

■ Support to the Commercialization of Cambodian Rice Project

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PREPARED BY:

UNG LUYNÁ, PROJECT COORDINATOR (SNEC)

JEAN-MARIE BRUN, PROJECT MANAGEMENT ADVISOR (IRAM)

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NIRÁS

Contacts:

**SUPPORT TO THE COMMERCIALIZATION OF
CAMBODIAN RICE PROJECT**

Supreme National Economic Council (SNEC)
208 A Preah Norodom Blvd
Phnom Penh - Cambodia

Project Coordinator:
Mr Ung Luyna (SNEC)
012 58 43 64 - ungluyna@gmail.com

Project Management Advisor:
Mr Jean-Marie Brun (IRAM)
012 807 817 – jm.brun@iram-fr.org



iram
NIRÁS

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ACRONYMS

AC	Agricultural Cooperative
ACBN	Agricultural Cooperative Business Network
ACT	Agriculture Certification Thailand
ADB	Asian Development Bank
ADC	Agricultural Development Communities
ADF	Agriculture Development Fund (= ASDF)
ADG	Aide au Développement - Gembloux
AEA	Agro-Ecosystem Analysis
AEC	ASEAN Economic Community
AFD	<i>Agence Française de Développement</i> / French Agency for Development
AFTA	ASEAN Free Trade Agreement
ALCO	Asset Liability Committee (banking)
AMIS	Agriculture Market Information System
AMK	Angkor Mikroheranhvatho (Kampuchea)
AML/CFT	Anti-Money Laundering / Combatting the Financing of Terrorism procedures (banking)
AMO	Agriculture Marketing Office
AQIP	Agriculture Quality Improvement Project
ARIZ	<i>Accompagnement du Risque de financement de l'Investissement privé en Zone d'intervention de l'AFD</i>
AROS	Asia Regional Organic Standard
ARPEC	Alliance of Rice Producers & Exporters of Cambodia
ASDF	Agriculture Support and Development Fund (same as ADF)
ASEAN	Association of South-East Asian Nations
ASIrri	<i>Projet d'Appui aux Irrigants et aux Services aux Irrigants</i>
ASPIRE	Agriculture Services Program for Innovation, Resilience and Extension (IFAD project)
ASYCUDA	Automated System for Customs Data
AusAID	Australian Agency for International Development
AVSF	<i>Agronomes et Vétérinaires Sans Frontières</i>
CAC	<i>Crédit Agricole Consultants</i>
CAMFEBA	Cambodia Federation of Employers and Business Associations
CAVAC	Cambodia Agriculture Value Chain Program (AusAID)
CARD	Council for Agriculture and Rural Development
CARDI	Cambodian Agriculture Research and Development Institute
CB	Certification Body
CC	Commune Councils
CCA	Climate Change Adaptation
CCC	Chamber of Commerce of Cambodia
CCD	Cambodian Certification Department
CCFC	<i>Chambre de Commerce Franco-Cambodgienne</i> / Franco-Cambodian Chamber of Commerce
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Resource Institute
CEDAC	<i>Centre d'Etude et de Développement Agricole du Cambodge</i>
CEFP	Committee for Economic and Financial Policy
CEO	Chief Executive Officer
CF	Contract Farming
CFAP	Cambodian Farmers' Association Federation of Agricultural Producers

CIDA	Canadian International Development Agency
CIRD	Cambodian Institute for Research and Rural Development
CoC	Code of Conduct
COrAA	Cambodian Organic Agriculture Association
COSTEA	<i>Comité Scientifique et Technique de l'Eau Agricole</i>
CREA	Cambodia Rice Exports Association
CRX	Cambodia Rice Exporter Meeting (facilitated by IFC)
CSR	Corporate Social Responsibility
DAE	Department of Agricultural Extension
DAI	Department of Agro-Industry
DANIDA	Danish International Development Agency
DDM	Demand Driven Model
DFID	Department for International Development (UK)
DMC	Direct-seeding Mulch-based Cropping system
DP	Development Partners
DPM	Deputy Prime Minister
DPS	Department of Planning and Statistics (of MAFF)
DRC	Department of Rice Crops
EA	Executing Agency
EBA	Everything but Arms
EC	European Commission
EC	Executive Committee
ED	Executive Director
EPWG	Export Promotion Working Group (informal group of rice exporters supported by IFC)
ESP	Environmental and Social Policy
EU	European Union
FAEC	Federation of farmer associations promoting family Agriculture Enterprises in Cambodia
FAO	Food and Agriculture Organization of the United Nations
FASMEC	Federation of Association for Small and Medium Enterprises of Cambodia
FCFD	Federation of Cambodian Farmer Organizations for Development
FCRE	Federation of Cambodian Rice Exporters
FCRMA	Federation of Cambodian Rice Millers Associations
FFS	Farmer Field School
FNN	Farmer and Nature Network
FO	Farmer Organisations
FOO	Farmer Organisations Office of the DAE
FSMS	Food Safety Management System
FWN	Farmer and Water Network
FWUC	Farmer Water User Community
GAFSP	Global Agriculture and Food Security Program
GDA	General Directorate of Agriculture
GDCE	General Department of Customs and Excise
GDP	Gross Domestic Product
GF	Guarantee Fund
GI	Geographical Indication
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> / German Development Cooperation
GMP	Good Manufacturing Practice
GMS	Greater Mekong Subregion
G-PSF	Government – Private Sector Forum

GRET	Groupe de Recherche et d'Echanges Technologiques
GS	General Secretary
HACCP	Hazard Analysis and Critical Control Points
HARVEST	Helping Address Rural Vulnerability and Ecosystem Stability (USAID project)
HKL	Hattha Kaksekar Limited
HR	Human Resources
ICS	Internal Control System
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFOAM	International Federation of Organic Agriculture Movements
IPD	Intellectual Property Department of the Ministry of Commerce
IPM	Integrated Pest Management
IRAM	<i>Institut de Recherche et d'Application des Méthodes de Développement</i>
ISC	Institute of Standards of Cambodia
ISF	Irrigation Service Fee
IT	Information Technologies
IWRM	Integrated Water Resources Management
JCC	Joint Coordination Committee (FCRE, SNEC, IFC, AFD)
JICA	Japanese International Cooperation Agency
KOICA	Korea International Cooperation Agency
KYC	Know Your Customer (banking)
LGWR	Long Grain White Rice
LRI	Live Rice Index
MAFF	Ministry of Agriculture, Forestry and Fisheries
MEF	Ministry of Economy and Finance
MFI	Micro-Finance Institution
MIH	Ministry of Industry and Handicraft
MIME	Ministry of Industry, Mines and Energy
MLMUPC	Ministry of Land Management Urban Planning and Construction
MOC	Ministry of Commerce
MOWRAM	Ministry of Water Resources and Meteorology
MPWT	Ministry of Public Works and Transport
MRD	Ministry of Rural Development
M&E	Monitoring and Evaluation
NBC	National Bank of Cambodia
NC	National Coordinator
NGO	Non-Governmental Organization
NKPSAC	Nikum Krao Preah Sihanouk Agricultural Cooperative
NPD	National Project Director
NSC	National Standard Council
NSDP	National Strategic Development Plan
NWISP	North-West Irrigation Sector Project (ADB/AFD)
OA	Organic Agriculture
ODM	Offer Driven Model
OPM	Open Paddy Market
O&M	Operation and Maintenance (of irrigation schemes)
PADAC	<i>Programme d'Appui au Développement de l'Agriculture au Cambodge</i>
PADEE	Project for Agriculture Development and Economic Empowerment (IFAD project)
PBA	Program Based Approach

PDA	Provincial Department of Agriculture
PDOWRAM	Provincial Department of Water Resources and Meteorology
PDRD	Provincial Department of Rural Development
PIMD	Participatory Irrigation Management Development
PIP	Public Investment Program
PM	Prime Minister
PMA	Project Management Advisor
PPAP	Phnom Penh Autonomous Port
PPCR	Pilot Program for Climate Resilience
PPD	Public-Private Dialog
PPP	Project Procurement Plan
PPP	Public-Private Partnership
PPPPRE	Policy on the Promotion of Paddy Production and Rice Export
PSC	Project Steering Committee
PSG	Paddy Selling Group
RDB	Rural Development Bank
RGC	Royal Government of Cambodia
Rice-SDP	Climate Resilient Rice Commercialization Sector Development Program (ADB)
RMA	Rice Millers Associations
RS	Rectangular Strategy
RUA-CD	Royal University of Agriculture – Chamcar Daung
SAP	Sihanoukville Autonomous Port
SAW	Strategy on Agriculture and Water
SCCRP	Support to the Commercialization of Cambodian Rice Project
SCF	Strategic Climate Fund
SEA	South East Asia
SME	Small and Medium Enterprise
SNEC	Supreme National Economic Council
SOWS-REF	Secretariat of the One-Window Service for Rice Export Formality
SPS	Sanitary and Phyto-Sanitary
SRP	Sustainable Rice Platform
SWAp	Sector Wide Approach
TA	Technical Assistance
TBT	Technical Barriers to Trade
TDSP	Trade Development Support Program
ToR	Terms of Reference
ToT	Training of Trainers
TPC	Thaneakea Phum Cambodia
TPD	Trade Promotion Department of the MOC
TREA	Thai Rice Exporters Association
TRT	The Rice Trader
TWG	Technical Working Group
TWGAW	Technical Working Group on Agriculture and Water
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNEP	United Nation Environment Program
UNIDO	United Nations Industrial Development Organization
USA	United States of America

USAID	United States Agency for International Development
VAHW	Village Animal Health Worker
WB	World Bank
WRC	World Rice Conference
WRMSDP	Water Resource Management Sector Development Program (ADB)
WTO	World Trade Organization

UNITS AND MEASURES

ha	Hectare
kg	kilogram
KHR	Cambodian Riel
t	ton (metric ton)
t/h	ton per hour
teu	twenty foot equivalent unit (referring to freight of twenty foot containers)
USD	United States Dollars

INTRODUCTION

The Support to the Commercialization of Cambodian Rice Project (SCCRP) is funded by the *Agence Française de Développement* (AFD – French Agency for Development) for a period of 3 years (January 2013 to December 2015). Its purpose is to contribute to support the implementation of the National Strategy of Promotion of Paddy Production and Rice Exports approved by the Council of Ministers in July 2010, with an objective of maximization of the added value and of the share of this added value reaching producers as a part of the overall goal of rural poverty alleviation. The Supreme National Economic Council (SNEC) has been designated as the coordination agency for the implementation of this project, which involves various public and private stakeholders.

