

Cambodia Agricultural Value Chain Program (CAVAC)

Sustainability Strategy

April 2010

Funded by the Australian Government



Australian Government
AusAID

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ABBREVIATIONS AND ACRONYMS

AusAID	Australian Agency for International Development
BEE	Business Enabling Environment
CAVAC	Cambodia Agricultural Value Chain Program
FWUC	Farmer Water User Community
MAFF	Ministry of Agriculture, Forestry and Fisheries
MOWRAM	Ministry of Water Resources and Meteorology
O&M	Operation and Maintenance
PDA	Provincial Department of Agriculture
PDWRAM	Provincial Department of Water Resources and Meteorology
PPD	Public Private Dialogue
RGC	Royal Government of Cambodia
SAW	Strategy for Agriculture and Water

1 INTRODUCTION

In the development context, sustainability is defined as: *the continuation of benefits after major assistance has been completed*. **The focus of a program should at all times remain on ensuring that the flow of benefits into the future is sustained, rather than focusing on sustainable programs or activities.** Key factors affecting sustainability include: partner government and donor policies; local partnership and ownership; management and organisation arrangements; financial and economic systems; awareness and training; technology; social, gender and cultural issues; environment; and, external political and economic factors¹.

This Sustainability Strategy has been prepared to assist the AusAID Cambodia Agricultural Value Chain Program (CAVAC) to undertake its program activities in a sustainable manner, supporting the Program's commitment to aid effectiveness.

Managing sustainability is an ongoing process which needs to be reviewed and updated as circumstances change within the Program. As such, the CAVAC Sustainability Strategy is a working document and will be reviewed, at a minimum, on an annual basis to reflect lessons learnt through program activities.

2 BACKGROUND

The goal of CAVAC is to reduce rural poverty in the targeted provinces of Kampot, Kampong Thom and Takeo through accelerated growth in the value of agricultural production and smallholder incomes in rice based farming systems. In order to achieve this goal, sustainability is, and will continue to be, a core element of all CAVAC planning and management.

The overarching CAVAC management and delivery strategy is intended to promote ownership among the stakeholders, leading to greater sustainability. In the case of the Royal Government of Cambodia (RGC), a key program stakeholder, their management role is expected to evolve over the life of the Program to support sustainability and reflect the commitment the Australian Government has made to the *Paris Declaration on Aid Effectiveness*.

To be a successful and sustainable aid intervention, CAVAC must also be closely aligned to, and integrated with, the Government's Strategy on Agriculture and Water (SAW). The effectiveness of the SAW's implementation is critical to rural development and will have a large bearing on the effectiveness of CAVAC. Many of the value chain constraints that are

¹ AusGuideline, Promoting practical sustainability 6.4

beyond the scope of CAVAC have been identified to be addressed under the SAW. Furthermore, progress in the SAW implementation can be expected to consolidate and sustain the achievements of CAVAC.

2.1 CAVAC Structure

The Program is divided into four components designed to address the four main constraints to accelerated growth of agricultural production in the targeted provinces:

1. Agribusiness Development
2. Water Management
3. Research and Extension
4. Business Enabling Environment

CAVAC has one overall approach to sustainability, but acknowledges that each of these four components are unique in their implementation. As such, the CAVAC Sustainability Strategy will consider these separately whilst also identifying cross-cutting issues that impact on the sustainability of all activities. For further information, refer to *Table 1*.

For all components, understanding and forming strong partnerships with and between all value chain stakeholders is recognised as the key to success for CAVAC and its sustainability. Ultimate responsibility for sustained benefits will often rest with others, such as the local stakeholders. In addition, it is essential that any new structures created by the program are appropriate, have ownership by stakeholders and are supported on an ongoing basis by local resources.

Key program stakeholders include:

- Farmers/Small landholders
- Private Sector
- Government
- Civil Society and NGOs
- Mass Media
- Development Assistance Partners.

Understanding the roles and functions of each of these stakeholders will be required to not only ensure a sustainable impact on the target group, but to also encourage systemic changes around the target group which will provide benefits in the long term. Systemic changes could include, for example: more sustainable access to extension services; more effective government support; stronger advocacy relationships; or, access to better farm

inputs. Whilst achieving systemic change is more likely to ensure the sustainability of CAVAC outcomes, such change is inherently difficult to achieve and will require a strong focus in the planning and implementation phases of the Program.

3 PLANNING FOR SUSTAINABILITY

Sustainability is an integral part of the CAVAC methodology and the principles mentioned throughout this Strategy will be core elements of the design of all interventions.

