.7	109.5	85.7	92.9	
Logs	16.5	21.9	48.4	69.2	64.0	55.4	58.1	72.9	173.1	63.8	—	30.8	100.0	64.0	36.4	40.5	27.8	—	
Fish	61.5	68.3	71.2	78.8	83.7	78.8	106.7	113.5	106.7	104.8	90.4	108.7	100.0	110.6	117.3	273.1	130.8	370.2	
Animal Inventory ('000 heads)																			
Poultry	—	6,398	—	—	—	—	8163	8,816	9,901	10,692	10,027	10,067	11,412	12,098	13,117	13,418	15,250	—	
Water Buffalo	—	613	—	—	—	—	736	755	804	824	809	765	744	694	694	654	694	—	
Pig	—	1,560	—	—	—	—	1515	1,550	2,043	2,123	2,025	2,044	2,151	2,438	2,339	2,189	1,934	—	
Cattle	—	71	—	—	—	—	2151	2,257	2,468	2,542	26,210	2,786	2,762	2,821	2,680	2,826	2,993	—	
Annual Growth Rate (%)																			
Poultry	—	—	—	—	—	—	—	8.0	12.3	8.0	(6.2)	0.4	13.4	6.0	8.4	2.3	13.7	—	
Water Buffalo	—	—	—	—	—	—	—	2.6	6.5	2.5	(1.8)	(5.4)	(2.7)	(6.7)	0.0	(5.8)	6.1	—	
Pig	—	—	—	—	—	—	—	2.3	31.8	3.9	(4.6)	0.9	5.2	13.3	(4.1)	(6.4)	(11.6)	—	
Cattle	—	—	—	—	—	—	—	4.9	9.3	3.0	931.1	(89.4)	(0.9)	2.1	(5.0)	5.4	5.9	—	
Growth Since 1996 (1996=100) (%)																			
Poultry	—	56.1	—	—	—	—	71.5	77.3	86.8	93.7	87.9	88.2	100.0	106.0	114.9	117.6	133.6	—	
Water Buffalo	—	82.4	—	—	—	—	98.9	101.5	108.1	110.8	108.7	102.8	100.0	93.3	93.3	87.9	93.3	—	
Pig	—	72.5	—	—	—	—	70.4	72.1	95.0	98.7	94.1	95.0	100.0	113.3	108.7	101.8	89.9	—	
Cattle	—	2.6	—	—	—	—	77.9	81.7	89.4	92.0	949.0	100.9	100.0	102.1	97.0	102.3	108.4	—	

— = not available, Bn = billion, GDP = gross domestic product, ha = hectare, Mn = million.

Sources: Key Indicators 2002: Population and Human Resource Trends and Challenges, Asian Development Bank.
Cambodia Statistical Yearbook 2001, pages 262 and 264, National Institute of Statistics, 2002.

Table A1.2: Leading Organizations in the Provision of Rural Credit
(December 2002)

Organization	Loans				Savings				No.of Employees	No.of Districts Operated
	Outstanding Loans (OL) (KR Mn)	As % of Grand Total of OL	Borrowers	Average Size of Loans (KR 000)	Savings Deposits (KR Mn)	Depositors	As % of Grand Total Depositors	Average Size of Savings (KR 000)		
Grand Total	179,058	100.0	321,065	557.7	27,129	145,722	100.0	186.2	1,997	
A. Specialized Bank										
ACLCEDA	107,925	60.3	82,976	1,300.7	22,317	19,073	13.1	1,170.1	864	128
B. Licensed MFIs										
E.M.T	16,446	9.2	84,781	194.0	262	45	0.0	5,814.2	219	43
HATHAKAKSEKAR	5,567	3.1	6,648	837.4	303	7,932	5.4	38.2	156	20
CMF	172	0.1	497	345.6	—	—	—	—	9	13
Sub-Total	22,185	12.4	91,926	241.3	564	7,977	5.5	70.8	384	
C. Registered NGOs										
PRASAC	25,241	14.1	63,113	399.9	—	—	—	—	173	49
CRS/TPC	4,092	2.3	22,148	184.8	625	25,382	17.4	24.6	110	38
CCB	5,582	3.1	6,014	928.2	413	6,014	4.1	68.7	86	29
WVI-C	1,095	0.6	8,863	123.5	—	—	—	—	59	12
SEILANITHIH	4,901	2.7	14,466	338.8	594	14,466	9.9	41.1	68	38
ADC/ANS	—	—	—	—	—	—	—	—	—	—
CONCERN	2,436	1.4	10,929	222.9	244	15,840	10.9	15.4	59	8
HTW	699	0.4	3,250	215.1	34	1,061	0.7	32.0	13	2
CHC	—	0.0	—	—	—	—	—	—	—	—
CREDO	668	0.4	3,192	209.4	69	2,697	1.9	25.5	10	10
Other Registered NGOs	4,234	2.4	14,188	298.4	2,268	53,212	36.5	42.6	171	76
Sub-Total	48,948	27.3	146,163	334.9	4,247	118,672	81.4	35.8	749	

— = not available.