Four specific objectives are initially defined as follow in the financing agreement, corresponding to the four technical components of the project:

1. Contribute to the organization of the sector (inter-ministerial coordination, public/private partnership, professional and inter-professional organization) and to capacity building of all the actors (processors, producers, public services, banks...);
2. Establish quality standards in order to optimize the economic value of Cambodian rice in the markets;
3. Promote contract farming and the involvement of farmers organizations in the primary stage of commercialization of paddy;
4. Upgrade RDB capacities to answer the financial requirements of millers and farmers.

Project implementation phase has effectively started on January 22, 2013, when the Project Management Advisor took office.

This report is the 5th Quarterly Executive Report of the project. It covers the period from January 1st to March 31, 2014.

Very positive moves were done as part of FCRE reform in the beginning of the quarter, notably during the General Assembly which has approved the institutional reform scenario through an innovative vote by college, giving a clear orientation toward a more inter-professional format of the organization. The commitment of members and gathering of financial contribution has also been very promising and in line with the objective of progressively building the financial autonomy of the Federation. Unfortunately, the uncoordinated initiative of MOC to establish the new Cambodian Rice Federation has jeopardized the current progresses. On FO Federations side, objectives and action plans have been clarified to orientate project support.

On the Component #2, the main outcome of this quarter is the launching of a broad international market study for Cambodian rice, in partnership with IFC.

Regarding Component #3, negotiations of contracts between FOs and millers/exporters have continued, but were not finalized yet. Perspectives of follow-up actions with COrAA and ISC have been developed.

On Component #4, KPMG has practically finalize its support mission to RDB, and in the end of March, a high level meeting at MEF has demonstrated the willingness of the Ministry to launch an ambitious process of reform of RDB.

Besides, the first phase of Horus mission on the development of a credit mechanism dedicated to FOs has been implemented in February, identifying options that will have to be further discussed.

SUMMARY

Table 1: Summary of important activities and outcomes of the past quarter, foreseen objectives and activities and main issues or concerns

Important activities and outcomes of the past quarter	Foreseen objectives and activities for the coming months	Issues and concerns
<p>C#1</p> <ul style="list-style-type: none"> ▪ FCRE 1st Newsletter issued. ▪ 2nd Workshop with FOs Federations – FAEC and FCFD (definition of action plan and modalities of support). ▪ General Assembly of FCRE and Strategic Workshop: approval of reform scenario. ▪ 3rd JCC meeting with FCRE and IFC. ▪ Continue to take part in discussions on the preparation of the Code of Conduct for export to EU (Code of Conduct then signed in February 2014). ▪ Project took part in various discussions in MOC about creation of Cambodian Rice Federation. ▪ FAEC and FCFD have selected staff to work on the implementation of plans. 	<ul style="list-style-type: none"> ▪ Suspension of MOU with FCRE. ▪ (MOC organized) first Founding General Assembly of the Cambodian Rice Federation, and election of its Executive Committee. ▪ Examine the ability of the project to provide support to the newly established CRF. ▪ Signature of partnership contracts with FAEC and FCFD, and start the implementation. 	<ul style="list-style-type: none"> ▪ The merging of FCRE, ARPEC and CREA in a single Cambodia Rice Federation is potentially a good idea, but the way it has started to be implementing with limited consultation with rice stakeholders raise concerns and has wiped out SCCRIP work that was based on an extensive consultation to reform FCRE. ▪ Resignation of FCRE ED and Communication Officer.
<p>C#2</p> <ul style="list-style-type: none"> ▪ Phase I of international market study implemented by Agland. Broad consultation with exporter on choice of target countries for Phase II. ▪ “World Best Rice Cooking” Promotion Diner organized by FCRE. 	<ul style="list-style-type: none"> ▪ Finalize contract between SNEC and Agland. ▪ Implementation of Phase II of the international market study (field work by consultant team). 	<ul style="list-style-type: none"> ▪ The un-ability of IFC to disclose full report on the consultant selection process put at risk AFD approbation on the contract for market study Phase II-B.
<p>C#3</p> <ul style="list-style-type: none"> ▪ Perspectives of support to FO in Angkor Borei (Takeo) identified. ▪ Workshop with FWUCs and preparation of follow up action on Paddy Selling Group with FWUCs. ▪ Preparation of follow-up action in support to Organic Rice Cooperatives with COrAA. ▪ Training of DAE and DAI officers on contract farming in Thailand. ▪ Progresses of negotiations for contract farming between FOs and millers/exporters (BRICo, Loran, Golden Rice). 	<ul style="list-style-type: none"> ▪ Sign contract with ISC for follow up and scaling up of Paddy Selling Group activity. ▪ Sign contract with COrAA for follow up of the activity in support to Organic Paddy Cooperatives. ▪ Conclusion of contract farming agreement between FOs and millers/exporters (at least 3 contracts foreseen) ▪ Workshop on contract farming with DAI, DAE and some PDAs. ▪ Approach Financial Institution to provide credit for FO investments. 	<ul style="list-style-type: none"> ▪ Changes in the offers made by some millers/exporters during the process of discussion of contracts affect the trust of FOs and make the conclusion of contracts difficult. ▪ Need to consolidate the project team capacities, notably to support FOs managerial capacities in order to be successful in implementation of pilots.
<p>C#4</p> <ul style="list-style-type: none"> ▪ Final steering committee for KPMG missions. ▪ Contracting service provider for the development of Credit Mechanism for FOs and implementation of 1st phase. ▪ High level meeting at MEF on the reform of RDB. 	<ul style="list-style-type: none"> ▪ Develop roadmap for the implementation of KPMG recommendations. ▪ Presentation of Horus mission findings on credit mechanism to FOs and orientation for the 2nd phase. 	<ul style="list-style-type: none"> ▪ MEF position in March has been very positive regarding the reform of RDB, but a team to manage the reform process still has to be consolidated.
<p>C#5</p> <ul style="list-style-type: none"> ▪ Financial audit of project for Year 2013. ▪ Annual report 2013. 	<ul style="list-style-type: none"> ▪ 1st Request for replenishment of the project advance managed by SNEC. 	

1. COMPONENT #1: ORGANIZATION OF THE RICE SECTOR AND CAPACITY BUILDING OF STAKEHOLDERS

1.1. SUPPORT TO THE FEDERATION OF CAMBODIAN RICE EXPORTERS (FCRE)

1.1.1. INSTITUTIONAL REFORM OF FCRE

1.1.1.1. GENERAL ASSEMBLY AND STRATEGIC WORKSHOP

The General Assembly of FCRE has been organized on January 22nd 2014, in Sunway Hotel, Phnom Penh. The event was organized on the full day, the morning session being focused on the Ordinary General Assembly agenda (Presentation of activity report and financial report for 2013, and action plan and budget for 2014, including principles for membership fees (see § 1.1.2.2. below).

The afternoon session was focused on a consultation on FCRE institutional reform scenarios, as detailed below.

In total, 103 participants were registered. But attendance in the afternoon session was significantly lower¹.

1.1.1.2. PRESENTATION AND VOTE ON THE INSTITUTIONAL SCENARIOS

During the afternoon session of the General Assembly and Strategic Workshop, SCCR Project support to FCRE was recalled. Project representative has presented the roadmap and timeframe to proceed to the institutional reform (including revision of statute and election of a new board). Then three scenarios (or institutional options) regarding the evolution of the nature of FCRE have been presented².

The vote on scenarios was then organized by “colleges” of categories of stakeholders: producers’, millers’, exporters’ and service providers’ votes were counted separately. To be adopted, a scenario had to be supported by all the four categories of stakeholders. For each scenario, voters could indicate if it was their “preferred option” (scoring 2 points), “an acceptable option” (scoring 1 point) or if they oppose to the scenario (scoring 0 point). To be accepted, a scenario had to reach an average score above 1 in each of the four colleges. Results of the vote are shown in the Table 2 below:

Table 2: Result of the vote by colleges on institutional scenarios for FCRE reform

Scenarios	Average score from Exporters' vote	Average score from Millers' vote	Average score from Producers' vote	Average score from Service Providers' vote
Number of voters	25	10	2	2
Nb of valid votes	24	10	2	2
✓ Scenario 1	1.58 pts ✓	1.90 pts ✓	2.00 pts ✓	1.50 pts ✓
✗ Scenario 2	0.96 pts ✗	0.90 pts ✗	1.00 pts ✓	1.00 pts ✓
✗ Scenario 3	0.71 pts ✗	0.50 pts ✗	2.00 pts ✓	1.00 pts ✓

It has to be noted that the vote was open to FCRE members and non-members, as the purpose was to reform the institution and make it fit expectations from a large majority of rice sector stakeholders, it was therefore important to hear also from stakeholders who were not yet satisfied with FCRE.

¹ Only 39 voters in the afternoon session.

