



Report and Recommendation of the President to the Board of Directors

Project Number: 44321
18 February 2013

Proposed Loans and Administration of Grants and
Loan
Kingdom of Cambodia: Climate Resilient Rice
Commercialization Sector Development Program

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 January 2013)

Currency unit – Cambodian Riel (KR)

KR1.00	=	0.00025	\$
\$1.00	=	4,000	KR

ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund
AEA	agro-ecosystems analysis
CAEA	commune agro-ecosystems analysis
CARDI	Cambodian Agricultural Research and Development Institute
CEFP	Committee for Economic and Financial Policies
CLP	Council for Land Policy
CLUP	commune land-use plans
EA	executing agency
FI	financial institution
FWUC	farmer water user community
GAFSP	Trust Fund for the Global Agriculture and Food Security Program
GAP	Gender Action Plan
GDP	gross domestic product
IA	implementing agency
MAFF	Ministry of Agriculture, Forestry and Fishery
MEF	Ministry of Economy and Finance
MIME	Ministry of Industry, Mines and Energy
MLMUPC	Ministry of Land Management, Urban Planning and Construction
MOC	Ministry of Commerce
MOWA	Ministry of Women's Affairs
MOWRAM	Ministry of Water Resources and Meteorology
NIO	national implementation office
PAM	program administration manual
PIC	program implementation consultants
PDWRAM	Provincial Department of Water Resources and Meteorology
PIO	provincial implementation office
PMO	program management office
PPCR	Pilot Program for Climate Resilience
Rice-SDP	Climate Resilient Rice Commercialization Sector Development Program
SCF	Strategic Climate Fund
SDR	Special Drawing Right
WICI	weather indexed crop insurance

NOTES

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

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PROJECT AT A GLANCE

1. Project Name: Climate Resilient Rice Commercialization Sector Development Program		2. Project Number: 44321-013									
3. Country: Cambodia		4. Department/Division: Southeast Asia Department/Environment, Natural Resources & Agriculture Division									
5. Sector Classification:											
	Sectors	Primary	Subsectors								
	Agriculture and natural resources	√	Land-based natural resources management								
			Irrigation, drainage, and flood protection								
			Water-based natural resources management								
6. Thematic Classification:											
	Themes	Primary	Subthemes								
	Economic growth	√	Promoting economic efficiency and enabling business environment								
	Environmental sustainability		Natural resources conservation								
	Private sector development		Public-private partnerships								
	Capacity development		Institutional development								
6a. Climate Change Impact		6b. Gender Mainstreaming									
Adaptation	Medium	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Gender equity theme (GEN)</td> <td></td> </tr> <tr> <td>Effective gender mainstreaming (EGM)</td> <td style="text-align: center;">√</td> </tr> <tr> <td>Some gender benefits (SGB)</td> <td></td> </tr> <tr> <td>No gender elements (NGE)</td> <td></td> </tr> </table>		Gender equity theme (GEN)		Effective gender mainstreaming (EGM)	√	Some gender benefits (SGB)		No gender elements (NGE)	
Gender equity theme (GEN)											
Effective gender mainstreaming (EGM)	√										
Some gender benefits (SGB)											
No gender elements (NGE)											
Mitigation	Low										
7. Targeting Classification:		8. Location Impact:									
General Intervention	Targeted Intervention										
	Geographic dimensions of inclusive growth	Millennium development goals	Income poverty at household level								
√											
9. Project Risk Categorization: Complex											
10. Safeguards Categorization:											
	Environment	B									
	Involuntary resettlement	B									
	Indigenous peoples	C									
11. ADB Financing:											
Sovereign/Nonsovereign	Modality	Source	Amount (\$ Million)								
Sovereign	SDP – Policy-based loan	Asian Development Fund	24.0								
Sovereign	SDP – Project loan	Asian Development Fund	31.0								
Total			55.0								
12. Cofinancing:											
Financier	Category	Amount (\$ Million)	Administration Type								
Trust Fund for the Global Agriculture and Food Security Program	Official-Grant	14.6	Full								
ADB Strategic Climate Fund - under PPCR	Official-Loan	5.0	Full								
ADB Strategic Climate Fund - under PPCR	Official-Grant	4.5	Full								
Total		24.1									
13. Counterpart Financing:											
Source	Amount (\$ Million)										
Government of Cambodia	8.3										
Total	8.3										
14. Aid Effectiveness:											
Parallel project implementation unit	No										
Program-based approach	Yes										

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed policy-based loan, (ii) a proposed project loan, (iii) proposed administration of a loan to be provided by the ADB Strategic Climate Fund,¹ (iv) proposed administration of a grant to be provided by the ADB Strategic Climate Fund, and (v) proposed administration of a grant to be provided by the Trust Fund for the Global Agriculture and Food Security Program² all to the Kingdom of Cambodia for the Climate Resilient Rice Commercialization Sector Development Program (Rice-SDP).³

2. Rice-SDP supports the implementation of the 'Policy on the Promotion of Paddy Production and Rice Export' (the Rice Policy) of the Government of Cambodia (the government).⁴ It will help transform the predominantly subsistence rice subsector into a commercially oriented one by improving household and national food security and expand rice export through (i) removing legal and regulatory constraints inhibiting rice commercialization; (ii) improving productivity of paddy crops and consistency in quality of milled rice; (iii) enhancing rice value chain support services; and (iv) addressing risks of climate change through mitigation and adaptation.

II. THE SECTOR DEVELOPMENT PROGRAM

A. Rationale

3. Agriculture remains the dominant sector in the Cambodian economy contributing 32% of gross domestic product and employing 60% of the workforce, while 80% of the population depends on the sector for their livelihood. The agriculture sector has been one of the main engines of economic growth achieving steady growth over the past 10 years.⁵ Within agriculture, rice accounts for over 90% of the cropped area, the production from which is mostly consumed domestically. The rice subsector accounts for about 50% of the national agriculture, forestry and fisheries output. The government considers the rice subsector as an opportunity for socioeconomic development and articulated its intentions in the Rice Policy to transform Cambodia into a 'rice basket' and a major rice-exporting country. In this regard, the government has set three important objectives for 2015: (i) that paddy surplus will exceed 4.0 million tons, (ii) that milled rice exports will be at least 1.0 million tons,⁶ and (iii) for Cambodia to be recognized internationally as a rice exporting country.⁷

4. Cambodia reported a paddy surplus estimated at 3.3 million tons in 2010.⁸ Despite the surplus, nearly one quarter of the provinces face food deficits. Price fluctuations across provinces are frequently observed due largely to supply and demand imbalances and the movement of unprocessed paddy to Thailand and Viet Nam after each harvest due to the lack of in-country storage and processing capacity, limited marketing channels and distribution infrastructure. Eleven percent of all households are considered food insecure, with many facing a deficit for one to two months each year. This figure rises during the dry season to an estimated 18%. Furthermore, 90% of all food insecure households are found in rural areas.⁹

¹ Under the Pilot Program for Climate Resilience (PPCR) financed by the Strategic Climate Fund (SCF).

² Established by International Bank for Reconstruction and Development (IBRD) as trustee.

³ Rice-SDP is consistent with the ADB's country partnership strategy for Cambodia, 2011-2013 and ADB's country operations business plan for Cambodia, 2010-2013.

⁴ The design was based on the feasibility study in 2012 financed by the ADB. ADB. 2011. *Concept Paper – Cambodia: Climate Resilient Rice Commercialization Sector Development Program*. Manila.

⁵ Sector Assessment is accessible from the list of linked documents in Appendix 2.

⁶ Cambodia's official rice exports were estimated at about 105,000 tons (excluding the paddy exported unofficially to Thailand and Viet Nam) in 2011 against the 34.3 million tons traded globally. While Cambodian rice has a comparatively small proportion, growth in the global trade of 9% per annum suggest sound opportunities on export markets for Cambodian rice.

⁷ The Government of Cambodia. 2010. *Policy on Promotion of Paddy Production and Rice Export*. Phnom Penh. The Rice Policy is consistent with the Rectangular Strategy (Phase II, 2008), the National Strategic Development Plan (2011-13), and the Strategy on Agriculture and Water (2009-13). These strategies and plans articulate the pathways toward enhancing agricultural commercialization. The government considers the promotion of rice export as a role model for export promotion of other agricultural products. Therefore, Rice-SDP will serve as a flagship framework for future ADB assistance in the agriculture sector.

⁸ This is a derived figure in the government's Rice Policy based on estimated production less post-harvest loss and seed retention.

⁹ World Food Program. 2008. *Comprehensive Food Security and Vulnerability Analysis—Cambodia*. Phnom Penh.

5. Given its dominant position in the economy, transforming the rice subsector from being subsistent into a commercially oriented one is a strategic option for Cambodia as it provides the best opportunity to improve national food security and expand rice export resulting in reduced poverty. These twin objectives of food security and export expansion will be mutually reinforced by paddy surpluses being marketed increasingly within the country and in international markets. However, to achieve this outcome, several critical binding constraints must be addressed.