Source: Rice Value Chain Study, page 127. World Bank. September 2002.

Table A1.3: Interest Rates, 1996–2001^a
(%; end of period)

Items	1996	1997	1998	1999	2000				2001		
					Mar	Jun	Sep	Dec	Mar	Jun	Sep
Lending Rates^b											
Foreign Exchange Loans:											
Rates Charged to Private Enterprises	18.6	18.4	17.6	17.3	17.3	17.3	17.8	17.4	17.1	17.0	15.5
Deposit Rates											
Riel Savings Deposits	8.8	7.4	7.5	7.3	7.3	7.2	6.6	5.9	5.1	5.1	3.3
Riel Term Deposits ^c	0.9	0.9	0.9	0.7	0.7	0.7	0.5	0.5	0.5	1.7	3.0
Foreign Exchange Savings Deposits	2.5	2.4	2.5	2.2	2.2	2.2	2.2	2.3	2.3	2.2	2.0
Foreign Exchange Term Deposits	3.7	3.9	4.0	3.5	3.5	3.5	3.8	3.7	3.9	3.7	3.3

^a Simple averages of rates reported by the ten commercial banks with the largest deposits.

^b Virtually all loans to the private sector in Cambodia are denominated in foreign currencies.

^c The average rate shown is reported for 3-month riel deposits. The volume of total riel deposits has been small throughout 1996.

Source: Cambodia Statistic Yearbook 2001, page 211. National Institute of Statistics, 2002.

Table A1.4: Leading Organizations in the Provision of Rural Credit (December 2000)

Organization	Loans				Savings						Monthly		
	Outstanding	As % of	No. of	Average	Savings	As % of	As % of	No. of	As % of	Average	No. of	Interest Rate	Repayment
	Loans (OL)	Grand Total	Borrowers	Size of Loans	(KR Mn)	Grand Total	Grand Total	Savers	Grand Total	Size of Savings	Provinces	(for Micro	Rate(%)
	(KR Mn)	of OL		(KR '000)		Savings	Borrowers		Savers	(KR '000)	Operated	Loans,%)	
Grand Total	114,425	100.0	339,944	336.6	5,753	100.0	100.0	142,136	100.0	40.5	—	—	—
ACLCEDA	65,086	56.9	60,860	1069.4	0	0.0	17.9	0	0.0	—	15	5	98
PRASAC	13,027	11.4	34,882	373.5	915	15.9	10.3	43,729	30.8	20.9	6	4–5	98
EMT	10,725	9.4	73,352	146.2	55	1.0	21.6	41	0.0	1341.5	9	4	98
CRS/TPC	5,121	4.5	31,589	162.1	1,554	27.0	9.3	21,448	15.1	72.5	8	3	98
HATHAKAKSEKAR	4,484	3.9	5,794	773.9	199	3.5	1.7	6,526	4.6	30.5	4	3	96
SEILANITHIH	2,975	2.6	14,737	201.9	624	10.8	4.3	14,737	10.4	42.3	4	5	96
WVI-C	2,172	1.9	17,303	125.5	41	0.7	5.1	0	0.0	—	6	4	97
CCB	2,023	1.8	5,250	385.3	383	6.7	1.5	5,250	3.7	73.0	3	4	86
ADC/ANS	1,732	1.5	10,138	170.8	0	0.0	3.0	0	0.0	—	1	4	98
MOWA	1,538	1.3	37,425	41.1	562	9.8	11.0	10,896	7.7	51.6	17	3	96
Others	5,542	4.8	48,614	114.0	1,420	24.7	14.3	39,509	27.8	35.9	—	—	—

— = not available.

Source: Rice Value Chain Study, page 127. World Bank. September 2002.

Table A1.5: Retail Prices in Provincial Markets, Annual Averages
(KR/kg)

Market	1996	1997	1998	1999	2000	2001	Change from 1997 to 2001 (%)
Wholesale Paddy (at Mill)							
Phnom Penh	—	—	1159	979	797	—	—
Kampong Cham	—	390	533	434	366	341	(12.6)
Prey Veng	—	398	541	420	386	340	(14.6)
Battambang	—	450	617	393	343	321	(28.7)
Takeo	—	380	542	419	343	358	(5.8)
Retail Paddy							
Phnom Penh	500	550	631	542	—	519	(5.6)
Kampong Cham	390	490	556	436	371	341	(30.4)
Prey Veng	320	400	541	418	393	340	(15.0)
Battambang	—	540	617	493	434	321	(40.6)
Takeo	—	380	542	420	406	358	(5.8)
Wholesale Rice (ex-Mill)							
Phnom Penh	—	1183	1211	1027	840	734	(38.0)
Kampong Cham	—	700	936	721	647	—	—
Prey Veng	—	669	940	700	658	614	(8.2)
Battambang	—	810	890	679	543	668	(17.5)
Takeo	—	564	890	704	652	577	2.3
Retail Rice No. 1							
Phnom Penh	1100	1390	1728	1519	1350	1167	(16.0)
Kampong Cham	970	1010	1201	1012	985	1162	—
Prey Veng	740	970	1240	1060	976	920	—
Battambang	—	1080	1132	878	791	—	—
Takeo	—	770	1003	809	675	613	—
Retail Rice No. 2							
Phnom Penh	820	1090	1408	1285	1150	1067	(2.1)
Kampong Cham	760	780	1368	1179	862	931	—
Prey Veng	600	820	1075	815	765	712	—
Battambang	—	940	1019	805	678	—	—
Takeo	—	640	1272	714	575	585	—