² See the description of those three scenarios in the Quarterly Executive Report #04, pages 4-5.

The **scenario 1** was selected after the first round of vote, confirming the inter-professional nature of the FCRE (which was already the case as, in spite of its name, FCRE members were not only exporters). According to this scenario, all stakeholders of the rice value chain can be member of the Federation (producers – via their organizations or federations –, millers, exporters and service providers – such as banks, shipping companies, certification bodies, equipment suppliers or input suppliers...). Yet the Federation can also play a role of professional organization of exporters, notably to undertake export promotion activities, with a specific commission of exporters dedicated to this task.

1.1.1.3. FORMAL VALIDATION OF ADDITIONAL PRINCIPLES ON GOVERNANCE AND MANAGEMENT

A second vote also took place during the afternoon session in order to formally validate a number of guidelines regarding governance and management of the Federation. All the recommendations were developed based on previous informal feedback from FCRE members or other stakeholders, notably from the informal consultation organized on October 8, 2013³. Some of the proposed recommendations were also based on the experience of work with the executive team from September to December 2013. This vote on governance and management guidelines was undertaken in plenary way (not by college). Only 33 participants took part in the vote. The results are detailed in the Table 3 below. All the proposed recommendations were endorsed.

Table 3: Result of the vote on governance and management principles

Proposed guidelines	Yes	No	Blank
1.1. Annual action plan and financial plan are endorsed by the General Assembly.	31	1	1
1.2. Clear accounting and financial reporting: statement of incomes and expenditures.	32	0	1
1.3. Accounting and financial reporting shall be verified internally on a regular basis, and external auditing	25	6	2
2.1. In the future status, the nominated board of vice-presidents shall be replaced by an elected board (plus possibly specific commissions).	24	6	3
2.2. Votes are made on a secret ballot mode.	22	8	3
2.3. Candidates shall present themselves before the vote.	31	0	2
3.1. Balance role of commissions and/or focal persons in Board to limit concentration of power in the Federation	30	1	2
3.2. In order to improve efficiency, a significant autonomy for day to day management shall be given to the Executive Director provided that the activities and expenditures remains in the frame of an action plan and budget plan validated by Board / General Assembly and under the supervision and monitoring of the Board.	30	1	2
4.1. For inter-professional issues, bodies in charge of decision making shall be composed at parity by the different categories of stakeholders.	23	4	6

³ Cf. Quarterly Executive Report #04, page 4.

1.1.2. SUPPORT THE IMPROVEMENT OF ADMINISTRATION AND FINANCE FUNCTIONS

1.1.2.1. EXECUTIVE AND FINANCIAL REPORTING TO THE GENERAL ASSEMBLY

An executive and financial report has been prepared by the executive team of FCRE and was presented to members by the Executive Director during the General Assembly. It was the first time since the creation of FCRE that extensive information on activities and finances was provided to members.

FCRE Financial Statements for Year 2013 presented to members during the General Assembly are reported in the Tables below:

Table 4: FCRE incomes in 2013

Income sources	Amount
Balance brought forward from 2012	0.00 \$
Sponsorship by members	4,700.00 \$
Private donation	4,145.81 \$
Public subsidies and sponsorship	1,670.00 \$
SNEC/AFD (SCCRP) subsidies	18,100.00 \$
Membership fees	0.00 \$
Service fees	0.00 \$
Total incomes	28,615.81 \$
Balance for Year 2013	+ 6,431.65 \$

Table 5: FCRE expenditures in 2013

Expenditures	Amount
Salaries	15,640.00 \$
Office rental	4,800.00 \$
Office stationaries running costs	267.16 \$
Transportation costs and per-diem	327.00 \$
Internet service	379.50 \$
Export promotion	16.00 \$
Bank charge	59.00 \$
Newsletter, brochure, communication	323.00 \$
Employee benefit	165.00 \$
General expenses	207.50 \$
Total Expenditures	22,184.16 \$

1.1.2.2. ACTION PLAN AND BUDGET PLAN FOR 2014

An action plan and budget plan for Year 2014 was prepared by the Executive Director in the end of December 2013 and early January 2014. On January 18, a meeting with some volunteer stakeholders (mainly exporters) more involved in FCRE took place at the Chamber of Commerce of Cambodia meeting room to review the action plan and budget and make adjustment before to submit it to the General Assembly (SCCRP Project Management Advisor also took part in that meeting).



△ Presentation of FCRE Action Plan 2014 during the General Assembly in Sunway Hotel on 22 January 2014.

The action plan and budget for year 2014 was then presented by the General Secretary of FCRE and endorsed by the General Assembly on January 22. The presentation was also including the principles for membership fees collection for year 2014, which have also been approved (see details on the membership fees in § 1.1.4. pages 6-7).

1.1.3. FINANCIAL SUPPORT: SUBSIDY FOR FCRE OPERATIONAL COSTS

1.1.3.1. SUBSIDY PAYMENT AND MONITORING OF DISBURSEMENT TO FCRE

FCRE has introduced the request for third instalment of subsidy on January 6, 2014, with a statement of expenditures made with the previous payment and remaining balance.

A third instalment has been paid by AFD to FCRE (on SNEC request) on February 7, 2014 (to face expenditures in January, some members of FCRE have provided a cash flow advance to the Federation, reimbursed afterward).

Table 6: Amounts transferred to FCRE as budget subsidies from signature of MOU to 31st March 2014

Installments	Amount	Date of notification of payment
1st installment	\$ 3,400.00	10-Sep-13
2nd installment	\$ 14,700.00	23-Oct-13
3rd installment	\$ 12,300.00	7-Feb-14
TOTAL TRANSFERRED	\$ 30,400.00	
Installment pending		
4th installment	\$ -	(suspended)

FCRE has reported its expenditures on subsidies received for the period January to March 2014, as shown in the Table 7 below.

Table 7: Monitoring of disbursement of subsidies to FCRE operational costs

	Project Subsidy as per MOU	Subsidy paid in the period (jan-mar 14)	Subsidy paid from beginning to date	Remaining balance on MOU	Amount spent and justified		Δ or still to justify
					in the period (jan-mar 2014)	since the beginning	
1. Staff	\$ 32,200.00	\$ 7,500.00	\$ 17,200.00	\$ 15,000.00	\$ 4,100.00	\$ 13,800.00	\$ 3,400.00
Executive Director	\$ 19,800.00	\$ 5,100.00	\$ 11,900.00	\$ 7,900.00	\$ 1,700.00	\$ 8,500.00	\$ 3,400.00
Web and communication officer	\$ 6,600.00	\$ 1,800.00	\$ 3,900.00	\$ 2,700.00	\$ 1,800.00	\$ 3,900.00	\$ -
Accounting and Finance Officer	\$ 3,600.00	\$ -	\$ -	\$ 3,600.00	\$ -	\$ -	\$ -
Administrative assistant	\$ 2,200.00	\$ 600.00	\$ 1,400.00	\$ 800.00	\$ 600.00	\$ 1,400.00	\$ -
2. Running costs (Structural)	\$ 13,200.00	\$ 3,600.00	\$ 8,400.00	\$ 4,800.00	\$ 3,600.00	\$ 8,400.00	\$ -
Office rental	\$ 13,200.00	\$ 3,600.00	\$ 8,400.00	\$ 4,800.00	\$ 3,600.00	\$ 8,400.00	\$ -
Equipment (computers, etc.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stationaries, communication, running costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation - travel to provinces	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. General Assembly and Workshops	\$ 12,000.00	\$ 1,200.00	\$ 4,800.00	\$ 7,200.00	\$ 3,983.10	\$ 4,307.10	\$ 492.90
General Assembly	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Strategic workshops	\$ 9,000.00	\$ -	\$ 3,000.00	\$ 6,000.00	\$ 2,504.10	\$ 2,504.10	\$ 495.90
Webhosting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 2.00	\$ 3.00	\$ (3.00)
Other communication tools (newsletter...)	\$ 3,000.00	\$ 1,200.00	\$ 1,800.00	\$ 1,200.00	\$ 1,477.00	\$ 1,800.00	\$ -
TOTAL	\$ 57,400.00	\$ 12,300.00	\$ 30,400.00	\$ 27,000.00	\$ 11,683.10	\$ 26,507.10	\$ 3,892.90

1.1.4. DEVELOPMENT OF FCRE OWN FINANCIAL RESOURCES

1.1.4.1. VALIDATION OF A MULTI-OPTIONS MEMBERSHIP FEES

The idea of a multi-option membership fee already exposed in the previous activity report⁴ has been fine-tuned with FCRE (including during the preparatory meeting with some members before the General Assembly), and submitted to the General Assembly on January 22, 2014. As stated in the previous report,

⁴ Cf. Quarterly Executive Report #04, § 1.1.3.2. page 6.

the principle is to propose an affordable “Basic membership” fee in order to keep the Federation as inclusive as possible, then to propose extra options with additional benefits (but no additional “powers” regarding Federation governance, votes or decision making) associated with higher fees, with the objective to generate sufficient incomes in order to (progressively) balance FCRE structural costs.

The FCRE General Assembly has approved the proposal of four different levels of membership options with associated level of fees (see Table 8, below).

Specific benefits corresponding to each status of membership are shown in the Annex 2 in this report. For exporters, it was initially considered to add an additional contribution based on the volumes of rice exported. But this has finally been withdrawn. It is actually disputable at this stage of development of FCRE, but it could be reconsidered in the future, for a specific contribution to export promotion activities, or even more justified in case a collective brand is developed (in that case, amount will be determined in proportion of the volumes sold with the collective brand).