6. **A legal and regulatory foundation that enables rice commercialization is lacking.** First, the absence of legislation to protect the interests of seed developers is constraining access to new genetic material available elsewhere in Asia. As a result, the seed industry is seriously underdeveloped. Second, land and water productivity has been low, partly aggravated by the absence of a legal framework for land use planning, zoning, the lack of soil productivity mapping, and land leveling. Third, the opportunity for farmers to engage in cooperative action to achieve production efficiencies and improve their bargaining power is being inhibited by an inadequate legal system and structure governing agricultural associations. Fourth, efforts to link production to the quality required by domestic and international markets are being hampered by inadequate legal framework for contract farming. Fifth, the lack of a quality grading system for rice reduces the credibility of Cambodian rice on international markets since buyers lack confidence in receiving the quality ordered compared with alternative supply from other rice exporting countries. Finally, the rice subsector has limited access to finance since collateral options for bank loans lack diversity, driving borrowers to other higher cost financing alternatives.

7. **Use of land and water resources for paddy production is suboptimal.** Use of land and water for rice production is influenced by local natural features and precipitation patterns. Annual inundation and subsequent recession of flood waters extends over a large area of flat land surrounding the Tonle Sap basin and the Mekong River flood plains. Increased incidence of flooding and the availability of short maturation rice varieties have given rise to four complex rice cropping systems that are continuously shifting in location.¹⁰ In response to the need to supply a growing domestic market and higher rice prices, farmers have extended the cultivated rice areas, sometimes into environmentally sensitive areas such as the floating forest areas surrounding the Tonle Sap basin. Therefore, there is a need to rationalize the land use through agricultural land-use zoning to preserve suitable rice production areas while protecting environmentally sensitive areas. It is also critical to identify potential intensive production areas where soil types are favorable and water available for multiple cropping. Given that only 20% of paddy production comes from irrigated areas, enhanced production can only be achieved by increasing cropping intensity. This requires rehabilitation and construction of irrigation systems which are climate change resilient.

8. **Capacities of post-harvest infrastructure are inadequate to handle increasing volumes of paddy.** Surplus paddy has mainly been exported in wet content to Thailand and Viet Nam for subsequent drying and processing. Much of this trade has resulted from the lack of post-harvest infrastructure in Cambodia.¹¹ Quality deterioration of moist paddy occurs after harvest if it is not dried to 14% moisture content. With (i) the increased areas under production, (ii) the increased use of mechanized harvesting driven by the high cost of labor, and (iii) the farmers' preference to dispose of paddy after harvest, volumes of paddy being supplied onto markets have increased dramatically at peak delivery times. The infrastructure to handle, dry, store and transport the volumes is not sufficiently developed in spite of significant private investment in milling, drying and storage facilities in recent years. These surpluses at peak times are cleared, often at discounted prices, across the border for processing to prevent quality deterioration and hence in-country value retention is limited.

9. **Quality of Cambodian rice is inconsistent.** Quality of Cambodian rice is low and can be attributed to the relatively low production and processing technologies used by a large number of small-

¹⁰ Four rice cropping systems include the upland fields, rain-fed lowland fields, deep water paddy fields, and dry season paddy fields.

¹¹ Wet paddy is defined as grains containing 25%–30% moisture.

scale producers and processors. This involves limited use of quality seed, traditional planting techniques, inappropriate application of fertilizers and chemicals, limited use of mechanized land preparation, land leveling and harvesting techniques. These are compounded by limited access to credit and the weak technical extension services. The quality of milled rice can only be assured with the combination of quality paddy as a raw product and modern milling techniques (i.e. drying, processing, sorting, and color grading). The wide variety of milling technologies employed in Cambodia makes it difficult to produce rice of export quality. This is further compounded by the absence of rice standards for quality assurance. In many instances, the phyto-sanitary requirements of importing countries can be neither achieved nor certified under current practices. The process of paddy and rice aggregation and marketing involves a large number of small-scale producers and processors. This reality, together with the limited post-harvest infrastructure, adds to the cost of the final product, which make Cambodian rice uncompetitive and little-known on export markets.

10. **Paddy production is increasingly vulnerable to the changing climate.** According to the World Risk Report 2012, Cambodia ranks 8th among the top 15 countries with highest risk of impact from climate change. Climate change has increased the number of extreme climate events such as floods and droughts in Cambodia. In the coastal regions, the impacts of sea level rise and saltwater intrusion are expected to be severe by 2050. Loss in paddy output in Cambodia due to climate change is estimated to be significant. Of the total loss, 70% was due to the occurrence of floods, 20% due to droughts, and 10% due to other reasons such as pest and diseases.¹² In this regard, climate change is expected to exacerbate food insecurity, which is already a problem in one quarter of provinces of Cambodia.

11. The increasing incidence of flooding has driven farmers to consider alternate cropping systems, and, where water is available, dry season irrigated rice production is adopted as an alternative. Nevertheless, some of these changes are detrimental to the sustainable use of land resources. Greater focus on the early wet season crop allows farmers to avoid the most severe flooding period as crops can be harvested before its onset. Recession and late wet season crops respond well to increased fertilizer applications. However, such practices will have a detrimental effect on the structure of certain soil types. As a result of the changing cropping systems, pattern of paddy delivery to collectors, traders and millers also changes and requires adaptive post-harvest management strategies. To minimize the impacts of climate change, Cambodia needs to (i) adopt sustainable land-use practices through the implementation of agro-ecosystems analyses; (ii) make available crop insurance products that are weather-indexed to encourage farmers to adopt a longer term planning perspective for rice production; (iii) modify structural designs of irrigation systems to accommodate increased peak flows and leveling the paddy land, both to improve water utilization efficiency of irrigation schemes; and (iv) adjust management and processing of wet paddy to continually improve milling efficiency and maintain high quality at reasonable processing costs.

12. Rice-SDP incorporated the findings and recommendations of ADB's country and sector assistance and program evaluations,¹³ and critical lessons learned from past and ongoing initiatives in the agricultural and associated sectors to ensure sectoral- and cross-sectoral synergies and hence maximize Rice-SDP's developmental impact and sustainability. Key lessons learnt include: (i) making greater use of the sector development program modality; (ii) adopt a medium term approach with greater understanding of the political complexity of reforms and the capacity of institutions to implement reforms; (iii) ensure continuity in capacity building support; (iv) adopt simple designs while recognizing project synergies; and (v) address sector issues such as value chains and farm productivity by interventions across a number of key constraints.¹⁴

¹² Cambodia Water Partnership. 2010. *The State of Climate Change Management in Cambodia*. Phnom Penh.

¹³ ADB.2009. *Country Assistance Program Evaluation: Cambodia Growth and Sector Reform*. Manila. ADB.2009. *Sector Assistance Program Evaluation: Agriculture and Rural Development Sector in Cambodia*. Manila.

¹⁴ Detailed lessons learnt are in Supplementary Document 6.

B. Impact and Outcome

13. Rice-SDP comprises a policy-based loan and a project loan. Its impact is increased net incomes of stakeholders along the rice value chain. The outcome is enhanced production of quality rice in Cambodia while preserving the natural resource base.¹⁵

C. Outputs

14. Rice-SDP will address key high priority and strategic measures¹⁶ stated in the Rice Policy to improve national food security¹⁷ and expand rice export through (i) removing legal and regulatory constraints inhibiting rice commercialization; (ii) improving productivity of paddy crops and consistency in quality of milled rice; (iii) enhancing rice value chain support services; and (iv) addressing risks of climate change through mitigation and adaptation.¹⁸ Rice-SDP has six outputs. Output 1 relates to the policy-based loan, whereas outputs 2–6 relate to the Project to capitalize on legal and regulatory reforms proposed under the policy-based loan.¹⁹

15. **Output 1 - A Conducive Legal and Regulatory Environment Established to Facilitate Climate Resilient Rice Commercialization.** This output will focus on legal and regulatory reforms that (i) promote production and distribution of improved quality seed; (ii) strengthen agricultural land management; (iii) strengthen farmers' organizations and promote contract farming; (iv) facilitate domestic trading and export of milled rice; and (v) improve access to finance. The reform initiatives are described in detail in the Development Policy Letter (Appendix 3) and Policy Matrix (Appendix 4).

16. **Output 2 - Agricultural Land-use Zoning Improved.** This output comprises: (i) establishing land-use zones;²⁰ (ii) updating rice ecosystems and soil classification maps for identification of higher yielding rice growing areas; (iii) incorporating agro-ecosystem analyses into commune land-use planning, and (iv) developing the capacity of Ministry of Agriculture, Forestry and Fisheries (MAFF) and Ministry of Water Resources and Meteorology (MLMUPC) to undertake joint work in relation to agricultural land-use planning. Activities under this output will help identify areas that are better suited to rice production as well as high-risk flood prone areas to be utilized for maintaining ecosystem diversity. Linked to the zoning initiative, technical procedures will be modified to accommodate guidelines for paddy production to ensure sustainable cultivation practices.

17. **Output 3 - Climate Resilient Rice Value Chain Infrastructure Developed.** This output comprises high priority investments in three major rice-producing provinces—Battambang, Kampong Thom, and Prey Veng. The investments include: (i) rehabilitation and climate proofing of irrigation systems; (ii) construction of paddy drying and storage facilities; and (iii) construction of seed cleaning, drying, grading and storage facilities. The investments have been identified and prioritized based on provincial development priorities.²¹ Irrigation rehabilitation and climate proofing will help increase productivity and cropping intensities. Establishment of paddy drying and storage facilities will accommodate paddy supplies at peak periods after harvest to ensure better quality for processing and retained added value in Cambodia. Construction of seed cleaning, drying, grading and storage facilities will contribute to increased availability of quality rice seed — an integral component of rice quality

¹⁵ The design and monitoring framework is in Appendix 1.