— = not available.

Source: Bulletin of Retail Prices for Agricultural Commodities, Agricultural Marketing Office, MAFF.

Table A1.6: Wages by Sector, 1994–1999
(US\$/month)

Item	1994	1995	1996				1997				1998				1999	
	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Public Sector	16.1	16.3	16.2	15.6	15.3	15.3	15.2	13.7	12.0	11.9	11.6	10.3	10.7	11.0	10.6	13.3
Private Sector (average)	57.1	61.0	67.3	68.5	68.1	68.1	70.5	72.0	67.8	67.8	67.8	67.8	67.8	49.8	72.0	74.4
Cigarette Factories	58.5	60.8	64.0	64.0	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	75.6
Textile Factories	55.0	64.0	71.0	71.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	8.0	87.0	87.0
Hotel	50.0	60.0	60.0	65.0	66.0	66.0	66.0	70.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0
Construction	65.0	59.0	74.0	74.0	60.4	60.4	70.0	72.0	60.5	60.5	60.5	60.5	60.5	60.5	70.0	70.0
Public Sector As % of Private Sector	28.2	26.7	24.1	22.8	22.5	22.5	21.6	19.0	17.7	17.5	17.1	15.2	15.8	22.1	14.7	17.9

Source: Cambodia Statistic Yearbook 2001, page 29. National Institute of Statistics. 2002.

Table A1.7: Production Costs and Gross Margins of Rice Production
(US\$/hectare)

Province	Crop	Labor Costs	Cash and In-Kind Costs	Total Costs	Total Revenue	Gross Margin
Cambodia						
	Early Wet Season	90.0	90.0	180.0	312.0	132.0
	Wet Season	80.0	60.0	140.0	180.0	40.0
	Dry Season	110.0	180.0	290.0	375.0	85.0
Kampoung Speu	Wet Season	73.0	49.0	122.0	122.0	0.0
Battambang	Wet Season	98.0	38.0	136.0	219.0	83.0
Takeo	Early Wet Season	109.0	156.0	265.0	307.0	42.0
	Wet Season	112.0	49.0	161.0	209.0	48.0
	Total Double Cropping	112.0	86.0	198.0	248.0	50.0
	Wet Season (single crop)	124.0	60.0	184.0	207.0	23.0
Takeo	Wet Season	74.0	25.0	99.0	87.0	(12.0)
Total		98.2	79.3	177.5	226.6	49.1

Source: Rice Value Chain Study: Cambodia by Agrifood Consulting International, page 141. World Bank. September 2002.

Table A1.8: Credit Granted By Commercial Banks
(March 1995 to December 2001)

Sector	1995			1996			1997			1998		
	Mar	Sep	Dec	Mar	Sep	Dec	Mar	Sep	Dec	Mar	Sep	Dec
Total, (KR billion)	295.1	302.6	323.0	331.2	395.6	438.5	495.2	585.5	649.8	641.4	692.5	658.4
of which												
Agriculture	10.9	11.3	15.0	10.9	21.9	31.7	20.8	24.8	27.5	33.6	32.8	39.1
Agriculture as % of Total	3.7	3.7	4.6	3.3	5.5	7.2	4.2	4.2	4.2	5.2	4.7	5.9

Sector	1999			2000			2001			December 2001 as % of March 1995
	Mar	Sep	Dec	Mar	Sep	Dec	Mar	Sep	Dec	
Total, (KR billion)	670.3	765.4	751.0	778.5	952.0	1,005.6	908.1	1,010.1	952.3	323
of which										
Agriculture	38.0	34.7	30.9	28.5	29.7	39.0	37.6	37.1	35.6	327
Agriculture as % of Total	5.7	4.5	4.1	3.7	3.1	3.9	4.1	3.7	3.7	0

Source: Cambodia Statistic Yearbook 2001, page 209. National Institute of Statistics, 2002 and Annual Report 2001. National Bank of Cambodia.