Table 8: FCRE Membership options

Options	Annual Fees (2014)
Basic	200 \$
Silver	500 \$
Gold	2,000 \$
Platinum	15,000 \$

1.1.4.2. CHOICE OF MEMBERSHIP OPTION BY MEMBERS AND PAYMENT OF FEES

After the General Assembly, FCRE has asked its members to indicate their choice of membership option. Within the following weeks, 36 companies have confirmed their choice, and 25 have paid the corresponding fees, with already 28,200 USD collected by the Federation (See Table 9 below).

Table 9: Members’ choice of membership options for 2014 + membership fee payments received by FCRE up to March 31, 2014

Membership options	Number of members who have selected this option	Amount receivable	Number of members who have already paid	Amount received
Basic (200 \$)	18	3,600 \$	11	2,200 \$
Silver (500 \$)	13	6,500 \$	10	5,000 \$
Gold (1,000 \$)	4	8,000 \$	3	6,000 \$
Platinum (15,000 \$)	1	15,000 \$	1	15,000 \$
	Total receivable:	33,100 \$	Total received already:	28,200 \$

This was a very good start and a convincing sign that the Federation of Cambodian Rice Exporters was on the right track to balance its budget needs in 2014 and move toward a progressive weaning from the “starting-up” project subsidy (in line with the spirit of the MOU signed between SNEC and FCRE). Unfortunately this positive trend has been stopped in its move by the announcement of the creation of the new Cambodian Rice Federation by a merging of FCRE, ARPEC and CREA (Cf. § 1.2. in this report, from page 12). This initiative has indeed raised concerns of stakeholders about the future of fees paid to FCRE after the merging. FCRE President has informed members that once the merging will be effective, the balance of fees collected by FCRE would be automatically transferred to the new structure (CRF). This would actually be feasible if the CRF adopt the same system of membership fees, otherwise members who have paid their fees to FCRE shall be reimbursed, and then register with the new Federation and pay their fees there according to the new system that CRF would establish⁵.

⁵ This is what has been suggested to FCRE by the Project Management Advisor.

1.1.5. MOBILIZATION OF EXPORTERS / MEMBERS TO TAKE RESPONSIBILITIES IN FCRE

During the last few months, the Secretary General of the FCRE has not been very active, and the management (on top of the salaried executive team) has been nearly exclusively in the hands of the President (Oknha Kim Savuth) and the Deputy Secretary General (his daughter Kim Sreyroth). Both of them have been very committed, but a broader team of active members is needed to undertake the multiple tasks, and also to show a less personalized image of the Federation. During the 3rd “Joint Steering Committee” between FCRE, SNEC, IFC and AFD on February 14, 2014, the need to mobilize active members and create a team that would act as a Board (until the finalization of statute reform and elections) has been recalled⁶. It was suggested again to mobilize dynamic members of the Export Promotion Working Group, or to identify other potential stakeholders (among the ones who have already paid FCRE membership fees). But due to the move of MOC to accelerate the merging of FCRE, ARPEC and CREA, it has been impossible to pursue this objective of mobilization of volunteers among the stakeholders.

1.1.6. FCRE HUMAN RESOURCES

1.1.6.1. RESIGNATION OF FCRE EXECUTIVE DIRECTOR

Mr Sean Linin has resigned from his position of Executive Director of FCRE by a letter addressed to the President and dated of the 1st of January 2014. The letter does not explain the motivation of his decision, but he explained to the project team that there has been increasing relational difficulties with the President in the previous months. Oknha Kim Savuth has also confirmed the degradation of the work relation between Linin and him since the end of November.

1.1.6.2. DRAW LESSONS IN TERM ON HR MANAGEMENT

The resignation of the Executive Director was a bad news for the FCRE. The Annual Report of the Federation testifies on the dramatic development of FCRE activities since this position was created, and the vacancy of the position could strongly affect the progresses in term of operational capacities of FCRE. It was therefore quickly considered to help FCRE to recruit a new ED. But before that it was needed to better understand the reasons of the deterioration of the work relation between the Executive Director and the President, and to assess if it was only a matter of personal compatibility, or also a matter of lack of clarification in the respective roles and duties of each position.

The Project Management Advisor had informal talks with Mr Sean Linin, Oknha Kim Savuth and Mrs Kim Sreyroth in order to get their point of view, and he also convened a meeting between them that took place on January 28, just before the end of ED assignment. Mr Amaury de Saint Blanquat (from Saint Blanquat & A., the HR management company which has proceeded to the recruitment of FCRE Executive Director and Communication Officer & Webmaster⁷) have accepted to take part in this discussion and provide his comments, analysis and advices. The discussion helped to identify some mistakes (at least in communication on the preparation of some activities) and misunderstandings that can to some extent be explained by a lack of clarifications on the procedures and on the level of autonomy for the ED.

Further to this meeting, it was proposed to launch a new recruitment process with Saint Blanquat & A. for a new Executive Director. Saint Blanquat & A. has also proposed to provide some additional support for facilitation and coaching regarding the management of the Executive Team. This could consist in having one advisor / coach from Saint Blanquat & A. to take part in a monthly supervision meeting between

⁶ Oknha Kim Savuth and Kim Sreyroth were acknowledging that the current situation was not satisfactory and were calling upon more time investment of other members of the Federation.

⁷ Cf. Quarterly Executive Report #03, pages 3-4.

FCRE management and Executive Team. SB&A could also help to elaborate and put by written a few guidelines and principles in order to better define the respective roles of President, General Secretary and Executive Director (based on the experience and on the needs for clarifications) in order to take a constructive benefit from the experience.⁸

Until mid-February, this was the considered approach to address the issue of Human Resources management within FCRE. The decision of merging FCRE with ARPEC and CREA in the new CRF has also ended this foreseen action. It could be reconsidered with the future CRF in the hypothesis of a support from SCCRP to the new Federation.

1.1.6.3. RESIGNATION OF FCRE COMMUNICATION OFFICER AND WEBMASTER

Mr Ung Sothy, Communication Officer and Webmaster recruited by FCRE in September 2013 (with the support of the project) has also addressed a resignation letter to the President of FCRE on March 31, 2014. He has been offered an opportunity that “suits more with his career aspiration”, according to his letter. Ung Sothy has also informally confessed that the high level of uncertainty (about the merging of FCRE with ARPEC and CREA in the new Cambodian Rice Federation and about the renewal of his work contract under the new entity) was also an important driver of his decision.

1.1.7. FCRE COMMUNICATION TOOLS

1.1.7.1. FCRE WEBSITE

FCRE website continued to be up-dated regularly during this quarter, with news and events posted by the Communication Officer and Webmaster.

1.1.7.2. FCRE NEWSLETTER

First edition of the FCRE Newsletter has been finalized in January 2014. A printed version was distributed to all participants during the FCRE General Assembly and Strategic Workshop on 22 January 2014. This edition was very rich in its contents, with, among others, report from recent promotion events (such as the 1st Cambodian Rice Festival or the participation of FCRE in World Rice Conference 2013 in Hong Kong and winning of World Best Rice award), issues regarding export policies and regulation (report of the meeting of FCRE with EU representatives about EBA, new regulation regarding certificate of origin), report about business opportunities workshop (for instance with Okinawa Distillery Association), stories about Nepal Tea branding, etc.



△ Cover of the 1st issue of FCRE Newsletter.

This first issue of the newsletter is bilingual (Khmer and English).

⁸ See Minutes from the Joint Coordination Committee Meeting #03 on 14 February 2014.



1.1.7.3. FCRE ANNUAL ACTIVITY REPORT

FCRE has also finalized its first annual Activity Report (for Year 2013). The report was prepared by FCRE Executive Director and shows the dramatic increase of FCRE activities since the recruitment of an executive team in September 2013.

The Activity Report 2013 was printed and distributed to all participants in FCRE General Assembly and Strategic Workshop on 22 January 2014.

A Power Point version was also presented to participants on this occasion.

◁ *Cover of FCRE Activity Report 2013*

1.1.8. OTHER ACTIVITIES OF FCRE

1.1.8.1. CAMBODIAN RICE PROMOTION DINER IN TOPAZ

The FCRE took a lead role in the organization of the Cambodian rice promotion diner (“World Best Rice Cooking”) on 23 January 2014 in Topaz restaurant (Cf. § 2.2.2. in this report page 22).

1.1.8.2. MEETING CO-ORGANIZED WITH BAYER CROP SCIENCES

A contact was established (via project PMA) between Bayer Crop Sciences and the Federation of Cambodian Rice Exporters. Mr Frédéric Top, Global Marketing Lead of Rice Seeds for Bayer Crop Sciences based in Singapore wanted to organize a presentation of Bayer hybrid rice varieties and to get feedback on potential interest from rice sector stakeholders. The FCRE was mobilized⁹ to organize this meeting which took place on 20 of January in Cambodiana Hotel with some rice exporters and millers and with the participation of AQIP seeds.

1.1.8.3. MEETING OF FCRE WITH MAFF MINISTER

On 13 February, FCRE President, Oknha Kim Savuth, led a delegation to meet H.E. Dr. Ouk Rabun, Minister of Agriculture, Forestry, and Fisheries. Representatives of FAEC and FCFD took part in this meeting on the invitation of FCRE President (further to their participation in FCRE General Assembly).

1.1.8.4. MEETING CO-ORGANIZED WITH INAVAB FUMIGATION AND PEST CONTROL MANAGEMENT

FCRE has organized a consultation meeting with Inavab Fumigation and Pest Control Management Pte Ltd (Singapore) on March 25, 2014 at Cambodiana Hotel. The Company has presented to rice stakeholders possible solutions for pest control for their storage and shipments.

1.1.8.5. ORGANIZATION OF CONSULTATIONS WITH MARKET STUDY TEAM

FCRE has organized two consultation with Agland and its partners in charge of the market study team, the first on January 19 with a small group of exporter, then a broader consultation based on the findings of Phase I of the Study, on February 17 (See § 2.2.1. pages 21-22 in this report).