All CAVAC activities should be designed and implemented with the aim of achieving sustainable benefits. Each individual activity should be planned with sustainability at front-of-mind and should define its own basic sustainability strategy. **A key indicator of success for all activities will be that the flow of benefits is continued after the completion of the program/activity.**

To support this focus on sustainability, CAVAC specialists will be extensively trained and guided in applying sustainable methodologies. Managers will have a supervising role in ensuring these principles are applied. Additionally, for a number of specific facilities such as the Farmer Water User Community (FWUC) Support Fund, CAVAC will develop detailed selection criteria for activities based on sustainability principles.

Whilst, at times, it is difficult to precisely plan for and measure sustainable impact, CAVAC will observe a number of guiding rules to increase the chances that any changes influenced by the Program will be ongoing. These include:

- gaining a strong understanding of the systemic changes required and maintaining a clear focus on addressing systemic shortcomings in the design and implementation of all Program activities;
- making certain all activities are genuinely demand driven;
- ensuring CAVAC activities support systems are based on existing incentives and do not go against these;
- ensuring CAVAC activities support systems are based on local realities and existing culture; and,
- making certain all activities have a strong business case and it is clear that the system can pay for itself in the longer term.

However, it is possible that the innovative nature of CAVAC may lead to a small percentage of interventions that fail. This is inherent to CAVAC's methodology. Avoiding failure would reduce the risk-taking behavior that is required for success and is therefore not entirely desirable. CAVAC will work to reduce the impact of failures by: introducing an effective

monitoring system; developing a flexible work plan that can end interventions early; and, developing a strong and continuous learning agenda that begins with pilot projects before full scale implementation. Overall, lessons learnt will improve performance over time and help to ensure sustainability of subsequent CAVAC activities.

3.1 Sustainable Allocation of Subsidies

All money spent by the Program on government institutions, communities or the private sector is, by nature, a form of subsidy. The question for CAVAC is not ‘to subsidise or not’ but rather ‘where to subsidise’? To respond to this question, there are a number of guidelines the Program can adopt to increase the chances of sustainability.

- Rather than invest in the transaction cost of the services used by the target group, CAVAC should look to build up these services. For example, it is considered more sustainable to train company staff to give advice rather than to subsidise the company for the giving of advice.
- Subsidies will need to be large enough to stimulate whilst not being so high that they take over the ownership of the activities that are to continue after the subsidised activities conclude.
- If the economic relationship is not feasible in the long term after the subsidy ends, then it is better not to provide that subsidy.
- Investments in assets that are likely to need replacing after a number of years, or that could easily be sold are better avoided.
- If subsidies are part of a cost-sharing deal, it is better to pay these subsidies after delivery of an output or outcome.

4 AGRIBUSINESS DEVELOPMENT COMPONENT

Identified market demand will drive the Agribusiness Development component of CAVAC. Market development can provide a highly sustainable approach if it builds appropriately on private sector capacities and incentives. The private sector is therefore a key partner for the Program, and recognising the importance of private sector actors is crucial to secure a sustainable impact on value chains, and thereby on farmers’ incomes.

Key challenges in achieving sustainable results in this component include: the identification and subsequent commitment of agribusinesses to form mutually beneficial partnerships with farmers; and, the design of activities to take into account local governance and gender issues.

To address these challenges, CAVAC will, at all times, seek to identify complementarity between the activities of this Component, the private sector and civil society (when applicable). Market opportunities will be progressively developed as foundations for partnerships between agribusiness enterprises and smallholders. By working with commercial traders, processors, and input suppliers on a cost-sharing basis, the chances that farmers will continue to use the improved services are high. If the targeted agribusinesses are interested in the incentives offered and their commitment is tested by their willingness to invest, then there is a good indication that the investment will be sustainable in the long term. Entrepreneurs are often better judges of this sustainability than development programs themselves.

Overall, the basis of sustainability of this component is expected to be commercial (rather than institutional) and will occur through:

- strengthening partnerships between farmers and agribusinesses;
- enhancing the role of traders/ agribusinesses to impart improved skills and information to farmers as 'embedded' services; and,
- improving the awareness among mass media of farmers as an important and growing market segment, and improving their ability to provide this market with relevant content.

5 WATER MANAGEMENT COMPONENT

In this component, the Program will focus on the operation and maintenance (O&M) and rehabilitation of small and medium irrigation schemes in the targeted provinces. This approach leverages off previous capital investments, whilst acknowledging that sub-optimal O&M has historically been a major reason why many irrigation systems fail or are operating far below capacity.