Table A1.9: Changes in Rural Credit
(December 2000 to December 2002)

Item	Grand Total	ACLEDA	PRASAC	EMT
Outstanding Loans (KR million)				
2000	114,425	65,086	13,027	10,725
2002	179,058	107,925	25,241	16,446
% Change	56.5	65.8	93.8	53.3
No. of Borrowers				
2000	339,944	60,860	34,882	73,352
2002	321,065	82,976	63,113	84,781
% Change	(5.6)	36.3	80.9	15.6
Average Size of Loan (KR '000)				
2000	336.6	1,069.4	373.5	146.2
2002	557.7	1,300.7	399.9	194.0
% Change	65.7	21.6	7.1	32.7
Savings Deposits (KR million)				
2000	5753	0	915	55
2002	27,129	22,317	—	262
% Change	371.6	—	—	375.7
No. of Savers				
2000	142,136	0	43,729	41
2002	145,722	19,073	—	45
% Change	2.5	—	—	9.8
Average Size of Savings (KR '000)				
2000	40.5	—	20.9	1,41.5
2002	186.2	1,170.1	—	5,814.2
% Change	360.0	—	—	333.4

— = not available, ACLEDA = Association of Cambodian Local Economic Development Agencies, EMT = Ennatien Munlethan Tchonnebat, PRASAC = Program for Rehabilitation in the Agriculture Sector Cambodia.

Source: Table A1.2 and Table A1.4

Table A1.10: Headcount Indices, Overall Poverty Line, 1997 and 1999
(%)

Regions	1997	1999	Changes
Cambodia	36.1	35.9	(0.0)
Phnom Penh	11.1	9.7	(1.4)
Other Urban Areas	29.9	25.2	(4.7)
Rural Areas	40.1	40.1	0.0

Source: A Poverty Profile of Cambodia (1997 and 1999), Ministry of Planning.

Table A1.11: Average Monthly Household Expenditure
(1993–1999, US\$)

Stratum	Average monthly household expenditure				Changes: 1999 vs. 1993/94
	1993–1994	1996	1997	1999	
Cambodia	113.1	98.0	103.6	98.0	(13.4)
Phnom Penh	304.0	—	262.9	264.6	(13.0)
Other Urban Areas	171.0	—	145.8	119.0	(30.4)
Rural Areas	92.9	—	79.6	74.7	(19.6)
Rural as % of Cambodia	82.1	—	76.8	76.2	—
Rural as % of Phnom Penh	30.6	—	30.3	28.2	—

— = not available.

Source: Cambodia Statistic Yearbook 2001, page 97. National Institute of Statistics. 2002.

Table A1.12: Landless in Cambodia
(Percentage of Households Without Agricultural Land)

Province	Surveys in Different Years				
	MRC 1995/96	SES 1997	Baseline 1998	SES (rural) 1999	LADIT 2000
Banteay Meanchey	—	13	—	16	13
Battambang	25	27	29	29	20
Kampong Cham	20	19	4	14	11
Kampong Chhnang	25	16	17	14	12
Kampong Speu	—	6	7	4	10
Kampong Thom	16	9	1	9	11
Kampot	—	2	—	5	6
Kandal	35	17	13	16	16
Koh Kong	—	50	—	39	25
Kratie	—	23	37	38	12
Phnom Penh	—	—	—	—	—
Prey Veng	—	7	8	9	6
Pursat	7	13	—	26	13
Rattanakiri	—	3	—	8	—
Siem Reap	12	8	4	8	19
Sihanoukville	—	—	—	—	—
Stung Treng	—	—	2	5	6
Svay Rieng	—	4	6	4	6
Takao	—	3	8	9	8
Oddar Meanchey	—	—	6	5	12

— = not available, MRC = Mekong River Commission, SES = Socio Economic Survey, LADIT = Landlessness and Development Information Tool.

Note: No data for the provinces of Monduliri, Preh Vihear, Pailin or Municipality of Kep. Data for SES (rural) 1999 and LADIT 2000 have been rounded to nearest whole number.

Source: Land Tenure in Cambodia (Table 6.12), Working Paper #19, Cambodia Development Research Institute. October 2001.

MILESTONES AND KEY EVENTS FOR AGRICULTURE SECTOR POLICY AND INSTITUTIONAL REFORMS IN CAMBODIA

(1979–2003)