⁹ Bayer took in charge all the costs for the meeting and paid few administration fees to cover FCRE support in organizing the event. Organization of such corporate event is seen as a way to raise some additional income and provide opportunities of business networking.

1.1.9. SUMMARY: ASSESSMENT OF MONITORING INDICATORS OF THE SUPPORT TO FCRE

The Annex 2 of the MoU with the FCRE (Road map, timeframe and conditions for each phase to be unlocked) defines a number of criteria or indicators to be fulfilled at the end of the Phase 3 (January to March 2014). The table below recalls these indicators (including their up-dates made during the 3 meetings of the JCC) and assesses the achievements against each of them.

Table 10: Monitoring of indicators and milestones of the support to FCRE (as per MOU)

Indicators / Criteria	Progress Status	Comments
Simple but reliable accounting tools are in place.	100% ■■■■	Tools developed and have started to be used by the FCRE Administrative Officer.
FCRE Staff (at Least Executive Director and Communication and Web Officer have been recruited) – Employment contracts signed.	50% ■■□□ (!)	Both recruitments were done (see Quarterly Executive Report #03, pages 3-4 and page 8) but both staffs have resigned during this quarter!
The use of SCCRP subsidy to FCRE for the previous quarter is transparent, properly justified and reported.	100% ■■■■	Financial report for the use of the Subsidy for Phase 2 (Oct-December 2013) has been prepared and provided to SNEC with due attachments.
Joint Coordination Committee meetings took place with each party duly represented.	100% ■■■■	One JCC meeting took place on February 14, 2014 with FCRE, IFC and the SCCRP.
FCRE staff supervision meetings (with President and/or secretary general) take place regularly and minutes are made.	25% ■□□□	Formal meeting between leaders and staff did not take place regularly (not every month). General Secretary of FCRE still not very active (but more involvement of deputy GS)
At least one General Assembly is organized.	100% ■■■■	FCRE General Assembly took place on 22 January 2014.
Activity plan, budget and member contribution for Year 2014 are approved by members.	100% ■■■■	Activity plan and budget has been submitted and approved (yet with no formal vote) by GA.
Approved members' contribution cover at least 50% of recurrent running costs budgeted for 2014 (staff salaries, office running costs...).	75% ■■■□	Principles for member contributions were also endorsed. (See § 1.1.4.1. p.6-7). Membership fees already confirmed reach more than 33,000 USD, which is already 80% of the amount of own funds FCRE is supposed to gather to complete project subsidy in 2014 (while only about one third of FCRE members have confirmed their membership to date).
Request for fee payment has been send to members.	100% ■■■■	
The companies of the President and of the General Secretary pay their due fees to FCRE.	50% ■■□□	Khmer Food has paid its membership fee for 2014 but not Golden Rice.
Website is maintained with up-to-date information.	100% ■■■■	Website continues to be updated (news posted regularly).
At least one edition of the FCRE newsletter is issued and distributed to members and exporters.	100% ■■■■	The first issue of the FCRE Newsletter was already nearly finalized on December 31 st but will be finalized and printed in January with the objective to be distributed during the General Assembly.
At least two meeting of the institutional reform taskforce, with at least 50% of taskforce members present.	0% □□□□	After General Assembly, it was planned to set up a taskforce to work on new statute of FCRE, but MOC initiative of establishing new CRF led to cancellation of this plan.

1.2. CODE OF CONDUCT FOR EXPORT TO EU

The project has followed the initiative of ARPEC of establishing, in consultation with FCRE and MOC, a Code of Conduct for Rice Export to the EU. PMA took part in various discussions (by attending meeting and by exchange of e-mails) on this purpose, notably in the meeting that took place on 6 January at the meeting room of the Chamber of Commerce of Cambodia. He has also made numerous recommendations (or raised questions) through e-mail exchange. The Code of Conduct for Export to EU has been signed by the Minister of Commerce with the leaders of FCRE, ARPEC and CREA on February 17, 2014 at the Ministry of Commerce.

1.3. CREATION OF CAMBODIAN RICE FEDERATION (MERGING OF FCRE, ARPEC AND CREA)

1.3.1. INITIATIVE OF THE MINISTRY OF COMMERCE TO MERGE FCRE, ARPEC AND CREA

1.3.1.1. FIRST STEPS TOWARD THE MERGING OF FCRE, ARPEC AND CREA

In January 2014, at the time of FCRE General Assembly, the project team started to hear about the willingness of the Ministry of Commerce to encourage a merging of the three professional associations of the rice sector, namely ARPEC, CREA and FCRE.

This intention was potentially compatible with the project approach of reforming the FCRE and making it more inclusive¹⁰, more transparent and driven by a stronger members' ownership. After FCRE General Assembly has approved a scenario for the institutional reform, the following steps that the project was planning to undertake was to set up a taskforce to work on renewed statute of the Federation.

The project team had the intention to make an appointment with H.E. Mao Thora¹¹ in the end of February in order to discuss how to merge the two initiatives (reform of FCRE statute – including changing its name – and merging of FCRE, ARPEC and CREA) into one single piece of work. But in the meantime MOC has sent draft statute for the new “Cambodian Rice Federation (CRF)” to leaders of FCRE, ARPEC and CREA (on 20 February) and convened a meeting with them on February 24, 2014. Project Management Advisor was informed about that by the President of FCRE on February 21.

In order to contribute to the dialog on the preparation of the statute for the new “Cambodian Rice Federation”, the PMA has prepared an alternative version of statute (with comments / explanations on the proposal made in the articles) that was sent to MOC facilitator (H.E. Sok Sopheak, Director General for International Trade) on 24 February morning. Then PMA has attended the meeting on 24 February in the afternoon at MOC with leaders of the three professional organizations. This meeting has not only validated the new statute but also made decision of the composition of the Executive Committee of the new CRF, for a two year mandate, without any consultation or vote of the members neither on the statute nor on the Committee composition. Project PMA has suggested to convene a General Assembly of all current members of ARPEC, CREA and FCRE to approve the statute and elect an Executive Committee, but it was rejected. As a compromise, he has also proposed to limit the mandate of the first Executive Committee to a few months only (3 to 6) with the objective to act the merging, fine-tune the statute and have it validated by members within this duration, before to undertake an election, but this was also rejected by the meeting.

¹⁰ This is the reason why the General Assembly and Strategic Workshop was open to non-members of FCRE, in order to hear and take into consideration the concerns of stakeholders who were not currently satisfied with the FCRE structure.

¹¹ Secretary of State of MOC and representative of the Ministry of Commerce in the Project Steering Committee.

1.3.1.2. PROJECT CONCERNS

At the end of the meeting on February 24, the situation was thereof the following: the creation of the CRF was decided among a very limited group of stakeholders (leaders of ARPEC, CREA and FCRE), and statute and composition of the Executive Committee was decided by this handful of influent actors, with no broader consultation of Cambodian rice value chain stakeholders. It is obvious that this approach was in total contradiction with the project patient and participative approach of the reform which was aiming at developing members' ownership and trust in the new structure.

In such conditions, further support of the project to the newly established CRF was very disputable. The project team had various exchanges with AFD¹² and IFC about the situation. As the merging means, *de facto*, the end of FCRE, it was decided to suspend¹³ the implementation of the MOU with FCRE. But as the situation was still not stabilized and negotiations were still on-going on the process of establishment of this new structure, no decision was made on possible transfer of project support to the new CRF, but it was agreed to continue to follow-up the evolution of the process and to continue to advocate for a more democratic and participatory approach.

1.3.1.3. EVOLUTION OF THE PROCESS: COMING BACK TO THE OPTION OF AN ELECTION OF EXECUTIVE COMMITTEE

In the following days, informal discussions continued and led key stakeholders to reconsider the decisions of 24 February. In particular, a step backward was made regarding the idea of appointment of an Executive Committee, and the option of going through an election was considered again¹⁴. The Project Management Advisor met FCRE on 5th of March to get an update on discussions and see how to ensure representativeness of the CRF. The project has also expressed its concerns and the need to suspend the MOU (in particular the financial support) after this quarter.

Oknha Kim Savuth has organized a meeting on the following day (March 6, 2014) with H.E. Sok Sopheak. The project coordinator and the PMA took part in this meeting. They suggested some ideas in order to ensure a better representativeness of the CRF and of the Board. Elements were sent afterward by e-mail¹⁵ to H.E. Sok Sopheak by the PMA prior to a broader meeting in MOC. In particular, two main ideas were highlighted, summarized in Box 1, next page.

Project team has also met IFC on 7 of March in order to provide some update to IFC team on the process of creation of CRF.

¹² Notably a meeting with AFD Director for Cambodia and the Project Director H.E. Ros Seilava, on March 2, 2014.

¹³ A formal letter to FCRE will be sent in April to notify this, but it was already informally mentioned.

¹⁴ Yet, from the information we had at that date, the idea was that each of the three professional associations (FCRE, ARPEC and CREA) would be entitled to propose 10 candidates each, i.e. a total of 30 candidates for 15 seats. But this has also been reconsidered later on, as we see in the following paragraphs of this report.

¹⁵ Power Point document prepared and sent by PMA on 11 March, 2014.

Box 1: Two key ideas enhanced in the communication to MOC about the constitution of the Executive Committee of the new CRF

Representativeness

To set a real inter-professional organization representative of the Cambodian rice sector as a whole, it is essential to establish colleges (Tentatively: Producers, Millers, Exporters, and Input+Service Providers) in order to balance the weight of the different professions in the organization.