¹⁶ Policy measures for promotion of paddy production and rice export are in Annex 2 of the Rice-Policy.

¹⁷ Rice-SDP will improve rice productivity and quality, market access, and enhance resilience of natural resources to climate change. This is in conformity with: ADB. 2009, *Operational Plan for Sustainable Food Security in Asia and the Pacific*. Manila.

¹⁸ Rice-SDP will add weight to the GMS Southern Economic Corridor initiatives to gain maximum leverage from strengthening of the value chains. It will also enhance impact of investment in transport infrastructure by ADB and development partners, which was amounted to \$15 billion as of June 2012.

¹⁹ A sector modality is proposed for the Project, as Cambodia has its Rice Policy to meet the priority development needs of the sector. It has the institutional capacity to implement this policy, following experience in a large number of previous sector development projects financed by ADB.

²⁰ Participatory approach will be used. Program implementation consultant will provide technical assistance to ensure stakeholders including commune councils, farmers and civil society organizations participate in zoning activities in a systematic manner. Independent entities will be engaged to monitor zoning activities together with other safeguards issues.

²¹ The list of pre-screened and eligible subprojects is in Supplementary Document 1.

improvement and a necessary pre-requisite to supply export markets with rice of consistent quality. To ensure these facilities are maintained and operated on a commercial basis, these will be operated by public private partnerships. These mechanisms are necessitated as the investments are relatively high-risk for any individual private firm in Cambodia and the highly commercial nature of the investment renders the government an inappropriate institution to operate these facilities.

18. **Output 4 - Rice Value Chain Support Services Enhanced to Improve Quality of Cambodian Rice.** This output comprises: (i) improving the availability and quality of commercial rice seed; (ii) upgrading technical extension material to guide production in the four main rice crops; (iii) capacity building (technical and financial) of mill managers and operators; and (iv) facilitating access to credit by farmers, traders, and millers. Activities under this output will improve the quality of paddy and subsequent milled rice and enhance Cambodia's participation in export markets.

19. **Output 5 - Weather-indexed Crop Insurance Piloted.** This output comprises: (i) undertaking a detailed feasibility study to determine the appropriateness of a weather-indexed crop insurance scheme; (ii) designing the operational parameters, product penetration plan, and institutional arrangements; and (iii) piloting the scheme in selected areas in three project provinces. Activities under this output will reduce the risk associated with paddy production and allow farmers to adopt modern production technologies and therefore extend their longer term planning horizon. Since paddy production for sales will become an increasingly important income component of farming households, it will also stimulate further commercialization.

20. **Output 6 - Efficient Program Management and Implementation.** This output comprises: (i) effective project management; (ii) capacity building of the Program Management Office (PMO) and each National Implementation Office (NIO) and Provincial Implementation Office (PIO); and (iii) coordination between policy development and investment activities. These activities will be supported by consulting services to ensure efficient implementation.

D. Development Financing Needs

21. The implementation of the Rice Policy is estimated to cost the government about \$600 million for the 2010-2020 period. It is estimated that 70% of the budget will be required during the 2012-2015 period to ensure efficient accomplishment of domestic food security and rice export targets. The policy adjustment cost to the government in implementing and complying with reform measures included in the Policy Matrix is estimated at \$33.6 million.²² The government has requested a policy-based loan in various currencies equivalent to SDRxx (\$24 million equivalent) from ADB's Special Funds resources to help finance the policy reforms as outlined in its Development Policy Letter and Policy Matrix. The policy-based loan will have a 24-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the policy-based loan agreement. The policy-based loan will be disbursed in two tranches:²³ (i) tranche 1: SDRxxx (\$12 million equivalent) upon full compliance with the first-tranche conditions, and (ii) tranche 2: SDRxxx (\$12 million equivalent) subject to full compliance with second-tranche conditions.

E. Investment and Financing Plans

22. The Project is estimated to cost \$63.43 million equivalent (Tables 1 and 2). The government has requested a loan in various currencies equivalent to SDRxx (\$31.0 million equivalent) from ADB's Special Funds resources to help finance the Project. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the loan agreement. The

²² Detailed estimates of adjustment costs are in Supplementary Document 5.

²³ In accordance with provisions set out in: ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

government has requested a grant not exceeding \$14.6 million from the Trust Fund for the Global Agriculture and Food Security Program (GAFSP), a grant of \$4.5 million and a loan of \$5.0 million from the ADB Strategic Climate Fund (SCF) to help finance the Project. The SCF loan will have a 40-year term, including a grace period of 10 years, carry a zero interest rate, and an annual service charge of 0.1% per annum. Principal repayments for the SCF loan will be made at a rate of 2% of the loan total per annum for years 11-20 and 4% for years 20-40. ADB will administer the GAFSP grant, and ADB SCF loan and grant.²⁴ The government will contribute \$8.33 million, to cover resettlement costs, land purchase, taxes and duties, and government staff salaries. Detailed cost estimates and financing plan are in the Program Administration Manual (PAM).²⁵

Table 1: Project Investment Plan

Item	Amount ^a (\$ million)
A. Base Cost ^b	
1. Improvement of Agricultural Land-use Zoning	4.21
2. Development of Rice Value Chain Infrastructure	40.96
3. Enhancement of Rice Value Chain Support Services	4.98
4. Development of Weather Indexed Crop Insurance	2.00
5. Efficient Program Management and Implementation	5.82
Subtotal (A)	57.97
B. Contingencies ^c	4.51
C. Financing Charges During Implementation ^d	0.95
Total (A+B+C)	63.43

^a Includes taxes and duties of \$5.54 million to be financed by the government.

^b In December 2012 prices.

^c Physical contingencies computed at 10% for all goods and services except for the subproject allocation. Price contingencies computed at 2.6% for the six years of implementation on foreign exchange costs and 4.25% on local currency costs. This assumes a fixed exchange rate of KR4,000 to the US dollar throughout the life of the investment.

^d Includes interest charges during implementation for ADB project loan, and service charges for ADB SCF loan.

Source: ADB estimates.

Table 2: Project Financing Plan

Source	Amount (\$ million)	Share of Total (%)
ADB ADF – Loan	31.00	48.88
GAFSP ^a – Grant	14.60	23.02
ADB SCF ^b – Grant	4.50	7.09
ADB SCF ^b – Loan	5.00	7.88
Government	8.33	13.13
Total	63.43	100.00

^a Established by IBRD as trustee. Administered by ADB.

^b Under the Pilot Program for Climate Resilience financed by the Strategic Climate Fund, administered by ADB. Source: ADB estimates.

F. Implementation Arrangements

23. The Committee for Economic and Financial Policies (CEFP) will be the Rice-SDP's Steering Committee. CEFP will be chaired by Deputy Prime Minister and Senior Minister of the Ministry of Economy and Finance (MEF). MEF will be the executing agency (EA), supported by the program management office (PMO). For the policy-based loan, one policy working group for each policy theme will be established by the ministries concerned. For the Project, the PMO will be responsible for the Project's overall implementation. One national implementation office (NIO) will be established in MAFF, MLMUPC, and Ministry of Water Resources and Meteorology (MOWRAM) respectively. A Provincial

²⁴ ADB and ADB-administered funds may finance financing charges during implementation, recurrent costs, transportation, insurance, and bank charges.

²⁵ The Program Administration Manual is accessible from the list of linked documents in Appendix 2.

Steering Committee and a Provincial Implementation Office (PIO) will be established in each of the provincial governor's offices in three project provinces. Implementation arrangements are summarized in Table 3 and detailed in the PAM.

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	Policy-based loan: 1 January 2010 to 31 December 2016 (6 years) Project: 1 October 2013 to 30 September 2019 (6 years)		
Estimated completion date	Policy-based loan: 31 December 2016; Project: 30 September 2019		
Management			
(i) Oversight body	CEFP Chair: Senior Minister of MEF Members: MEF, MAFF, MIME, MOWRAM, MLMUPC, MOWA		
(ii) Executing agency	MEF		
(iii) Key implementing agencies	MAFF, MIME, MOWRAM, MLMUPC, Provincial Governor's Offices of Battambang, Kampong Thom, and Prey Veng		
(iv) Implementation Unit	PMO in Phnom Penh (15 staff); three NIOs in Phnom Penh (10 staff in each NIOs), one PIO in each of the three project provinces (10 staff in each PIO).		
Procurement ²⁶	International competitive bidding	Multiple contracts	\$23.32 million
	National competitive bidding	Multiple contracts	\$6.77 million
	Shopping	Multiple contracts	\$2.23 million
Consulting services	Quality and cost-based selection (80:20)	635 person-months	\$7.18 million
	Consultant qualification selection/ Quality-based selection (for subproject design, feasibility studies, safeguards monitoring, supervision of works, and millers contract services)	Multiple contracts	\$3.45 million
	Quality-based selection (for development and piloting of weather-indexed crop insurance)	1 contract	\$2.00 million
Advance contracting	Advance recruitment of program implementation consultants, and advance procurement of vehicles and equipment. No contract will be signed before the Effective Date.		
Disbursement	The proceeds of the loan, the GAFSP grant and the SCF loan and grant will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. The SDRxx (\$24 million equivalent) policy-based loan will be disbursed in two tranches: (i) tranche 1: SDRxx (\$12 million equivalent), and (ii) tranche 2: SDRxx (\$12 million equivalent).		