Year	Reform Milestones and Key Events
1979–1989	<ul style="list-style-type: none"> • Peoples Republic of Kampuchea. Agricultural collectivization in force as official policy. No private land ownership. The state owned and operated all enterprises.
1985	<ul style="list-style-type: none"> • Policy of collective farming gradually abandoned.
1989	<ul style="list-style-type: none"> • State of Cambodia formed after withdrawal of Vietnamese troops. • Constitution amended to allow for multi-party government. • Limited transition to market economy commenced, including opening to international trade. • Limited private property ownership rights reintroduced. Beginning of privatization of state-owned enterprises. • Establishment of new private enterprises allowed.
1991	<ul style="list-style-type: none"> • Paris Peace Accord signed under auspices of United Nations Security Council.
1992	<ul style="list-style-type: none"> • United Nations Transitional Authority in Cambodia (UNTAC) formed to assist in governing of the country. • Resumption of Asian Development Bank (ADB) operations in Cambodia.
1993	<ul style="list-style-type: none"> • General Elections held under supervision of UNTAC. • New Constitution promulgated, providing basis for liberal democracy. Transition to market economy accelerated, with prices liberalized and private foreign investment permitted. • Agricultural Development Options Review (I), financed by United Nations Development Programme and implemented by Food and Agriculture Organization, provided first review of technical options for agricultural development.
1994	<ul style="list-style-type: none"> • National Program to Rehabilitate and Develop Cambodia formulated, with aims to achieve national reconciliation, social justice, and economic growth through reforms to the Government and public service. • Agricultural Development Options Review (II), financed by ADB, provides first review of policy options for agricultural development. • Cambodia joins International Fund for Agricultural Development. • Socioeconomic Rehabilitation Plan (1994–1995) adopted. • Ministry of Rural Development established.
1995	<ul style="list-style-type: none"> • ADB Country Operation Strategy Study for Cambodia reviewed countrywide development needs in all sectors.

Year	Reform Milestones and Key Events
1996	<ul style="list-style-type: none"> • First Strategic Plan of Ministry of Agriculture, Forestry and Fisheries (MAFF) (1997–2001) stated goals for the agriculture sector. • First Socioeconomic Development Plan (SEDP-I) (1996–2000) established goals for development, including the agriculture sector, whose strategy was based on MAFF’s strategic plan. • Law on General Statutes of State Public Enterprises enacted, establishing a framework for converting government agencies into autonomous units. • Decentralization and deconcentration program called “Seila” adopted. • ADB approved Agriculture Sector Project (ASP).
1997	<ul style="list-style-type: none"> • Supporting subdecrees and regulations introduced on the implementation of the Law on General Statutes of Public Enterprises, including Law on the General Statutes of Public Enterprises No. 0696/03 (June 1996); Subdecree (Anu-kret) No. 41 on the Implementation of the Law on the General Statutes of Public Enterprises (August 1997); Subdecree No. 2 on Auditors of Public Enterprises (August 1997); Declaration (Prakas) No. 005 on the Implementation of the Law and Regulations on the General Statutes of Public Enterprises (November 1997). • Civil/political conflict (July 1997) disrupted government operations for 6 months, with many international programs suspended for 3 to 6 months.
1998	<ul style="list-style-type: none"> • National Elections held, leading to increased stability. • International Fund for Agricultural Development Country Program Strategy for Agriculture adopted in a Country Strategic Opportunities Paper. • Australian Agency for International Development (AusAID) Cambodia Agriculture Sector Study implemented. • Subdecree on Standards and Management of Agricultural Materials provided framework quality standards for agricultural inputs, as well as for the establishment of the Bureau of Agricultural Materials Standards (BAMS).
1999	<ul style="list-style-type: none"> • Cambodia admitted to the Association of South East Asian Nations. • Cambodia Agricultural Research and Development Institute established as a public administrative establishment. • Ministry of Water Resources and Meteorology created to formulate water policies; to conduct research and investigations into irrigation; to carry out technical investigations for multipurpose dams, irrigation, drainage, water supply and river control works; to plan, design, and rehabilitate existing irrigation schemes; and to operate and maintain those irrigation schemes. • Draft Water Law submitted to National Assembly. • Ministry of Land Management, Urban Planning, and Construction created. • Policy and Strategy for Rural Credit adopted.
2000	<ul style="list-style-type: none"> • Rural Development Bank established as a wholesaler of funds to licensed microfinance institutions for rural credit. • FAO adopts an Agricultural Strategy and Policy Framework for Sustainable Food Security and Poverty Alleviation.

Year	Reform Milestones and Key Events
	<ul style="list-style-type: none"> • MAFF reorganized (Subdecree 17, October). • AusAID agreed to provide A\$17.0 million to Agricultural Quality Improvement Project 2000–2006. • MAFF creates Departments of Agricultural Legislation and Agricultural Industry. The former was given responsibility for all legislation, including BAMS areas, and the latter for fostering the development of agricultural processing industries.
2001	<ul style="list-style-type: none"> • Second Socioeconomic Development Plan 2001–2005, which provided an updated strategic framework for donor participation in development. • First Governance Action Plan approved by Council of Ministers. The plan set down a strategic framework to further good governance as the foundation of sustainable development, social justice and poverty alleviation. • Land Law passed by National Assembly. • Law on Banking and Financial Institutions (1999) implemented to achieve banking sector reform. • AusAID agreed to provide A\$16.8 million to CAAEP-Phase II (2001–2006). • Second MAFF Agricultural Development Five-Year Plan implemented (2001–2005).
2002	<ul style="list-style-type: none"> • National Poverty Reduction Strategy provided a clear statement of strategy for poverty reduction, including future donor participation. • Commune Council Elections held (February). • Draft Forestry Law submitted to National Assembly (May). • Draft Fisheries Law submitted to National Assembly (September). • AusAID provides A\$8.0 million to CARDI support project 2002–2007.
2003	<ul style="list-style-type: none"> • Cambodia Inland Fisheries Research and Development Institute established.