■ Proposal of a PARITY representation of the different colleges: e.g. each college elect 3 delegates to sit in the Board of Director

■ To be endorsed, the following decisions shall be approved by all the four colleges:

- ➔ Position papers to be submitted to the government or to institutional partners;
- ➔ Revision of Statutes.

Remove financial barriers

Board (or EXCO) members shall not be asked to contribute more than other members: financial resources shall not be an obstacle to be candidate to position in the Board / EXCO.

The system approved by FCRE General Assembly on January 22, 2014 seems quite good. It consists in different level of membership fees (Basic / Silver / Gold / Platinum). Higher level of fees brings additional benefits (but no additional power in the Federation's governance). Entry ticket is cheap enough for the Federation to be inclusive, and additional options allow the generation of significant incomes to cover operational and structural costs.

1.3.1.4. MEETING ON THE PROCESS OF CREATION OF CRF CHAIRED BY MINISTER OF COMMERCE

A relatively broader meeting about the creation of the Cambodian Rice Federation took place on March 12, 2014 afternoon in the Ministry of Commerce. It was chaired by H.E. Senior Minister Sun Chanthol. The purpose of the meeting was not to discuss the statute of the CRF, but to discuss the preparation of the selection process of the Board of Directors (or Executive Committee)¹⁶ of the CRF.



△ Meeting on the creation of Cambodian Rice Federation on 12 March 2014 in Ministry of Commerce (Photo MOC)

¹⁶ The term “*Krom Preuksaphibal*” was used in the introduction of the meeting, but it is also often referred to as “Executive Committee” as named in the draft statute.

The idea of election of delegates by college has been raised by Oknha Kim Savuth during the meeting but was not welcomed at that time.

During this meeting, it has been agreed that details of the preparation of the first General Assembly and procedures for election would be prepared by a taskforce chaired by H.E. Mao Thora, Secretary of State.

Mr Sam Art Veasna took part in this meeting as a representative of FCFD¹⁷ and took the floor to recall the importance of having producers represented in the new Federation, but this was initially not welcomed by MOC and H.E. Mao Thora has indicated that he does not think that Farmers or Farmers Organization have to be part of the CRF.

It has to be noted that this point of view is in contradiction with the agreement signed between the MEF (as representative of the Government) and AFD for the financing of the project, which states that “The Component 1 of the project will prepare the inter-professional structuration of the rice value chain via an associative organization which will group together the different categories of stakeholders (producers, millers, exporters, service providers)”¹⁸. Moreover, the Project Steering Committee of April 2013 has confirmed this orientation of strengthening Federations of Farmer Organizations to play a role in the inter-professional dialog and structure.

1.3.2. PREPARATION OF THE FIRST GENERAL ASSEMBLY OF CRF AND OF THE ELECTION OF THE EXECUTIVE COMMITTEE

1.3.2.1. MEETING BETWEEN THE PROJECT AND H.E. MAO THORA

Mr Ung Luyna, Project Coordinator and Jean-Marie Brun, PMA, have met H.E. Mao Thora on 20 March, 2014. H.E. Mao Thora has indicated his intention to limit the number of “founder members”¹⁹ of the Cambodian Rice Federation to exporters (having exported at least 500 tons of rice since the beginning of 2012), and key service providers of the rice sector such as banks, shipping companies, brokers...

But he explained that more details will be submitted to the taskforce in charge of the preparation of the election procedures (taskforce in which SNEC will be represented by Mr Ung Luyna).

1.3.2.2. MEETINGS OF TASKFORCE FOR THE PREPARATION OF THE PROCEDURES FOR CRF EXECUTIVE COMMITTEE ELECTION

The taskforce for the preparation of CRF election procedure met two times on 24 and 27 of March²⁰. Criteria for founder members and candidates as well as procedure drafted by H.E. Mao Thora with a MOC team have been presented and discussed. On 27, important revisions have been agreed, which are rather considered as positive steps in the direction promoted by the project team. Notably, initial membership is not limited anymore to exporters, but open to millers. Besides it has been agreed that a limited number of Farmer Organizations could take part in the process (not more than one per province, and FOs officially recognized by MAFF only). Any founder member can be candidate for the election of the Executive Committee, either for the position of President (one seat), Vice Presidents (3 seats) or member of the EC

¹⁷ His participation was initiated by the project. He was representing producers in this meeting together with Mr Keo Sokha from FAEC.

¹⁸ In French in the official version, in Appendix 2-A to the financing agreement : « La composante n°1 préparera en outre la structuration interprofessionnelle de la filière à travers un organe associatif regroupant les différentes familles d'acteurs (producteurs, riziers, exportateurs, prestataires de service spécialisés) ». Un-official translation in the text above by PMA.

¹⁹ The ones who will be entitled to take part in the first General Assembly and to vote for the Executive Committee.

²⁰ Mr Ung Luyna has attended both meetings, Jean-Marie Brun only the first one.

(11 seats)²¹. All stakeholders who wish to take part in the first General Assembly will have to register at the Ministry of Commerce. Candidates shall also register their intention to be candidate and for which type of position in the EC.

1.3.2.3. FORMAL APPROVAL OF THE PROCEDURE FOR REGISTRATION OF FOUNDER MEMBERS AND CANDIDATES BY MOC

Procedures described above have been officially endorsed by H.E. Sun Chanthol, Senior Minister, Minister of Commerce on 31st of March 2014 and disseminated, notably via the professional organizations.

1.4. SUPPORT TO FEDERATIONS / NETWORKS OF FARMER ORGANIZATIONS

1.4.1. WORKSHOP WITH FAEC AND FCFD ON ACTION PLAN AND CONTENT OF PARTNERSHIP WITH SCCR

A 2nd broad workshop²² with members of FAEC and FCFD boards was conducted for two days on 16 and 17 of January 2014 at the Supreme National Economic Council (SNEC), with the participation of 31 people²³. The purpose of the meeting was to discuss about the collaboration between SCCR with FO Federation(s) /Network(s) in term of principles, strategies and actions plan.

Two Focus Group Discussions were organized and facilitated by Mr. Phat Sophany, Institutional Capacity Building Consultant (AVSF-CIRD-ADG). They were focused on the identification of roles and actions that FO Federations could play related to rice value chain.

The two groups discussed respectively about:

- Strategy to increase paddy volumes collected and sold by FOs to rice millers; and
- Strategy to improve paddy quality to respond to the need of rice millers/exporters.



△ Focus group with FO Federations on 17 January 2014.

The main elements of strategy elaborated by the focus group are summarized in the Table 11 below:

Table 11: Result of FO Federations' focus group discussions on 17 January 2014

Group 1: Strategy to increase paddy volumes collected and sold by FOs to rice millers	Group 2: How to improve paddy quality in order to fit the requirements of rice millers/exporters
<ul style="list-style-type: none"> ▪ Forms Union of Agricultural Cooperatives (increase volume of paddy). ▪ Printing booklet on rice production data for Union of Agricultural Cooperatives Members. ▪ Communication with rice millers. ▪ Rice collection and supply to rice millers. ▪ Operation actions supported by project/Rice millers. ▪ Facilitate the access to revolving fund or credit mechanisms. ▪ Lobbying/advocacy and networking. 	<ul style="list-style-type: none"> ▪ Pure seeds support to Union of Agricultural Cooperatives Members. ▪ Strengthening capacity of FO leaders and members on rice production techniques (training course on purity seed multiplies; harvesting; post- harvest and paddy quality inspection techniques). ▪ Facilitate the access to equipment and materials.

²¹ Only a restriction applies for the position of President who shall be a Cambodian national. Candidates do not have to be presented by one of the former professional organizations.

²² After the meeting of October 14, see Quarterly Executive Report #04 page 12.

²³ 8 representatives of FCFD, 8 representatives of FAEC, 3 representatives of FWN, 2 assistants of FAEC and FCFD, 3 counterpart staffs from DAE and DAI of MAFF, 4 members of SCCR project.

The results of two Focus Group Discussions were formalized in an action plan FAEC and FCFD.

The objectives of the workshop were to develop practical content for the project support to FAEC and FCFD, aiming at supporting FOs involvement in the paddy commercialization and the dialog in the rice value chain, and at the same time at developing roles and services of the Federations that would have a consolidation impact on their institutions.

After the workshop, the Institutional Capacity Building Consultant (Mr Phat Sophany) has started to develop, in collaboration with the Project Administrative Officer, MOUs/contracts²⁴ with FAEC and FCFD. The draft contracts were not yet fully finalized at the end of the quarter, but they were discussed with (and endorsed by, at that stage) representatives of both Federations on March 27. Contracts are expected to be finalized and signed by project and FOs Federations as early as possible in the next quarter.

1.4.2. PRACTICAL ORGANIZATION OF WORK PLAN IMPLEMENTATION BETWEEN FAEC AND FCFD

After the workshop of January and finalization of the work plan, follow-up meetings were organized on 20 and 28 February, in SNEC, with representatives of FAEC and FCFD in order to address practical issues regarding the implementation of the work plan, its integration in Federations management, and modalities of work with the project. Participants discussed on how to implement actions, to share responsibilities and target areas between FAEC and FCFD, and how to manage and supervise the implementation of activities in relation with SCCRP.

1.4.2.1. MEMBERS OF BOARD IN CHARGE OF SUPERVISION OF RICE SECTOR ACTION PLAN IMPLEMENTATION

FAEC and FCFD have confirmed the appointment of Mr Prak Lak and Mr Kong Moeun (for FAEC) and Mr Sam Art Veasna and Mr Din Sakhorn (for FCFD)²⁵ to supervise the activities of both Federations in the rice value chain and act as main interlocutors of Federations for SCCR Project.