ADB = Asian Development Bank; CEFP = Committee for Economic and Financial Policies; GAFSP = Global Agriculture and Food Security Program; NIO = National Implementation Office; MAFF = Ministry of Agriculture, Forestry and Fisheries; MEF = Ministry of Economy and Finance; MIME = Ministry of Industry, Mines and Energy; MLMUPC = Ministry of Land Management, Urban Planning and Construction; MOWA = Ministry of Women's Affairs; MOWRAM = Ministry of Water Resources and Meteorology; PIO = Provincial Implementation Office; PMO = Program Implementation Office; and SCF = Strategic Climate Fund. Source: ADB

III. DUE DILIGENCE

A. Technical

24. The project will adopt the sector modality, whereby subprojects will be evaluated during the implementation stage. However, candidate subprojects were screened to ensure an initial technical assessment. All candidate subprojects will be evaluated against a set of eligibility criteria prior to funding approval.²⁷

B. Economic and Financial

25. Rice-SDP will address domestic distribution issues by minimizing price fluctuations across provinces to ensure domestic food security and improved nutrition through improved availability of and

²⁶ Procurement Capacity Assessment (Supplementary Document 9) included risk mitigation measures for identified risks.

²⁷ Subproject eligibility criteria are in the PAM (accessible from the list of linked documents in Appendix 2). Subproject eligible for financing should have no outstanding social safeguards issues resulting from the existing facilities.

access to rice. It will tackle these issues by (i) expanding capacity for drying paddy in target provinces by 2,000 tons per day by 2018 thereby improving quality and quantity of domestically milled rice; (ii) increasing the capacity for paddy storage in target provinces by 40,000 tons by 2018; and (iii) facilitating access of millers to finance through diversified collateral arrangements to increase in-country milling and storage.

26. Interventions by Rice-SDP in increasing availability of quality seed, improving on-farm land water management technologies (agricultural land use zoning, better irrigation land levelling), improving drying and storage capacities, and improved resilience of rice cultivation system are expected to increase crop yield by 25% by 2019. As a result, it facilitates increase in paddy production from 8.0 million tons in 2012 to 9.5 million tons by 2018, and increase in milled rice exports to 1.2 million tons in 2017 from 200,000 tons in 2011. By 2017 and beyond, annual rice export revenue is expected to amount to \$600 million (4.3% of GDP)²⁸ or a value added to the national economy of \$120 million (0.9% of GDP). Increased export revenue will help the government reduce budget deficit (at 6.0% in 2012), replenish official foreign exchange reserves, and increase capacity for servicing external debts. It is noteworthy that the inflow of foreign exchange will better enable importation of production inputs and materials, which will have a significant multiplier impact on production, income generation, and nutrition.²⁹

C. Governance

27. Rice-SDP was aligned with the government's public financial management reform and its decentralization and de-concentration initiatives that promote good governance and reduce corruption. Risks identified in the areas of public financial management, procurement, anticorruption, and implementation of subprojects can largely be mitigated by complying with implementation procedures and through capacity building of staff concerned. Rice-SDP placed an emphasis on transparency in procurement and anti-corruption. A good governance framework with a specific engagement plan was prepared to ensure checks and balances are in place.³⁰ As a covenant, the government will and will cause line ministries concerned and project provinces to include anticorruption provisions in all bidding documents and contracts related to Rice-SDP. ADB will monitor the implementation through review missions and quarterly reports. ADB's Anticorruption Policy (1998, as amended to date) was explained to, and discussed with MEF, MAFF, MOWRAM, MIME, and MLMUPC for both the policy-based loan and Project. The specific policy requirements and supplementary measures are described in the PAM.

D. Poverty and Social

28. Rice-SDP will promote inclusive economic growth.³¹ As a result of improved rice value chain and productivity enhancement, price transmission gains from domestic and export sales of rice will benefit about 1.0 million rice farming households, the majority of which is categorized as low-income, food insecure, and marginal smallholders (i.e. having less than one hectare of land per household). Since women comprise the majority working on farm, they will benefit the most from these gains. It is estimated that by 2019, an individual household will gain an additional annual income of \$306 and on the national scale this gain will be \$306 million per annum. This suggests a significant contribution of Rice-SDP to reduce the incidence of income poverty in Cambodia.³²

29. **Gender and Development.** Rice-SDP is categorized as "effective gender mainstreaming". It will enhance access of women farmers to decision-making, resources, and services. Gender issues were incorporated into appropriate tranche conditions as stated in the Policy Matrix (Appendix 4) and gender indicators included in all Rice-SDP's outputs.³³

²⁸ The national 2012 GDP was projected at \$14 billion in current prices.

²⁹ Economic and financial analysis is accessible from the list of linked documents in Appendix 2.

³⁰ The Good Governance Framework is in Supplementary Document 7.

³¹ A Summary Poverty Reduction and Social Strategy is accessible from the list of linked documents in Appendix 2.

³² See Program Impact Assessment in Supplementary Document 5.

³³ The Gender Action Plan is accessible from the list of linked documents in Appendix 2.

E. Safeguards

30. **Resettlement (category B).** Limited involuntary resettlement is envisaged under Rice-SDP since the screening process for subprojects eliminated those with significant resettlement impacts. Rehabilitation of irrigation systems will not cause significant resettlement impacts since works will be along existing rights of way. The development of paddy drying and storage facilities will be located based on the availability of land for purchase on the open market. A resettlement framework (RF) and resettlement plans (RPs) for two representative subprojects prepared by the EA were endorsed by the Inter-ministerial Resettlement Committee (IRC) and approved by ADB.³⁴ The RF and RPs included a well-defined consultation mechanism, a market-based and jurisprudential entitlement matrix and a rigorous internal and external monitoring mechanism to ensure efficient implementation.³⁵

31. **Indigenous Peoples (category C).** Socioeconomic surveys conducted in the project provinces indicated that there were no indigenous peoples living in potential subproject locations.

32. **Environmental Safeguards (category B).** Policy reforms will enhance sustainable use and management of land and water and its resilience in a changing climate. Initial environmental examinations, prepared for three representative subprojects, confirmed that the three subprojects will not cause any adverse environmental impacts. All subprojects financed by Rice-SDP will follow environmental assessment procedure stated in the environmental assessment and review framework.³⁶

F. Risks and Mitigating Measures

33. The implementation of Rice-SDP faces three potential risks (Table 4), and are described in detail in the risk assessment and management plan.³⁷

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Lack of political commitment in Rice-SDP implementation.	Rice-SDP's design was aligned to the institutional structure of the Rice Policy. Highest political leadership has shown strong commitment to enhancing food security and expanding rice export. Policy dialogues will be conducted during review missions to assess potential risks and mitigation plan
Inherently complex nature of sector development program modality and limited technical skills and resources to implement legal and regulatory reforms.	Support was given to related ministries in preparation for compliances with the first tranche conditions. Subprojects were screened to prioritize low risk investment. Technical consulting services will be utilized to assist the EA and IAs throughout the implementation period.
Climate change may undo intended gains, and improper natural resources management may exacerbate climate change impacts.	Rice-SDP design, subproject investment and monitoring arrangements have a significant focus on climate proofing and natural resource management.

Source: Asian Development Bank.

IV. ASSURANCES AND CONDITIONS

34. The government has assured ADB that implementation of Rice-SDP shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM, loans and grants documents.

³⁴ Selected for detailed feasibility studies were three representative subprojects, two of which have resettlement impacts.

³⁵ The Resettlement Framework is accessible from the list of linked documents in Appendix 2.

³⁶ Environmental Assessment and Review Framework is accessible from the list of linked documents in Appendix 2.

³⁷ The Risk Assessment and Management Plan is accessible from the list of linked documents in Appendix 2.

35. The government has agreed with ADB on certain covenants for Rice-SDP, which are set forth in the loans and grants agreements.

36. **Conditions for Effectiveness.** For the policy-based loan, MEF will establish the PMO and appoint key management and technical staff. For the project loan, (i) MEF will establish the PMO and appoint key management and technical staff; (ii) MEF will submit to ADB for approval the List of Eligible Subprojects containing all candidate subprojects pre-screened in accordance with the criteria set forth in the PAM; (iii) MAFF, MOWRAM, and MLMUPC will each establish a NIO and appoint key management and technical staff; (iv) each Project Province will establish a Provincial Steering Committee; and (v) each Project Province will establish a PIO and appoint key management and technical staff.

V. RECOMMENDATION

37. I am satisfied that the proposed loans would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve:

- (i) the policy-based loan in various currencies equivalent to SDRxx (\$24,000,000) to the Kingdom of Cambodia for Climate Resilient Rice Commercialization Sector Development Program from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 24 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board;
- (ii) the loan in various currencies equivalent to SDRxx (\$31,000,000) to the Kingdom of Cambodia for Climate Resilient Rice Commercialization Sector Development Project from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board;
- (iii) the administration by ADB of a grant not exceeding the equivalent of \$14,600,000 to the Kingdom of Cambodia for Climate Resilient Rice Commercialization Sector Development Project to be provided by the Global Agriculture and Food Security Program;
- (iv) the administration by ADB of a loan not exceeding the equivalent of US\$5,000,000 million to the Kingdom of Cambodia for Climate Resilient Rice Commercialization Sector Development Project from the ADB Strategic Climate Fund; and
- (v) the administration by ADB of a grant not exceeding the equivalent of \$4,500,000 to the Kingdom of Cambodia for Climate Resilient Rice Commercialization Sector Development Project, to be provided by the ADB Strategic Climate Fund.