POLICY MEASURES AND STATUS OF IMPLEMENTATION

Policy Measures as Stated in the Report and Recommendations of the President (May 1996)	Target Date	Status as Reported in the Progress Report (August 2000)	Status as Reported in the Program Completion Report (December 2001)	Assessment by the Operations Evaluation Mission (March 2003)
1. Stability and land tenure				
A revised land law taking into consideration the current land use situation and rationalizing all current land legislation and policies to be submitted to National Assembly (NA). (Second tranche condition)	Within 24 months of loan effectiveness	Complied with. The Government prepared a draft with the Asian Development Bank's (ADB) technical assistance (TA) ¹ and, on 10 April 2000, organized a public forum to discuss the final draft with a wide range of stakeholders. With the approval of the Council of Ministers (COM), the draft was submitted to the NA on 27 July 2000.	ADB continued its technical support through TA 2591 and TA 3577 ² to assist the Government in the implementation of the revised Land Law. The revised Land Law was approved by the NA on 20 July 2001, and enacted as the 2001 Land Law on 30 August 2001.	Accomplished The draft Land Law was submitted to the NA on 27 July 2000, approved by the NA on 20 July 2001, and enacted with the King's signature on 30 August 2001.
2. Access to markets and market information				
Government to initiate and sponsor radio program providing market information (prices of outputs) to various provinces and regions of the country.	Within 6 months of loan effectiveness	Implemented. The agricultural market information is now being broadcast through mass media programs. The Government provided ADB with the radio program contents in November 1998. This was officially confirmed through the Government's statements dated 31 December 1998 and 28 July 2000.	Being continued.	Accomplished The daily radio program commenced in August 1997 and has been operating since.
Mechanism of operation and maintenance (O&M) funding of rural roads to be agreed upon by Government.	Within 24 months of loan effectiveness	Implemented. The draft final report on the maintenance of rural roads was prepared by the Government's task force and sent to ADB, and the Council for Agriculture and Rural Development. In addition, a report on the strategy for rural road maintenance was prepared with the assistance from ADB-financed Loan 1385-CAM. ³ Based	Being continued. The national and provincial government agencies are implementing this measure. The Ministry of Rural Development submitted a proposal to the Program Secretariat and the Ministry of Economy and Finance to	Accomplished A consultant under an ADB-financed project prepared the strategy for rural road maintenance. ³ The Government agreed to use petroleum taxes for rural roads maintenance in

¹ ADB. 1996. *Technical Assistance to Cambodia for Agricultural Policy Reform Support*. Manila.

² ADB. 2000. *Technical Assistance to Cambodia for Implementation of Land Legislation*. Manila.

³ ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Cambodia for the Rural Infrastructure Improvement Project*. Manila.

Policy Measures as Stated in the Report and Recommendations of the President (May 1996)	Target Date	Status as Reported in the Progress Report (August 2000)	Status as Reported in the Program Completion Report (December 2001)	Assessment by the Operations Evaluation Mission (March 2003)
Government has agreed to not re-impose ban on rice exports.	Prior to loan negotiations	<p>on the recommendations of these reports, the Government decided to use a portion of special taxes collected from petroleum for the O&M of rural roads. This was confirmed through the official statement dated 31 December 1998.</p> <p>Complied with. The ban on rice exports, which was imposed during the severe shortage of rice, was fully lifted before loan negotiations for the Program. The Government informed ADB through its official statements dated 31 December 1998 and 28 July 2000 that the ban on rice exports had not been and would not be reimposed. This is in line with the Government's development policy letter dated 17 May 1996.</p>	<p>strengthen this measure and the funding base for rural road maintenance.</p> <p>Being continued.</p>	<p>December 1998.</p> <p>Accomplished The rice export ban was lifted in December 1995 and has not been reimposed since.</p>
3. Access to inputs				
<p>Government to announce formula for fertilizer pricing by Compagnie Centrale des Matériels Agricoles (COCMA) to ensure no subsidy element in price which would provide undue competition with private sector.</p> <p>(Second tranche condition)</p>	Within 6 months of loan effectiveness	<p>Complied with. The Government declared in August 1997 that COCMA would sell fertilizers at market prices without Government subsidies. The Government established fertilizer pricing formulas were discussed and approved by the COM on 28 October 1998. The Government provided ADB with COCMA's official pricing formulas in November 1998. This was confirmed through the Government's statements dated 31 December 1998 and 28 July 2000.</p>	Being continued. A "full cost pricing" formula is still in effect.	<p>Accomplished Fertilizer pricing formulas were approved on 28 October 1998. The pricing formulas contained no subsidies but had no impact, since all fertilizer was traded by the private sector at market-determined prices.</p>
Government to prepare and implement a management plan for future operation of COCMA.	Within 24 months of loan effectiveness	<p>Implemented. A management plan for COCMA's future operations was prepared with assistance from ADB's TA. Based on the new management plan, the subdecree for the creation of an agricultural inputs company was approved by COM on 18 February 1999. The English translation of the subdecree was submitted to ADB.</p>	The Agricultural Input Company (AIC) prepared a business plan for approval by the Government. The Government needs to decide on the future status and role of the Company, which has not been registered as a commercial company.	<p>Accomplished The management plan was prepared and a subdecree issued on 18 February 1999 converting COCMA into AIC, an autonomous public enterprise. AIC registered as a commercial company in January 2002, but has had no business since its establishment.</p>