1.4.2.2. DEFINE RESPECTIVE RESPONSIBILITIES OF FAEC AND FCFD BY GEOGRAPHICAL AREA

In order to strengthen capacities and legitimacy of FO Federations as well as sustainability of the support to FO in paddy commercialization, the project intends to locate part of the support capacities within FAEC and FCFD. It foresees to provide budgetary support and help the two FO Federations to recruit two Technical Assistants (one each) to work on the implementation of the action plan and provide support to FOs and cooperative unions in the development of their commercial activities in rice value chain. Yet, in order to avoid overlapping and ensure a better cost-efficiency, it has been agreed with FAEC and FCFD that they should “mutualize” the use of this support and of Human Resources temporarily financed by the project. Technical Assistants will therefore be responsible for specific areas (provinces) and will provide support to FOs member of any of the two Federations. This geographical sharing of responsibilities is shown on the Table 12 next page.

²⁴ AFD has recommended to use a standard form of contract.

²⁵ See Quarterly Executive Report #04, page 13.

Table 12: Geographical sharing of responsibilities between FAEC and FCFD for project implementation

Federation	Provinces where members are located	Provinces under Federation responsibility for rice value chain action plan
FAEC	Battambang, Kampong Thom, Kampong Chhang, Kampong Speu, Kampot, Kandal, Prey Veng, Svay Rieng, Stung Treng, Takeo.	Prey Veng, Kandal, Svay Rieng (under responsibility of Mr Prak Lak); Kampong Speu, Takeo, Kampot, Stung Treng (under responsibility of Mr Kong Moeun).
FCFD	Battambang, Kampong Thom, Siem Reap, Prey Veng, Takeo.	Battambang, Kampong Chhnang (under responsibility of Mr Sam Art Veasna) Kampong Thom, Siem Reap (under responsibility of Mr Din Sakhorn).

The Terms of Reference of the positions of Technical Assistants for FAEC and FCFD have been developed during these meetings, as well as some principles for their management and supervision. Notably, as the action plan for rice value chain is considered as a joint action of FAEC and FCFD, the two Technical Assistants of FAEC and FCFD will work under the management of the 4 Federations' representatives identified as focal persons for rice within FAEC and FCFD boards, and they will report directly to them on a monthly basis. Yet, to make sure that the activities undertaken in the rice sector with the project are well integrated in FAEC and FCFD overall activities, plans and reports will be presented on a quarterly basis to the Board of Directors of FAEC and FCFD.

1.4.2.3. PREPARE ADMINISTRATIVE AND ACCOUNTING DOCUMENTS AND FORMS

On March 26, 2014, the project team organized a meeting in SNEC with 8 FO Federations representatives from both FAEC and FCFD, in order to revise existing documents used by FAEC and FCFD in their administration and accounting work, and up-grade or complete the set of standard document and forms they use for Administration and Accounting purposes. This is needed to prepare the implementation of partnership contracts with the project (notably to justify the use of subsidies that FAEC and FCFD are foreseen to receive), but more generally this exercise also helped to up-grade administrative management capacities of both Federations. Standard forms developed during this one day session include the following: guideline for transportation cost, fuel consumption record, receipt of traveling cost, over-night stay receipt, payment receipt, leave application form, list of participants receiving allowances, photocopy receipt, etc.

1.4.3 RECRUITMENT OF SALARIED TECHNICAL ASSISTANTS OF FAEC AND FCFD FOR THE IMPLEMENTATION OF RICE SECTOR ACTIVITIES

1.4.3.1. ANNOUNCEMENTS

The recruitment of Technical Assistant has been started by FAEC and FCFD (jointly) by posting the job announcement on websites (www.bongthom.com.kh) on Wednesday 5th of March 2014, distributing printed copies in relevant universities such as Royal University of Agriculture, Prek Leap National School of Agriculture, Royal of University Phnom Penh etc... The deadline for application was initially set to March 17, but was then extended for one additional week.

On March 24, 26 applications were received.

1.4.3.2. PRE-SELECTION OF CVs, INTERVIEWS AND FINAL SELECTION

The 26 applications have been screened by a group of Board members of both FAEC and FCFD. 6 candidates were shortlisted and interviews + tests were conducted on March 28. The selection committee has decided to recruit the two following candidates, who both have a significant experience of support to FOs:

- Mr. Tep Sopheak Mingkoul, 36 years-old for FCFD. He will be based in Battambang Province
- Mr. Pat Sovann, 25 years-old for FAEC. He will be based in Takeo Province.

1.4.4. REPRESENTATION OF PRODUCERS IN THE INTER-PROFESSIONAL DIALOG AND ORGANIZATIONS

One of the purposes of the support to FO Federations is to get them prepared to represent paddy producers in the inter-professional dialog and take part in the inter-professional organization. For this purpose, in the last quarter of 2013, FAEC and FCFD have selected two delegates²⁶ each to represent their federation at the inter-professional level of the rice value chain.

1.4.4.1. PARTICIPATION OF FAEC AND FCFD IN FCRE GENERAL ASSEMBLY

Two representatives of FAEC (Mr Prak Lak and Mr Kong Moeun) and two of FCFD (Mr Sam Art Veasna and Mr Din Sakkhorn) took part in FCRE General Assembly and Strategic Workshop²⁷ on 22 January 2014. They took part in the debates and in the vote²⁸ on the choice of institutional scenarios for the evolution of FCRE.

1.4.4.2. PARTICIPATION OF FAEC AND FCFD IN MEETING BETWEEN FCRE AND MAFF MINISTER

On 13 February, Sam Art Veasna (Vice President of FCFD Board of Directors) and Mr Keo Sokha (President of FAEC) took part in a meeting with H.E. Dr. Ouk Rabun, Minister of Agriculture, Forestry, and Fisheries, on the invitation of FCRE²⁹.

1.4.4.3. PARTICIPATION OF FAEC AND FCFD IN MEETING ON CRF CREATION

Mr Sam Art Veasna and Mr Keo Sokha have represented FCFD and FAEC in the meeting³⁰ on the creation of Cambodian Rice Federation that took place at MOC on 12 March 2014 in the afternoon.

A preparatory meeting was organized with them in SNEC on the morning of the same day. The PMA briefed them on the previous step regarding the creation of CRF, and the draft statute of CRF has been reviewed³¹ with them. Mr Sam Art Veasna took the floor during the meeting in MOC to insist of the need for producers to be represented in the CRF.

²⁶ See Quarterly Executive Report #04 page 13.

²⁷ Cf. § 1.1.1. Institutional Reform of FCRE pages 3-4 in this report. Note that FWN was also invited to join but had an overlapping important meeting organized by MoWRaM and could not join FCRE General Assembly.

²⁸ One vote for FAEC and one for FCFD, see Table 2, page 3 in this report.

²⁹ Cf. § 1.1.8.3. Meeting of FCRE with MAFF Minister page 10 in this report.

³⁰ Cf. § 1.3.1.4. Meeting on the process of creation of CRF chaired by Minister of Commerce, pages 14-15 in this report.

³¹ It was anticipated, based on discussion with H.E. Sok Sopheak on 6 March (see page 13 in this report), that elements of the statute would be discussed in the afternoon of March 12 (in particular related to composition of the Executive Committee) but it was finally not the case and the H.E. Minister of Commerce clearly stated in his introduction that the discussion on the statute was not the purpose of the meeting.

1.4.4.4. CONSULTATION WITH FAEC AND FCFD ON ESTABLISHMENT OF CREDIT MECHANISM FOR FOS

FAEC and FCFD took part in a meeting with Horus Development Finance mission about the creation of a credit mechanism dedicated to Farmer Organizations (See Part 4.3., pages 42-44 in this report), on 12 February 2014 in SNEC. 7 FO representatives, members of FAEC and FCFD, and experienced on Credit Management were invited to present their experience and ideas on the subject.

1.4.5. FEDERATIONS GENERAL ASSEMBLIES

1.4.5.1. FAEC GENERAL ASSEMBLY

The General Assembly of FAEC was organized on 3rd February 2014 in Khemara Hotel in Battambang. During the assembly; Mr. Phat Sophany presented the partnership with SCCR Project and work plan to support to FAEC to all participants for their feedback and approval.

1.4.5.2. FCFD GENERAL ASSEMBLY

General Assembly of FCFD was organized on 12th March 2014 at the Royal University of Phnom Penh. During the assembly, Mr. Phat Sophany presented the partnership with SCCR Project and work plan to support to FCFD to all participants for their feedback and approval.

2. COMPONENT #2: IMPROVEMENT, STANDARDIZATION AND CERTIFICATION OF THE CAMBODIAN RICE QUALITY

2.1. CAMBODIAN STANDARDS ON RICE

2.1.1. PROGRESSES ON THE REVISION OF STANDARDS FACILITATED BY IFC

IFC has informed the SCCR project team that the revised standards on rice have still not been approved by the Ministry of Industry and Handicrafts³². It is expected to be endorsed during next quarter.

As indicated in the “Project Annual Report #1 – Year 2013”³³, once this will be done, the project may consider again further actions such as the organization of a consultation of exporters regarding their interest in using the standards, and the possible support needed to ensure the dissemination of those standards in the milling industry.

2.2. QUALITY LABEL / CAMBODIAN RICE BRANDING

2.2.1. STUDY INTERNATIONAL MARKET FOR CAMBODIAN RICE AND EVALUATE POTENTIAL BENEFIT OF BRANDING ACTION

2.2.1.1. LAUNCHING IMPLEMENTATION OF PHASE I OF THE STUDY

Following the selection of the consortium Agland – Food Works – GEM³⁴, IFC has signed a contract with the consultant team leader (Agland) for the implementation of Phase I and II-A³⁵ of the international market study.