Addressing the weak governance arrangements for O&M, in a complex institutional environment and in a manner which is sustainable, will be a large challenge to be faced by the Program. The identification of market linkages will be integral to this process in order to establish a sound financial basis for FWUC operations.

To ensure sustainable outcomes under this component, effective partnerships must be established with both the provincial water management authorities and the individual farmer water user groups. Additionally, the development of linkages with the ongoing programs of other donors in water management (e.g. large-scale capacity building programs within MOWRAM) will enable greater aid effectiveness. Recognising the challenge of institutional

sustainability, there will also be moves to increasingly align and integrate support within RGC programs and systems.

For this component to be sustainable, there are a number of pre-conditions to be followed with regard to work on irrigation schemes, including that:

- investment must clearly lead to changes in cropping patterns or farming practices thereby unlocking agricultural potential and innovation;
- organisational structures (such as FWUCs) must be able to allocate water, conduct maintenance and manage the schemes;
- organisational structures must be able to collect enough money to manage and maintain the scheme; and,
- interventions should, as much as possible, be based on proven systems and structures.

Principally, farmer organisations must be involved in the planning and management of irrigation schemes if they are to be sustainable. Emphasis needs to be placed on building the O&M capacity of farmer organisations prior to investing in scheme rehabilitation.

In order to enhance the commitment of beneficiaries – thereby enhancing the likelihood that selected schemes will be sustainable over time – eligibility for O&M support after the second year will be performance-based. Performance will be assessed in terms of demonstrated improvements in scheme management, as well as production improvement.

In addition, some of the measures to ensure that the support provided to strengthen the capacity of FWUCs and the MOWRAM/PDWRAM occurs in a sustainable way include:

- adoption of design standards for all irrigation scheme rehabilitation work that aims to maintain full operational capacity for at least 10 years, even if O&M by the government is substandard;
- ongoing monitoring of the development of the SAW Programs 1 and 4 to ensure alignment and greater integration through design responsiveness; and,
- involvement of other government structures, such as community councils and village councils, together with the private sector (where applicable).

6 RESEARCH AND EXTENSION COMPONENT

Market relevance, combined with sufficient coverage and sustainability, are considered to be the major challenges for implementation of this component. Underpinning the approach of this component, therefore, will be the promotion of partnerships between researchers, extensionists, agribusinesses and farmers to ensure interventions are market relevant.

CAVAC will endorse the following measures to promote the sustainability of the research undertaken in this component:

- adoption of a multi-channel approach for providing research, including using private as well as public sector institutions; and,
- encouragement of more diversified funding of public sector research.

CAVAC will engage with the research institutions in two ways. Firstly, it will engage institutes in the research needed to achieve sustainability in other components of CAVAC. CAVAC will also aim to develop the agricultural research capacity of Cambodia in general. This is likely to be in both the public and private sector, whereby CAVAC will assess the likelihood of institutions to contribute in the long term before any capacity building support is provided. To promote sustainability, CAVAC must also ensure an increasing integration with the nationally funded research program to be developed and implemented under the SAW.

In terms of extension the Program will engage with both the Government and the private sector, but in different ways. The Government will be engaged in more of a supervisory role and as a 'knowledge base'; whereas the private sector will be used more in the delivery of extension services.

It is critical that farmers have access to high quality information to ensure success in accelerating the value of agricultural production. Sustainable sources of quality information can be achieved in a number of ways, including through:

- the Government, when it is committed to allocating sufficient resources and creating the right incentives for government extension workers to become an accessible centre of knowledge;
- NGOs that have guaranteed long term funds;
- suppliers and traders of agricultural inputs, tools or products which see embedding information in the transaction as a feasible marketing strategy; and,
- third parties with an interest in contributing to the costs of extension work (e.g. a seed company that subsidises a radio program).

CAVAC will not aim to take a clear position upfront on what model is more sustainable, efficient and effective, but will judge all reasonable options based on these criteria while

attempting to apply the subsidy guidelines as mentioned previously. **Sustainability can be more easily reached if large NGOs, input supply dealers and the Department of Agricultural Extension all buy-into the unified knowledge base, represented by training resources and various methodologies of delivery, to ensure that this is carried on after the life of CAVAC.**

CAVAC's Extension Component focuses on five main areas which work towards ensuring the sustainability of the Program's outcomes. These include working with:

- **Leading or model farmers:** Model farmers are considered the key information link to the greater farmer community. Therefore assisting these farmers to build better networks and a knowledge base will create sustainable sources for community information and innovation.
- **Input suppliers and their informal extension network:** Assisting input suppliers to further their networks and knowledge base will create a second sustainable source of district and provincial agricultural information.
- **Existing large NGOs:** Likewise, assisting large NGOs to further their networks and knowledge base will create another sustainable source of district, and even provincial, agricultural information.
- **Provincial Departments of Agriculture (PDA):** Although currently the PDAs' role is more of an information source rather than a training institution, their role as sources of information could be strengthened.
- **Media:** The Program will identify interest in different forms of media (such as radio, TV and printed media) to target farmers with quality programs as part of their future portfolio, and will assist the media to achieve this.