Haruhiko Kuroda
President

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Increased Net Incomes of Stakeholders along the Rice Value Chain</p>	<p>Average farming household incomes increase from \$400 in 2010 to \$700 by 2020</p> <p>Revenue of rice exporters increases from \$100 million in 2012 to \$600 million in 2020</p> <p>Net profit of rice exporters increases from \$30 million in 2012 to \$180 million in 2020</p>	<p>National Institute of Statistics' Yearbook</p> <p>Ministry of Commerce annual trade statistics</p> <p>Ministry of Commerce annual trade statistics</p>	<p>Assumption Medium-term macro-economic stability and climate change adaptation mainstreaming</p> <p>Risks Lack of political commitment in Rice-SDP implementation</p> <p>Climate change impacts may undo the intended gains and reduce anticipated benefits</p>
<p>Outcome Enhanced Production of Quality Rice in Cambodia while preserving the natural resource base</p>	<p>Paddy production increases from 8.0 million tons in 2012 to 9.5 million tons by 2018</p> <p>Milled rice exports increase from 200,000 tons in 2011 to 1.2 million tons in 2017</p> <p>Wet paddy exports to Viet Nam and Thailand reduced to 1.1 million tons by 2018 (2011 baseline: 2.2 million tons per annum)</p> <p>Three provinces using digital maps of rice eco-systems based on soil type, cropping pattern and vulnerability to risk for land-use zoning by 2018 (2012 baseline: zero)</p>	<p>MAFF annual crop production statistics</p> <p>Ministry of Commerce annual trade statistics</p> <p>Rice-SDP baseline survey in 2013 and end-line survey in 2018</p>	<p>Assumption Government commitment to effectively implement the Rice Policy</p> <p>Risks Institutional and implementation risks from lack of technical skills and resources</p> <p>Improper natural resources management may exacerbate the impacts of climate change</p>
<p>Outputs Conducive Legal and Regulatory Environment Established to Facilitate Climate Resilient Rice Commercialization</p>	<p>2010 baseline for all six targets is legal drafting actions initiated and 2015 end-line targets are as follows:</p> <p>(i) Policy and regulatory framework for local seed production in place; (ii) Framework for establishing agricultural land use zones completed; (iii) Legislation on sustainable management and use of agricultural land operational; (iv) Regulatory systems for farmer's organizations and contract farming functional; (v) Milled rice standards and trade facilitation measures in place; (vi) Policy measures in place to increase finance outreach to farmers, millers, and rice exporters</p>	<p>SDP progress and monitoring reports produced quarterly by the EA and IAs.</p> <p>Tranche Compliance Reports prepared by the EA and endorsed by ADB</p>	<p>Assumption Political parties and beneficiaries are cooperative in the process</p> <p>Risk Policy coordination and enforcement are not strong enough</p>
<p>Agricultural Land-use Zoning Improved</p>	<p>90 rice growing communes in target provinces complete agro-ecosystem analyses and incorporate into commune land use plans (CLUPs) by 2017</p> <p>90 groups of farmers consulted (with at least 40% female representation) during preparation of CLUPs by 2015.</p>	<p>Rice-SDP progress and monitoring reports produced quarterly by the EA and IAs</p>	<p>Assumption MLMUPC can accommodate AEAs as an input to CLUPs</p>
<p>Climate Resilient</p>	<p>23,000 ha of command area served by climate</p>	<p>Rice-SDP progress</p>	<p>Assumptions</p>

Rice Value Chain Infrastructure Developed	<p>resilient rehabilitated irrigation structures by 2017 (40% unskilled laborers employed in the rehabilitation are women; 50% of construction sub-committee members are women; 2 FWUCs established in each irrigation scheme, with women occupying 30% of the management positions)</p> <p>Four seed drying and storage facilities constructed by 2017 with a combined storage capacity of 8,000 tons (30% unskilled laborers and 50% administrative staff are women)</p> <p>Capacity for drying paddy in target provinces extended by 2,000 tons per day by 2018</p> <p>Capacity for paddy storage in target provinces extended by 40,000 tons by 2018</p>	<p>and monitoring reports produced quarterly by the EA and IAs</p>	<p>Climate resilient infrastructure is economically viable and politically acceptable</p> <p>Operation of control structures by PDWRAM to deliver water to canals</p> <p>Suitable private entities are interested and capable of managing facilities</p> <p>Risk Basin studies on water resources do not take full account of the impact from climate change</p>
Rice Value Chain Support Services Enhanced to Improve Quality of Cambodian Rice	<p>2,400 tons of fragrant rice seed produced per annum in target provinces by 2018</p> <p>80% of farmers (disaggregated by sex) in target provinces buying commercial seed every 2 years by 2018 (2012 baseline: 0)</p> <p>30% of farmers (disaggregated by sex) have leveled their paddy fields in target provinces by 2018 (2012 baseline: 0)</p> <p>50% of farmers in target provinces (disaggregated by sex) obtain technical advice through input suppliers by 2016 (2012 baseline: 0)</p> <p>10 rice millers in target provinces use independent financial management advisory services by 2016 (2012 baseline: 0)</p>	<p>Rice-SDP progress and monitoring reports produced quarterly by the EA and IAs</p> <p>Rice-SDP progress reports</p> <p>Quarterly Reports by the Insurance Firm</p>	<p>Assumptions Growers accept the higher price needed to purchase quality seed</p> <p>Farmers have resources to part finance the land leveling</p> <p>Drying and storage facilities are operated at full capacity</p> <p>Risk Banks are not interested in receiving capacity building or product development</p>
Weather-indexed Crop Insurance (WICI) Piloted	<p>100,000 ha of rice producing areas covered by WICI within the three participating provinces by 2017 (50% of the policy-holders is women, of which 10% is from female headed household) (2012 baseline: 0)</p> <p>15 local input suppliers, 3 local financial institutions, and 3 local marketing agencies participating into the pilot tests in three provinces (2012 baseline: 0).</p>	<p>Government and ADB agree on the recommendations of the feasibility study</p> <p>Design of WICI and evaluation report</p>	<p>Assumption Feasibility study recommends design and piloting</p> <p>Risk Piloting WICI shows no feasibility in Cambodia</p>
Efficient Program Management and Implementation	<p>Implementation consultants mobilized within 3 months of effectiveness</p> <p>Rice-SDP performance monitoring system disaggregated by sex, designed and operational within 3 months of effectiveness</p> <p>Loan/grant contract awards and disbursement achieved as stated in quarterly projections</p> <p>Baseline surveys completed within 3 months of loans and grants effectiveness</p> <p>End-line impact evaluation undertaken 3 months</p>	<p>Notice to proceed issued by EA</p> <p>Rice-SDP progress and monitoring quarterly reports Registry of contract awards and withdrawal applications</p> <p>Base-line impact evaluation submission by EA</p> <p>End-line impact</p>	<p>Assumption Qualified staff are appointed to implement Rice-SDP</p> <p>Risks Provincial capacity is insufficient</p> <p>The availability of qualified staff is limited</p>