Policy Measures as Stated in the Report and Recommendations of the President (May 1996)	Target Date	Status as Reported in the Progress Report (August 2000)	Status as Reported in the Program Completion Report (December 2001)	Assessment by the Operations Evaluation Mission (March 2003)
Government to issue an agricultural materials standards decree including environmental standards. (Second tranche condition)	Within 12 months of loan effectiveness	Complied with. The subdecree, which provides an adequate regulatory framework for establishing input quality standards, was approved by COM on 28 October 1998. The English translation and a copy of the subdecree were provided to ADB in November 1998. The Ministry of Agriculture, Forestry and Fisheries (MAFF) established the Bureau of Agricultural Materials Standards in January 1999 through its declaration.	Being continued. The draft regulations for implementing the subdecree needs to be discussed with the private sector and finalized for MAFF's approval as soon as possible. To facilitate the establishment of basic materials standards, the draft regulations should be approved as a matter of the highest priority.	Accomplished The subdecree on quality standards of agricultural materials was issued on 28 October 1998. It covered registration of fertilizers, pesticides, seeds, veterinary medicines, as well as animal feed and feed additives. Guidelines for implementation of the subdecree were issued in October 2002.
Government to formulate and begin to implement a policy for the recovery of operating and maintenance cost and for the sustainable financing of irrigation infrastructure. (Second tranche condition)	Within 24 months of loan effectiveness	Complied with. In accordance with the development policy letter, the Government adopted a new policy for O&M of irrigation systems and for a sustainable irrigation management system, including the formation of water users associations and the involvement of the private sector. This was confirmed through the official statement dated.	Being continued. The water user associations have been in operation in several schemes. The Ministry of Water Resources and Meteorology submitted a proposal to the Program Secretariat and the Ministry of Economy and Finance to strengthen this measure as part of its medium-term work plan, which should be implemented as soon as possible.	Accomplished Policy for financing irrigation O&M was issued in June 2000. It included guidelines for forming Farmer Water Users Communities (FWUC) and a model to fully recover O&M costs.
4. Access to finance				
Government has agreed to maintain liberal interest rate policy.	Loan negotiations	Complied with. The central bank issued the liberal interest rate policy in March 1995, under which all commercial banks are allowed to set their interest rates on deposits and interest-bearing loans. The continuation of this policy was confirmed through the Government's statements dated 31 December 1998 and 28 July 2000.	Being continued.	Accomplished The liberal interest rate policy was announced in March 1995 and has been maintained to date.

Policy Measures as Stated in the Report and Recommendations of the President (May 1996)	Target Date	Status as Reported in the Progress Report (August 2000)	Status as Reported in the Program Completion Report (December 2001)	Assessment by the Operations Evaluation Mission (March 2003)
<p>Overall rural credit sector strategy and policies to be defined in conjunction with concerned donors.</p> <p>(Second tranche condition)</p>	<p>Within 24 months of loan effectiveness</p>	<p>Complied with. The Government issued a new policy statement for rural credit and savings operations on 31 December 1998. The Government, through the COM's decision on 8 January 1999, adopted the new policy and strategy for rural finance in Cambodia.</p>	<p>Being continued. In line with the approved rural credit strategy and policies, the Rural Development Bank was established in 1998 and has been in operation as a wholesale bank to provide funds for microfinance institutions in the country.</p>	<p>Accomplished The strategy for rural finance was adopted by COM on 8 January 1999.</p>
<p>5. Access to technical advice and management expertise</p>				
<p>Pending the resolution of budgetary and staffing problems in the public sector agriculture agencies, the Government will use low cost, mass media to promote improved agricultural technologies; this will include a daily farm broadcast to all regions of the country.</p>	<p>Within 6 months of loan effectiveness</p>	<p>Implemented. The Government provided ADB with the contents of the radio program on the agricultural technical advice, which is being broadcast through mass media. This was further confirmed through the official statements dated 31 December 1998 and 28 July 2000.</p>	<p>Being continued. A part of the counterpart funds was allocated for the continuation and updating of the program.</p>	<p>Accomplished Weekly radio broadcasts commenced in 1998 and operate to date, covering all but sparsely populated areas of the country's northeast.</p>
<p>The Government will prepare a strategy for agricultural research and extension.</p>	<p>Within 24 months of loan effectiveness</p>	<p>Implemented. In October 1998, the Government adopted a new policy and strategy for agricultural research and extension with assistance from the Australian Agency for International Development (AusAID). Based on the strategy, the Government decided to create the Cambodian Agricultural Research and Development Institute through a subdecree dated 16 August 1999.</p>	<p>The Government approved the medium-term work plan of the Institute for 2001–2005. AusAID continues to provide technical support for the strengthening of the Institute's capacity.</p>	<p>Accomplished An AusAID-financed consultant developed the strategy, which was approved on 28 October 1998.</p>