7 BUSINESS ENABLING ENVIRONMENT (BEE) COMPONENT

The BEE component will approach sustainability in two ways. Firstly, the Program will work, together with other stakeholders, to directly influence Cambodian laws, rules, regulations and practices which have been found to be in some way constraining the activities of other CAVAC components. Secondly, the Program will build sustainable advocacy capacity, strengthening advocacy mechanisms in both the private sector (such as associations and alliances) and the public sector (such as donor or NGO advocacy fora). The main partners for the component will be MAFF, MOWRAM, the AusAID Post and other development partners, such as technical working groups.

The key issues of focus for this component will be identified on the basis of the potential to reduce transaction costs and encourage increased investment in targeted value chains. The utilisation of existing public-private dialogue (PPD) processes will be an important mechanism to both identify and progress issues, particularly at the provincial level. This will often occur through engagement with other likeminded donor-supported initiatives that have already made headway. Higher level national policy issues that affect the development of rice based farming systems will also be pursued through a separate funding mechanism.

With all enabling environment promotion, the biggest challenge will be the lack of awareness of policies that affect agribusiness and smallholder farmers in rural Cambodia, compounded by issues of implementation. The strong linkages that will be established between the BEE component and the other parts of the Program are intended to be an important means of informing the BEE debate and the translating of policy into action, thus ensuring long term sustainability.

The BEE must also be conducive to increasing investment and participation by all private sector partners. The confidence and investment of the private sector (including farmers, agribusiness, financial institutions etc.) will be key to ensuring the competitiveness and sustainability of rice based farming systems into the future. BEE sustainability will therefore be encouraged through supporting the establishment of effective PPD mechanisms, with the Program also supporting government initiatives to improve the BEE for targeted farmers.

8 CROSS CUTTING ISSUES

8.1 Environmentally Sustainable Agriculture

Until recently, agriculture in Cambodia has been fairly un-intensive. This offers Cambodia the option to 'do it right'. This does not mean that only traditional practices can be used; it means that scientists need to find proper balances to ensure production can be increased in an environmentally sustainable manner. For CAVAC this means that sustainable balances must be found and shared. In particular, CAVAC should be mindful of not supporting developments that can lead to serious degradation of soils. Sustainable use of chemical inputs (such as fertilisers and pesticides) and sustainable management of land and water resources will be a key thrust of all farmer extension activities. Further information on CAVAC's activities which will ensure environmental sustainability can be found in the **CAVAC Disaster Risk Reduction and Environmental Management Strategy**.

8.2 Gender Inclusive Activities

Women make up the majority of CAVAC intended primary and secondary beneficiaries. Therefore, in terms of both impact and strategic approach, issues of gender are integral to the Program. Gender issues need to be considered in detail in both design and implementation of all activities if they are to be addressed effectively. To ensure the sustainability of all CAVAC activities, the Program will adopt a strategic approach to gender that acknowledges the important role of women in both the production and marketing process, and their role in the business trading environment. This approach also recognizes that the Program has the potential to impact on broader gender relations given that rice-based farming systems are central to social interaction, cultural identity and gender roles and relationship.

The Program will promote this strategic approach through four broad measures:

- the integration of equity issues with respect to program capacity building activities (for example ensuring training times and content are tailored to encourage the maximum involvement of women);
- the strong representation of women's needs and interest in all program stakeholder groups (for example community interface and industry representative groups);
- supportive program management processes that model good practice (for example developing a working environment that promotes equality, rejects discrimination and fosters an appropriate work-life balance); and
- ongoing M&E that will be carried out on a gender-disaggregated basis.

Further information on the promotion of gender equality in all CAVAC activities can be found in the **CAVAC Gender and Disability Strategy**.