	<p>before Rice-SDP completion date</p> <p>For PMO and PIOs, 40% of administrative positions and 10% of technical positions filled by women by Quarter III 2013</p> <p>GAP implementation progress included as part of Rice-SDP quarterly progress reports</p>	<p>evaluation submission by EA</p> <p>Rice-SDP progress and monitoring reports.</p>	
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Activities with Milestones	Inputs																																																																
<p>1. Conducive Legal and Regulatory Environment Established</p> <p>1.1 Establish working groups for interagency dialogue and public discussions of the respective key policy areas by Q3 2013.</p> <p>1.2. Produce reports on policy themes by Q2 2016.</p> <p>2. Agricultural Land-use Zoning Improved</p> <p>2.1 Undertake commune AEAs to identify zones for rice cropping systems by Q4 2017.</p> <p>2.2. Incorporate the AEAs identified above into CLUPs by Q4 2017.</p> <p>2.3. Develop three provincial rice eco-system maps by Q4 2017.</p> <p>3. Climate Resilient Rice Value Chain Infrastructure Developed</p> <p>3.1 Recruit national consulting firms to carry out feasibility studies on subprojects for climate resilient irrigation rehabilitation, drying and storage facilities, and associated initiatives by Q1 2014.</p> <p>3.2 Rehabilitate identified irrigation schemes and prepare asset management plans by Q4 2018.</p> <p>3.3. Establish paddy drying and storage facilities by Q4 2018.</p> <p>3.4. Establish seed drying and storage facilities by Q4 2018.</p> <p>3.5 Implement associated initiatives including pilot land leveling, technical extension services, farmer group support, marketing facilitation, and contract farming by Q4 2018.</p> <p>4. Enhanced Rice Value Chain Support Services</p> <p>4.1 Increased Availability of Quality Rice Seed</p> <p>4.1.1 Develop a national seed certification scheme by Q4 2014.</p> <p>4.1.2 Produce foundation and certified seed under contract for selected rice varieties involving CARDI and the private sector by Q4 2017.</p> <p>4.2 Expanded and Developed Technical Extension Services</p> <p>4.2.1 Revise the six “technology information procedures” on rice production incorporating good agricultural practices by Q4 2014.</p> <p>4.2.2 Develop a mass media extension material for use by extension services country-wide by Q4 2014.</p> <p>4.3 Enhanced Business Management Capacities</p> <p>4.3.1 Study the adoption of bulk handling by Q4 2014.</p> <p>4.3.2 Provide technical assistance to improve mill operation and management to 10 rice mills by Q4 2014 and 30 rice mills by Q4 2018.</p> <p>4.3.3 Organize three study tours and training for millers in neighboring countries to investigate modern milling technologies by Q4 2016.</p> <p>4.4 Improved Access to and Reduced Cost of Finance</p> <p>4.4.1 Develop capacities of financial institutions to appreciate diverse loan demand by rice value chain stakeholders and for the latter to understand FIs’ loan products by Q4 2016.</p> <p>5. Feasibility Study, Design and Pilot Testing of WICI</p> <p>5.1 Engage an international firm in association with a national firm for undertaking feasibility study by Q1 2014</p> <p>5.2 Determine feasibility of WICI in Cambodia by Q2 2013</p> <p>5.3 Upgrade automatic weather stations in selected areas by Q4 2013</p> <p>5.4 Design WICI by Q1 2014</p> <p>5.5 Pilot WICI in selected areas by Q2 2014</p> <p>5.6 Evaluate the results of WICI in pilot areas by Q1 2017</p> <p>6. Efficient Project Management and Implementation</p> <p>6.1 Establish and operationalize PMO, NIOs and PIOs by Q3 2013.</p>	<p style="text-align: right;">Unit: \$ million</p> <p>ADB Policy-based Loan: \$24.00</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Tranche 1</td> <td style="text-align: right;">12.00</td> </tr> <tr> <td>Tranche 2</td> <td style="text-align: right;">12.00</td> </tr> </tbody> </table> <p>ADB ADF Loan: \$31.00</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Civil Works</td> <td style="text-align: right;">17.60</td> </tr> <tr> <td>Associated Initiatives</td> <td style="text-align: right;">0.53</td> </tr> <tr> <td>Vehicles & Equipment</td> <td style="text-align: right;">0.65</td> </tr> <tr> <td>Consulting Services</td> <td style="text-align: right;">3.75</td> </tr> <tr> <td>Implementation and Supervision</td> <td style="text-align: right;">7.54</td> </tr> <tr> <td>Interest Charges</td> <td style="text-align: right;">0.93</td> </tr> </tbody> </table> <p>GAFSP Grant: \$14.60</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Civil Works</td> <td style="text-align: right;">0.62</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">7.17</td> </tr> <tr> <td>Contract Services</td> <td style="text-align: right;">3.28</td> </tr> <tr> <td>Office Equipment</td> <td style="text-align: right;">0.10</td> </tr> <tr> <td>Consulting Services</td> <td style="text-align: right;">1.11</td> </tr> <tr> <td>Training and Studies</td> <td style="text-align: right;">1.81</td> </tr> <tr> <td>Implementation and Supervision</td> <td style="text-align: right;">0.50</td> </tr> </tbody> </table> <p>ADB SCF Loan: \$5.00</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Civil Works</td> <td style="text-align: right;">3.31</td> </tr> <tr> <td>Associated Initiatives</td> <td style="text-align: right;">1.10</td> </tr> <tr> <td>Contract Services</td> <td style="text-align: right;">0.59</td> </tr> </tbody> </table> <p>ADB SCF Grant: \$4.50</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Civil Works</td> <td style="text-align: right;">0.42</td> </tr> <tr> <td>Crop Insurance</td> <td style="text-align: right;">2.00</td> </tr> <tr> <td>Consulting Services</td> <td style="text-align: right;">2.08</td> </tr> </tbody> </table> <p>Government: \$8.33</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Staff Costs</td> <td style="text-align: right;">1.46</td> </tr> <tr> <td>Resettlement Costs</td> <td style="text-align: right;">0.43</td> </tr> <tr> <td>Land Purchase</td> <td style="text-align: right;">0.88</td> </tr> <tr> <td>Taxes and Duties</td> <td style="text-align: right;">5.54</td> </tr> <tr> <td>Service Charges for SCF Loan</td> <td style="text-align: right;">0.02</td> </tr> </tbody> </table>	Item	Amount	Tranche 1	12.00	Tranche 2	12.00	Item	Amount	Civil Works	17.60	Associated Initiatives	0.53	Vehicles & Equipment	0.65	Consulting Services	3.75	Implementation and Supervision	7.54	Interest Charges	0.93	Item	Amount	Civil Works	0.62	Equipment	7.17	Contract Services	3.28	Office Equipment	0.10	Consulting Services	1.11	Training and Studies	1.81	Implementation and Supervision	0.50	Item	Amount	Civil Works	3.31	Associated Initiatives	1.10	Contract Services	0.59	Item	Amount	Civil Works	0.42	Crop Insurance	2.00	Consulting Services	2.08	Item	Amount	Staff Costs	1.46	Resettlement Costs	0.43	Land Purchase	0.88	Taxes and Duties	5.54	Service Charges for SCF Loan	0.02
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<p>6.2 Appoint and mobilize PICs by Q3 2013.</p> <p>6.3 Design and operate Rice-SDP's gender disaggregated program performance monitoring system by Q4 2013.</p> <p>6.4 Undertake annual audits, mid-term review and the preparation of a program completion report by Q4 2018.</p>	
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ADB = Asian Development Bank, ADF = Asian Development Fund, AEA = agro-ecosystems analysis, CARDI = Cambodia Agricultural Research and Development Institute, CLUP = commune land-use plan, EA = executing agency, FI = financial institution, FWUC = farmer water user community, GAFSP = Global Agriculture and Food Security Program, GAP = gender action plan, IA = implementing agency, MAFF = Ministry of Agriculture Fisheries and Forestry, MLMUPC = Ministry of Land Management, Urban Planning and Construction, NIO = National Implementation Office, PDWRAM = Provincial Department of Water Resources and Meteorology, PIC = program implementation consultants, PIO = Provincial Implementation Office, PMO = Program Management Office, Rice-SDP = Climate Resilient Rice Commercialization Sector Development Program, SCF = Strategic Climate Fund, WICI = weather-indexed crop insurance.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=XXXXX-XX-3>

1. Loan and Grant Agreements
2. Sector Assessment (Summary): Agriculture
3. Program Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Economic and Financial Analysis
7. Country Economic Indicators
8. International Monetary Fund Assessment Letter
9. Summary Poverty Reduction and Social Strategy
10. Gender Action Plan
11. Environmental Assessment and Review Framework
12. Resettlement Framework
13. Risk Assessment and Risk Management Plan
14. List of Ineligible Items

Supplementary Documents

1. List of Pre-screened and Eligible Subprojects
2. Battambang Subproject Feasibility Study
3. Kampong Thom Subproject Feasibility Study
4. Prey Veng Subproject Feasibility Study
5. Program Impact Assessment
6. Lessons Learnt and Synergies
7. Good Governance Framework
8. Socioeconomic Assessment and Gender Analysis
9. Procurement Capacity Assessment
10. Enhancing Resilience of Rice Commercialization in Cambodia

DEVELOPMENT POLICY LETTER

DRAFT

Phnom Penh,March 2013

H.E. Haruhiko Kuroda
President
Asian Development Bank
Manila, Philippines

Subject: Development Policy Letter - Climate Resilient Rice Commercialization Sector Development Program

Your Excellency,

1. On behalf of the Government of Cambodia (government), I am writing to request a loan from the Special Funds of the Asian Development Bank (ADB), a loan and a grant from the Strategic Climate Fund and a grant from the Global Agriculture and Food Security Program to implement the Climate Resilient Rice Commercialization Sector Development Program (Rice-SDP). Rice-SDP is the flagship program designed to operationalize government's Policy on the Promotion of Paddy Rice Production and Rice Export (the Rice Policy) approved by the Prime Minister on 26 July 2010. It is one of the major policy-based initiatives of government with macro and micro implications, creating new growth stimulus and allowing Cambodia to become a major player in the international rice market while supplementing the domestic rice market. Both policy and investment elements of Rice-SDP have been formulated through extensive discussions between ADB and government, as well as key stakeholders in the agricultural sector and are consistent with government's agricultural development strategies. Moreover, we note with satisfaction that with Rice-SDP, there is a thematic and strategic convergence of a number of recent ADB-financed projects and programs such as the Emergency Food Assistance Project, the Tonle Sap Smallholder Development Project, the Water Resources Management Sector Development Program, and the Emergency Flood Protection Project, focusing on, among others, rice sub-sector development.

2. The government has identified rice as a main source of growth inducing export expansion. A wide range of physical, climatic, agro-ecological and socioeconomic factors influence rice production and exports. The future is also confounded by the threat from climate change to which Cambodia and the agriculture sector in particular, is most vulnerable as evidenced by recent floods, drought, salinity intrusion, land degradation, and loss of soil fertility. We recognize that there are significant gaps in our policy and institutional framework and investment strategies that need to be addressed if the target of one million tons of rice exports by 2015 set by Prime Minister Samdech Hun Sen were to be achieved and Cambodia's progress in becoming a middle income country before the end of the decade were to be achieved. The government is committed to fully implement the policy and institutional reform package agreed upon under Rice-SDP elaborated in the Policy Matrix (Appendix 4) and ensure that maximum leverage is obtained from effective implementation of the associated investment project.