Policy Measures as Stated in the Report and Recommendations of the President (May 1996)	Target Date	Status as Reported in the Progress Report (August 2000)	Status as Reported in the Program Completion Report (December 2001)	Assessment by the Operations Evaluation Mission (March 2003)
<p>The Government will publish plans for the divestment and privatization of the rubber estates and initiate action in this regard, this will include measures to ensure the welfare of current estate employees.</p> <p>(Second tranche condition)</p>	<p>Within 24 months of loan effectiveness</p>	<p>Complied with. To facilitate the financial divestment of the seven state-owned rubber estates, the Government formulated a divestment plan with ADB's TA. In accordance with this plan, the Government issued seven subdecrees on 15 March 1999 to initiate the implementation of the divestment plan by converting the estates into autonomous public enterprises and for eventual privatization of the enterprises. A social impact assessment was also conducted for the divestment process under ADB's TA and was taken into account in implementing the plan.</p>	<p>Being implemented. The condition of the financially autonomous rubber enterprises varies. Some are still not favorable for eventual privatization due to the high cost structures, old trees with low yields, and frequent cases of theft. Further progress in implementing the divestment plan is required to strengthen the managerial and financial capacity of these enterprises.</p>	<p>Accomplished The divestment plan was prepared with assistance from TA 2591. An ADB-financed consultant conducted a social impact assessment. The Government issued seven subdecrees on 15 March 1999 to convert the seven rubber estates into autonomous state public entities.</p>
<p>6. Increased Government budgetary resources</p>				
<p>The Government will set up functioning provincial rural development committees in all provinces and formulate a mechanism for the establishment of district, commune and village rural development committees.</p> <p>(Second tranche condition)</p>	<p>Within 24 months of loan effectiveness</p>	<p>Complied with. To enhance local-level development activities and strengthen their administration, the Government established rural development committees in all provinces of the country. This was confirmed by the official statement dated 31 December 1998. Subsequently, the Government formed a central secretariat to strengthen the functions of these provincial committees, and issued a circular on 17 June 1999 to provide guidelines for the operation and management of the committees.</p>	<p>The Government further enhanced its decentralization and deconcentration policies. The NA approved the bill on the administration and management of communes in February 2001. The commune council election is scheduled for February 2002.</p>	<p>Accomplished Rural Development Committees have been established in all provinces, but function in only 17 of them. The Government plans to cover the remaining seven provinces in 2003. It issued a circular on 18 June 1999 to provide guidelines for the rural committees' operations at commune and village levels.</p>

**Table A4: COST OF TRANSPORTATION AND UNOFFICIAL FEES
In Rice Trade and Marketing
(July 2002)**

Case	Route	Official Fees	Unofficial Fees	Total Cost (KR/ton)	Unofficial Fees As % of Total Costs	Remarks
Case A	Kandal to Shihanoukville for Export	Transport Fee	Port	18,400	51	Customs, port, and clearance fees, 1% of value
				17,964		Transport fee, 20-ft container
			Subtotal	36,364		Transport cost per ton
Case B	Road No. 5, Battambang to Phnom Penh	Transport Fee	Road	10,000	22	Customs and police, 40-ton truck
				35,000		Transport cost for 40-ton truck
			Subtotal	45,000		Transport cost per ton
Case C	Railway Battambang to Sihanoukville	Transport Fee to Phnom Penh	Port	12,727	47	Customs clearance fee, 20-ft container
			Port	24,000		Customs relationship fee
				18,000		Railway fee
				23,636		Container transport fee
			Subtotal	78,363		Transport cost per ton
Case D	Battambang to Thai Border	Handling Cost Transport Cost		3,000	19	Transport cost, 40-ton truck
				23,750		Transport cost, 40-ton truck
			Border	6,250		Customs and police, 40-ton truck
		Subtotal	33,000	Transport cost		
Case E	Road No. 5, Battambang to Phnom Penh	Transport Fee	Road	20,000	57	Customs and police, 20-ton truck
				15,000		Transport cost, 20-ton truck
			Subtotal	35,000		Transport cost
Case F	Battambang to Viet Nam Border	Transport Fee	Road	30,000	50	Customs and police, 20-ton truck
				30,000		Transport cost, 20-ton truck
			Subtotal	60,000		Transport cost

Source: Field interviews conducted in July 2002. Rice Value Chain Study, page 160. World Bank. September 2002.