Table 1: Sustainability Strategy Matrix

Key Sustainability Issues	Likely impact of these issues on the sustainability of CAVAC activities	Probability of occurrence (Low, Medium or High)	Proposed strategy to address issues
Agribusiness Development			
There is a lack of interest from private sector companies to invest in CAVAC initiatives.	CAVAC activities are not able to attract recurrent funding and therefore are not sustainable beyond the life of the Program.	Low	There is a low probability that this will occur as during the early stages of the Program there has been a high level of interest. However if this does occur, the methodology for this component will need to be revised to address.
Activities are adversely affected by rapidly changing Cambodian laws, rules and practices within the business environment.	Business models developed under CAVAC activities may become unprofitable and therefore unsustainable.	Low	CAVAC will use the BEE component to advocate for changes to unfavourable laws, rules and practices.
Other development partners offer unsustainable support to key CAVAC beneficiaries.	Businesses are less driven to work towards sustainability.	Medium	Maintain strong links within Cambodian donor networks to ensure CAVAC activities are not adversely affected by a possible provision of unsustainable aid.
Water Management			
Communities and government agencies are not equipped to sustain the O&M of improved irrigation systems.	Decline in the value of agricultural production following the conclusion of CAVAC. Low service charge recoveries. Ineffective FWUCs beyond the life of CAVAC.	Low	CAVAC will ensure that it only works with schemes that have a track record of maintenance and/or have nearby examples of successful O&M systems.
Inadequate RGC budget allocated to O&M, leading to poorly maintained irrigation systems.	Rehabilitated schemes unable to operate at full capacity and/or in a reliable and sustainable manner.	Medium	Ongoing policy engagement with RGC on the matter. Provision of assistance to MOWRAM/PDWRAM to determine funding priorities. CAVAC to select investment in line with such priorities.

Key Sustainability Issues	Likely impact of these issues on the sustainability of CAVAC activities	Probability of occurrence (Low, Medium or High)	Proposed strategy to address issues
O&M budgets misappropriated by FWUCs.	Budget unavailable to support O&M activities. Loss of faith in FWUC by water users.	Low	Training and capacity building for targeted FWUC executives. Payments for O&M support made on delivery rather than upfront.
Research and Extension			
Government research organisations such as CARDI are insufficiently resourced to sustain research into rice based farming systems.	Failure to retain research staff, particularly those who have undergone capacity building activities with CAVAC. Loss of long term research capacity.	Medium	CAVAC to invest in capacity building of individual researchers rather than institutions to ensure that any capacity built is not lost if government researchers move to other institutions or the private sector. Success of research funded by CAVAC used to advocate for long term public funding.
Some extension channels may not continue the provision of supported training and/or advice to farmers.	Farmers may not continue to receive valuable extension services and long term production may suffer.	Medium	Further support is continually assessed and focused more towards channels which have shown strong commitment to continue delivering key extension services.
Business Enabling Environment			
Insufficient long term interest from industry in developing and/or supporting business associations/advocacy agents.	Poor communication channels between industry and government to communicate their needs. Limited industry capacity on self organisation/self development.	Low	CAVAC to actively engage in PPD and support only shared priorities, ensuring a vested interest from those involved. Expose key decision makers to the role of industry organisations in other countries.
Political interference in the operation of CAVAC activities.	Undue pressure is brought to bear on issues such as procurement and capacity building in this area is not effective.	Low	Key procurement agencies are provided with effective capacity building in the importance of transparent procurement.

Key Sustainability Issues	Likely impact of these issues on the sustainability of CAVAC activities	Probability of occurrence (Low, Medium or High)	Proposed strategy to address issues
Cross Cutting Sustainability Issues			
Activities are skewed to male needs and preferences.	Limited relevance to and adoption by women of key CAVAC outcomes.	Low	<p>Selection of a balance of male and female program staff, where feasible.</p> <p>Separate assessment of male and female training needs and training conducted in a manner that encourages maximum participation by women.</p> <p>Inclusion of women in all key management and decision-making structures.</p>
CAVAC activities not conducted in an environmentally-sustainable manner.	There is damage to the environment as a result of CAVAC activities which could lead to a long term decrease on production capacity of land.	Low	<p>CAVAC extension materials will emphasise the importance of environmental preservation to guarantee future productivity.</p> <p>All CAVAC interventions to be conducted with environmental sustainability in mind.</p>
A strong sense of ownership of the Program is not recognised by national staff.	Buy-in by national staff and counterparts is limited affecting the long term sustainability of the Program.		<p>Selection policies and criteria for national staff are designed in a manner whereby as broad a labour market as possible is tapped and the best expertise is selected.</p> <p>Position descriptions and team compositions are not overly restrictive and do not exclude potential national candidates who may have other highly desirable professional or interpersonal skills.</p>