3. This letter is intended to show the new face of Cambodia which is to be resilient to adversities, man-made or natural, internal or external and to forge ahead with determination taking measures for accelerated broad-based growth with participation of the private sector, all

regions of the country and all segments of the population. We would like to share with you our belief that Cambodia has the potential to grow at 10%–12% per annum over next 20 years and beyond. Rice will play a critical role as a source for growth. The vision is to offer equal opportunity to all, shift the development balance back to agriculture and rural areas while diversifying the growth base of the economy with sound agricultural, rice sub-sector and industrial development and trade and market liberalization policies. Given the limited size of the domestic market, much of the growth stimulus has to be sought abroad exploiting rising demand from Cambodian exports including that for high quality rice. Focus on expansion of rice exports is a logical next step. This would have to run parallel with ensuring food security, reducing poverty and malnutrition, and conserving natural resource base.

4. We believe that a coherent national planning and strategic framework is needed for implementation of a major sector program initiative such as Rice-SDP. The government has launched the Rectangular Strategy on Growth, Employment, Equity and Efficiency (Phase 2), which includes agriculture development among its priorities. The four strategic "growth rectangles" are: enhancement of the agricultural sector, rehabilitation and construction of physical infrastructure, private sector development and employment generation, and capacity development and human resource development.

5. The government has adopted the National Strategic Development Plan (NSDP) update (2009–2013) with milled rice as a major export item. It directs 62.4% of resources to rural areas, with increased attention to production activities including agriculture (whose main focus is rice) and rural development, and to health and education for human capital development. With this, Cambodia will make rapid progress towards achieving its Millennium Development Goals. The Ministry of Agriculture, Forestry and Fisheries (MAFF) has prepared the Agricultural Strategic Development Plan (ASDP) 2009–2013 in line with the updated NSDP.

6. In the past decade, Cambodia grew rapidly, reducing poverty, largely due to macro-economic stability and public financial management reform whilst maintaining a private sector focus. Fiscal and monetary policies have been prudent. Cambodia's gross domestic product (GDP) growth averaged 11% per annum during the period 2004–2007 before declining substantially with the financial crisis. The government driven stimulus program and proactive measures supported by ADB-financed projects and other donor partner interventions helped the government through the financial crisis. The economy has recovered since then although at only half the level of the recent past but the prognosis is bright based on growth prospects of agriculture, rice commercialization, tourism, garments, real estate sector, trade and services and small and medium enterprises. Growth for 2012 is projected at 6.5% while the medium-term growth projection is 7-8% per annum. During the boom period poverty levels (headcount ratio) declined from 47.5% in 1993–1994, to 34.7% in 2004, and 14.6% in 2009. Notwithstanding slight inflationary pressure of recent months, prices and exchange rate have generally been stable. Interest rates have declined due to competition among banks and microfinance institutions.

7. The government has adopted and commenced implementation of its Policy on the Promotion of Paddy Production and Rice Exports (the Rice Policy) through relevant ministries and agencies. The Rice Policy elaborated short, medium and longer-term measures to improve paddy production, collection and processing, logistics, marketing and institutional mechanism in order to attain the target of one million tons of rice exports by 2015. MAFF has prepared an Action Plan to implement recommendations of this policy. Other ministries and agencies including Ministry of Land Management, Urban Planning and Construction (MLMUPC), the Ministry of Commerce (MOC), Ministry of the Environment (MOE), Ministry of Industry, Mines and Energy, and Ministry of Water Resources and Meteorology (MOWRAM) have identified their respective responsibilities under the Rice Policy.

8. Implementation of the Rice Policy will be facilitated by the Strategy on Agriculture and Water (SAW) for the period 2010–2013 supported by donor partners and endorsed by the government. SAW emphasizes improved management of water resources based on integrated water resources management. Effective and efficient use of water is central to rice commercialization and export expansion. Rice-SDP is timely as it subsumes essential elements of national planning and strategic framework including the Rice Policy and provides a frame of reference for support to implement required actions by relevant ministries and agencies.

9. Rice-SDP will support the government in addressing two areas: (i) enhancing our capacity to establish a conducive policy and enabling environment for rice commercialization, and (ii) strengthening vertical connectivity and horizontal cluster of rice value chain from production to marketing through illustrative investment packages. There should be smooth connectivity vertically between rice production, processing and marketing. On the other hand, a cluster approach may prove useful linking seed producers with farmers and rice millers. Through synchronized gender-sensitive policy and investments, Rice-SDP will help us develop both domestic and export markets for high quality rice in a sustainable way with the private sector playing the key role.

10. Seed quality, production capacity, price and distribution channels are elements of concern for the government. It is the initial critical input in the rice value chain that determines future quality potential. All subsequent activities and inputs are dependent upon farmers being able to access adequate quantity of quality seed. Cambodia Agriculture Research and Development Institute, farmer associations, commercial seed producers, AQIP and MAFF research stations have limited capacity to produce high quality certified seed in sufficient quantity. Much seed is retained from the previous season's crop and the balance is imported. The government is concerned with export of rice varieties based on imported seed due to intellectual property rights issue. The government would like to encourage high quality indigenous Cambodian rice varieties for export. We recognize the promotion of many varieties can confuse farmers and makes for difficulties in milling.

11. The government will put in place the legal framework and regulatory framework for seed production and distribution. In order to promote local seed production and distribution, a sub-decree providing guidelines on implementation of the Law on Seed Management and Plant Breeders' Rights will be issued. Recognizing that an umbrella Policy for Seed and Seed Industry Development will strengthen local seed production and distribution, the government will prepare a draft Policy prior to the release of the second tranche. We seek support under Rice-SDP to strengthen capacity of CARDI to produce and distribute foundation, certified, and good quality seed in collaboration with farmers' associations and private seed enterprises. We believe, in non-emergency situation, seed should be produced and distributed on commercial basis which is essential for seed market development and encourage private investment in the sector. The government will also take related actions supported by Rice-SDP including strengthening capacity for seed testing, and transferring improved technology for paddy production. The government supports seed production by farmers' associations and farmers.

12. We recognize that efficient and sustainable land management is very important for rice commercialization. The government is most concerned about low land-use efficiency due to lack of adequate zoning, poor land management, inadequate land-use planning, the lack of soil productivity maps, and limited adoption of land leveling. Soil productivity mapping, land classification and land zoning is incomplete. The legal framework for land-use is the starting point. The pillar is the 2001 Land Law which is in place. The government has issued the National Policy on Spatial Planning. It is keen to ensure that land is used in accordance with its potential and longer-term balance between socioeconomic development and protection of the environment. Within this framework there is need for a gender sensitive Agricultural Land Policy

and Law on the Management and Use of Agricultural Land in both to ensure effective, sustainable and optimal use of land demarcated as agricultural land.

13. With the above consideration, the government will issue the Land Policy “White Paper”, including a chapter on Land and Gender Policy. The government will issue the policy on agricultural land addressing, inter alia, gender issues concerning land administration, management and distribution before the release of the second tranche. At the same time, the government will submit to the National Assembly the draft Law on Management and Use of Agricultural Land, focusing inter alia, on (a) women’s access to information on land administration, management and distribution; (b) women’s equal participation and representation in all commissions and committees; and (c) equal benefits for women in land related initiatives. It is our expectation that in its wisdom the National Assembly will consider and enact the Law in an expeditious manner.

14. We are deeply committed to conservation of natural resources and expansion of rice production and export in a sustainable way. To this end, the government will promote sustainable land management and develop land-use zoning. Rice-SDP will support the government in preparing and adopting the National Action Program to Combat Land Degradation in the Kingdom of Cambodia 2011–2020. A Working Group of MAFF and MLMUPC will guide the development of agricultural land-use zoning. MAFF will develop a framework for establishing agricultural land-use zones incorporating measures and targets for involving women in planning and decision making. In addition, MAFF will have completed agricultural soil classification surveys and commune agro-ecological analyses for identification of agricultural land-use zones in at least ninety (90) communes which will be incorporated into commune land use plans.

15. The government believes farmer organizations will play a vital role in the implementation of rice commercialization strategies, policies and projects. The government is committed to revive and strengthen agricultural cooperatives. MAFF, through its extension staff, will assist in the formation of cooperatives and farmer organizations. The Law on Agricultural Cooperatives will be submitted to the National Assembly. Once the Law on Agricultural Cooperatives is passed by the National Assembly, a Sub-decree will be drafted providing guidelines on the implementation of the Law, which shall enumerate measures for addressing gender issues in cooperatives’ policies, program and structures. MAFF will assist in registration of existing cooperatives and establishment of new ones under the Law and train cooperatives to become well managed business entities. Rice-SDP support is available to broaden the base of farmer organizations and strengthen their capacities.

16. We recognize contract farming arrangements offer potential to achieve quality and dependable supplies if it is established over a period of time building long-term relationships. The government has issued a Sub-decree on Contract Farming. The government, through MAFF, will issue Prakas on Contract Farming to facilitate implementation in the specific context of Cambodia with particular focus on paddy/rice and incorporating mechanisms to protect rights of female smallholders in contract farming transactions. Under Rice-SDP, paddy producers and associations (especially female headed households) will receive assistance to enter into contracts with interested parties on favorable terms, regularize (register) the contract and enforce compliance with its provisions.

17. The government will take measures to establish Cambodian rice standards and facilitate domestic trading and exports of rice. The Ministry of Industry, Mining and Energy (MIME), in consultation with MAFF and the private sector, will issue the general standard specifications for a number of varieties of Cambodian milled Rice. The capacity of MAFF and the Institute of Industrial Standards under MIME will be enhanced to issue rice standards certification.

18. We recognize the importance of maintaining and improving competitiveness of Cambodian rice in the international market. With this end in view, the government will address sanitary/phyto-sanitary (SPS) concerns by the Law on Plant Protection and Quarantine and the Law on Management of Pesticides and Fertilizer adopted recently. The Law on Plant Protection and Quarantine will be submitted to the National Assembly and a Sub-decree will be issued providing guidelines on the implementation of the Law on the Management of Pesticides and Fertilizers.

19. Credit is also critical for rice commercialization. Credit is required for production, processing and marketing. Trade financing is also critical (credit for paddy purchase). Limited trade financing is provided by commercial banks. The formal financial sector needs to lend more to rice millers to buy and store paddy and rice. For credit risk management, a credit guarantee scheme and risk sharing facility has been established. The government will encourage collateral diversification so that paddy stock can be used as collateral. The government will consult with warehouse service providers, commercial banks, microfinance institutions, and representative borrower groups including women to come up with recommendations on various available innovative collateral options for loans including operating lease, finance lease and warehouse receipts and policy measures to increase access to finance by farmers (including women farmers), millers and rice exporters. The government believes that with this approach commercial banks and microfinance institutions will be willing to lend more to farmers (including women farmers), millers and rice exporters.

20. We believe implementation of the reform package and investment projects under Rice-SDP will go a long way to realize objectives of the government's Rice Policy. The investment package will cover land-use zoning improvement, climate resilient value chain infrastructure development, paddy and rice quality improvement along the value chain and enhanced access to finance.

Please accept, Your Excellency, the assurance of our highest consideration.

Keat Chhon
Deputy Prime Minister
Minister of Economy and Finance

POLICY MATRIX

Policy initiative/objective	Policy Actions for the Release of the First Tranche	Policy Actions for the Release of the Second Tranche
Output: A Conducive Legal and Regulatory Environment Established to Facilitate Rice Commercialization		
1.1. Promote Local Seed Production and Distribution		
1.1.1 Regulate Production and Distribution of Rice Seed	Ministry of Agriculture, Forestry and Fisheries (MAFF) will have drafted a sub-decree providing guidelines on the implementation of the Law on Seed Management and Plant Breeders' Rights (2008). (Copy of the draft sub-decree providing guidelines on the implementation of the Law on Seed Management and Plant Breeders' Rights (2008)).	MAFF will have issued a sub-decree providing guidelines on the implementation of the Law on Seed Management and Plant Breeder's Rights (2008). (Copy of the issued sub-decree providing guidelines on the implementation of the Law on Seed Management and Plant Breeder's Rights (2008)).
1.1.2. Develop the Rice Seed Sector		MAFF will have drafted the policy for seed and seed industry development. (Copy of the draft policy for seed and seed industry development).
1.2. Strengthen Agricultural Land Management		
1.2.1. Strengthen the Legal Framework for Agricultural Land Management	<p>(i) The Government of Cambodia (government) will have issued the national policy on spatial planning. (Copy of the issued national policy on spatial planning).</p> <p>(ii) The Council for Land Policy (CLP) will have issued the Land Policy "White Paper", including a chapter on Land and Gender Policy. (Copy of the issued Land Policy "White Paper").</p> <p>(iii) MAFF, in consultation with Ministry of Land Management, Urban Planning and Construction (MLMUPC) and the CCLP, will have finalized the draft policy on agricultural land, addressing, inter alia, gender issues concerning land administration, management and distribution. (Copy of the finalized draft policy on agricultural land).</p>	<p>(i) The government will have issued the policy on agricultural land addressing, inter alia, gender issues concerning land administration, management and distribution. (Copy of the issued policy on agricultural land).</p> <p>(ii) MAFF, in consultation with MLMUPC and the CLP, will have drafted the Law on Management and Use of Agricultural Land, focusing inter alia, on (i) women's access to information on land administration, management and distribution; (ii) women's equal participation and representation in all commissions and committees; and (iii) equal benefits for women in land related initiatives. (Copy of the draft Law on Management and Use of Agricultural Land).</p> <p>(iii) MAFF will have submitted to the National Assembly the draft Law on Management and Use of Agricultural Land, focusing inter alia, on (a) women's access to information on land administration, management and distribution; (b) women's equal participation and representation in all commissions and committees; and (c) equal benefits for women in land related initiatives.</p>

Policy initiative/objective	Policy Actions for the Release of the First Tranche	Policy Actions for the Release of the Second Tranche
		(Copy of the submitted Law on Management and Use of Agricultural Land).
1.2.2. Promote Sustainable Land Management		MAFF will have prepared and the government will have adopted the national action program to combat land degradation in Cambodia. (Copy of the national action program to combat land degradation in Cambodia).
1.2.3. Develop Land-use Zoning	MLMUPC and MAFF will have established a joint working group including female representatives to develop agricultural land-use zoning. (Copy of the Joint Ministerial Prakas establishing the joint working group on land-use zoning).	<p>(i) MAFF will have issued the framework providing procedures for establishing agricultural land-use zones, incorporating measures and targets for involving women in planning and decision making. (Copy of the framework providing procedures for establishing agricultural land-use zones).</p> <p>(ii) MAFF will have completed agricultural soil classification surveys and commune agro-ecological analyses (CAEAs) for identification of agricultural land use zones in at least 90 communes. (Copies of the agricultural soil classification surveys and CAEAs).</p> <p>(iii) Based on the agricultural soil classification surveys and CAEAs, MAFF will have established agricultural land use zones in at least 90 communes. (Copies of drawings demarcating agricultural land-use zones).</p> <p>(iv) MLMUPC will have incorporated agricultural land use zones (provided by MAFF) into at least 90 commune land use plans (CLUPs). (Copies of CLUPs).</p>
1.3. Strengthen Farmers' Organizations and Promote Contract Farming		
1.3.1. Regulate Farmers' Organizations	MAFF will have submitted the draft law on agricultural cooperatives to the National Assembly. (Copy of the finalized law on agricultural cooperatives).	<p>(i) The National Assembly will have passed the law on agricultural cooperatives. (Copy of the law on agricultural cooperatives).</p> <p>(ii) The government will have drafted a sub-decree providing guidelines on the implementation of the law on agricultural cooperatives which will enumerate, inter alia, measures for addressing gender issues in cooperatives' policies, programs and structures. (Copy of the draft</p>

Policy initiative/objective	Policy Actions for the Release of the First Tranche	Policy Actions for the Release of the Second Tranche
		sub-decree providing guidelines on the implementation of the law on agricultural cooperatives).
1.3.2. Promote Contract Farming in Rice Production	The government will have issued a sub-decree on contract farming. (Copy of the sub-decree on contract farming).	MAFF will have issued a Prakas on contract farming in rice production, incorporating mechanisms to protect rights of female smallholders in contract farming transactions. (Copy of the Prakas on contract farming in rice production).
1.4. Facilitate Domestic Trading and Export of Milled Rice		
1.4.1. Establish Standard Specifications for Cambodian Milled Rice	Ministry of Industry, Mines and Energy (MIME), in consultation with MAFF and the private sector, will have issued the general standard specifications for Cambodian milled rice. (Copy of the issued general standard specifications for Cambodian milled rice).	MIME, in consultation with MAFF and the private sector, will have issued of the standard specifications for ten (10) varieties of Cambodian milled rice. (Copies of the issued standard specifications for ten (10) varieties of Cambodian milled rice).
1.4.2. Establish Phyto-sanitary Regulations	MAFF will have drafted the Law on Plant Protection and Quarantine. (Copy of the draft Law on Plant Protection and Quarantine).	MAFF will have submitted the draft Law on Plant Protection and Quarantine to the National Assembly. (Copy of the submitted Law on Plant Protection and Quarantine).
1.4.3. Regulate Distribution and Use of Pesticides and Fertilizers	The government will have issued the Law on the Management of Pesticides and Fertilizers. (Copy of the issued Law on the Management of Pesticides and Fertilizers).	The government will have issued a sub-decree providing guidelines on the implementation of the Law on the Management of Pesticides and Fertilizers. (Copy of the issued the sub-decree providing guidelines on the implementation of the Law on the Management of Pesticides and Fertilizers).
1.5. Improve Access to Finance		
1.5.1. Diversify Collateral Requirements and Promote Finance Outreach	The Ministry of Economy and Finance (MEF), in consultation with the National Bank of Cambodia (NBC), will have consulted with warehouse service providers, commercial banks, microfinance institutions, and representative borrower groups including women to seek input on various innovative collateral options for loans, including warehouse receipt financing, operating lease, and finance lease. (Copy of the consolidated feedback from the commercial banks, microfinance institutions and warehouse service providers consulted).	MEF, in consultation with NBC, will have submitted to the government its recommendations on various available innovative collateral options for loans, and policy measures to increase access to finance by farmers (including women farmers), millers, and rice exporters. (Copy of MEF recommendations and policy measures).