SNEC Project Management Advisor has met Mr Geoff Quartermaine Bastin, from Food Works Co. at the very initial stage of the study on January 15 at IFC office, together with IFC project officer and FCRE President and Deputy General Secretary. The purpose of the meeting was to present verbally our key expectations from the study and discuss how the consultant will approach the implementation.

Another meeting took place on January 19 at the meeting room of the Chamber of Commerce of Cambodia, organized by FCRE with a small group of exporters in order to present the study objectives and take into consideration exporters’ expectations. The PMA also took part in that meeting.

2.2.1.2. ADDITIONAL EXCHANGE WITH AGLAND ON THE EXPECTATIONS AND APPROACH

On February 14, the Project Management Advisor had a discussion with Mr William Scott (Agland) to discuss face to face the approach of Agland and the understanding of our expectations, in order to make sure we are on the same page with the consultant and have a clear common understanding of the expected outcomes.

³² MIH replaces MIME after it was split in Ministry of Mine and Energy on one hand and Ministry of Industry and Handicrafts on the other hand in late 2013

³³ Cf. Project Annual Report #1, page 9.

³⁴ Cf. Quarterly Executive Report #04, page 16.

³⁵ Phase I correspond to the first overview of a large panel of export markets. Phase II-A correspond to the in-depth study in the first three countries selected (USA, France and China). Phase II-B correspond to the in-depth study in three (initially two) additional countries (tentatively Singapore, Germany and Cote d’Ivoire). Phase I and Phase II-A are financed by IFC. Phase II-B is foreseen to be financed by SNEC/AFD SCCR Project.

2.2.1.3. CONSULTATION OF EXPORTERS FOR FINAL SELECTION OF MARKETS FOR IN-DEPTH STUDY

In the following weeks, the consultant team undertook the preliminary work of Phase I, reviewing data and information on international rice market. A synthesis of finding was prepared and presented to a broad workshop of exporters, which organization was facilitated by the FCRE at Intercontinental Hotel on 17 February 2014. The objective of the workshop was also to get inputs from exporters in order to finalize the choice of target countries for the in depth study (Phase II). Considering the interest of exporters for several target markets, SNEC and AFD have proposed during this meeting to extend the Phase II-B from two to three target countries.

2.2.1.4. FINALIZATION OF DELIVERABLES OF PHASE I AND SELECTION OF COUNTRIES FOR PHASE II

Agland has submitted a draft report of Phase I (“Analytical Snapshot Report”) in early March, and a finalized version dated March 17, 2014.

The report provides information on a list of 15 target countries, out of which a short list of 6 countries have been selected for the implementation of Phase II. See Table 13 below:

Table 13: Countries covered by the international market study

Countries covered by Phase I (overview)		Countries targeted by Phase II (detailed study)	
▪ France	▪ Brunei	Phase II-A	Phase II-B
▪ Netherlands	▪ USA	▪ USA	▪ Germany
▪ Germany	▪ Canada	▪ France	▪ Singapore
▪ United Kingdom	▪ Gabon	▪ China	▪ Cote d’Ivoire
▪ China	▪ Ghana		
▪ Malaysia	▪ Cote d’Ivoire		
▪ Singapore	▪ South Africa		
▪ Australia			

2.2.1.5. ISSUES REGARDING SNEC CONTRACT WITH CONSULTANTS FOR PHASE II-B

Administrative difficulties have been encountered in the process of contracting with Agland for this study as explained in the § 5.2.1.1. page 46.

2.2.2. CAMBODIAN RICE PROMOTION DINER IN TOPAZ

The project took part in the Cambodian rice promotion diner organized in Topaz restaurant on 23 January 2014. FCRE was among the main organizers of this event, attended notably by the Minister of Commerce, the Minister of Tourism and the EU Ambassador.

3. COMPONENT #3: PROMOTION OF CONTRACT FARMING AND ENHANCEMENT OF THE INVOLVEMENT OF FARMER ORGANIZATIONS IN PADDY COLLECTING AND PROCESSING

3.1. NEW CONTRACT FARMING OPPORTUNITIES BETWEEN FOS AND LORAN GROUP

3.1.1. FOLLOW-UP AFTER CANCELLATION OF FIRST CONTRACT WITH NIKUM PREAH SIHANOUK COOPERATIVE

The first contract for seed production signed in 2013 between Loran and *Nikum Preah Sihanouk* Agriculture Cooperative in Battambang has been cancelled because of flood³⁶. Yet the willingness of both parties to test a contract farming agreement remains. A consultative meeting took place at Loran rice mill on 28 January 2014 and focused on the possibility of the contract farming with FOs and the support of seed loan for FOs members.

3.1.2. BI-LATERAL CONSULTATIONS WITH FOS AND LORAN

Between 3 and 5 of March 2014, the team of Component #3 (together with two staff from PDA in Battambang) has conducted consultation meetings to discuss further about the contract farming and estimate the requirement of Sen Kraob seed loan needed by members with four FOs: *Kasekar Aphivat Sangkeum* cooperative, *Ponleu Thmey Kdey Sangkeoem Kasekar Khmer* cooperative, *Ponleu Thmey Kdey Sangkeoem O Taki* cooperative and *Svay A* FWUC.

On March 10, representatives of the project team (Mr Tith Samon together with the PMA) had a discussion in Phnom Penh with the President of Loran Group, Oknha Lim Bun Heng. Oknha Lim Bun Heng has confirmed that Loran would agree to supply seeds as a free loan as part of the contract with FOs (to be reimbursed at harvest time, with no interest charged)³⁷.

3.1.3. MEETING BETWEEN LORAN AND FOS IN BATTAMBANG

Another meeting was then organized on 18 March with Loran rice mill in Thmar Kaul with the participation of four interested FOs (*Nikum Preah Sihanouk* cooperative, *Ponleu Thmey Kdey Sangkeoem Kasekar Khmer* cooperative, *Ponleu Thmey Kdey Sangkeoem O Taki* cooperative and *Svay A* FWUC), two representatives of AQIP Seed Co., members of project team and of PDA-Battambang. Possibilities of a contract for the production of Sen Kraob paddy were further explored. The draft of contract was reviewed and printed so that FOs can take it to further discuss with their members.

Box 2: Some of the key features in the draft contract between Loran and FOs

- The contracts are for the production of Sen Kraob paddy, to be delivered to Loran rice mill no later than September 2014.
- Loran will supply quality seeds to FOs as a loan (at no cost) to be reimbursed after harvest.
- FO shall provide the list of members involved in the contract and the location of the fields.
- Price based on market price (mill gate) at the time of harvest.
- Quality criteria defined for 1st Quality (Purity rate \geq 88 %, Color bright and clean, Moisture content \leq 28%, Foreign matter, empty grains, etc. \leq 2%) and for 2nd Quality.

³⁶ Cf. Quarterly Executive Report #04, page 18.

³⁷ Oknha Lim Bun Heng made clear that this free loan was agreed to encourage the contracting and as part of a testing phase, but that Loran intends to charge interest for seed loans in the future, in one or two years.

Three FOs were still interested to take part in the contract after that meeting. It was agreed to finalize the negotiation in April. Besides, Loran and AQIP have discussed further the condition of delivery of seeds by AQIP to Loran rice mill.

3.2. SUPPORT TO HARVEST / POST-HARVEST AND PADDY COMMERCIALIZATION BY COOPERATIVES IN TAKEO

Based on the various meetings conducted with PDA in Takeo, with FAEC and FCFD and with agricultural cooperatives during the last quarter³⁸ of 2014, two districts (Angkor Borei and Tramkak) are considered for the implementation of pilot activities in Takeo, following the initial concept note addressed by the DAE to SNEC in May 2013, with slightly different approaches in the two areas.

Within this quarter, two missions were organized to Angkor Borei district, Takeo province:

- 1st mission: from 27-29 January 2014 with objectives to conduct the economic analysis on possible investments considered by four Agricultural Cooperatives. During this mission, 4 meetings with the management committee of 4 ACs were separately organized.
- 2nd mission: from 17-19 March 2014 with objectives to clarify some points related to interest of ACs on investment on equipment and to show the results of the economic analysis on the investment of selected ACs. During the mission, 4 meetings took place with management committee of 4 ACs (separately) and one meeting at *Sromok Sok Sen Chey* office with all management committee of 4 ACs was organized.

The following paragraphs present some key outcomes of the study mainly undertaken by Mr Sok Sarang (AVSF-CIRD-ADG team) and Ms Svay Samnang (DAE counterpart), with some participation of PDA Takeo. More details can be found in the “Report on feasibility study of rice collection and commercialization for Agriculture Cooperatives in Takeo Project”, dated February 2014 and following updates.

3.2.1. ANGKOR BOREI

3.2.1.1. CHARACTERISTIC OF THE AREA

Angkor Borei area is characterized by multiple rice crops in the year (in both dry season – mainly – and wet season), with an extensive use of non-photoperiodic varieties. Most of farmers grow at least two rice crops per year. A large portion of the paddy produced in the district is informally exported to Vietnam. Yet it seems that there would be a potential to sell it to rice mills in Cambodia.

3.2.1.2. COOPERATIVES IDENTIFIED AND CONFIRMATION OF INTERESTED COOPERATIVES

Four Agricultural Cooperatives were identified in three communes of Angkor Borei. They were all met by the team of Component #3. Based on the results from these meeting, two cooperatives of Angkor Borei have confirmed their interest (and have been judged relevant partners for the project):

- *Sromok Sok Sen Chey* Agricultural Cooperative
- *Ta Ey Rung Roeng* Agricultural Cooperative

These two cooperatives have expressed interest to invest (with their own funds + by taking a loan) in equipment such as Harvester and Truck (See Table 14 next page). Dryers and warehouse equipment could

³⁸ Cf. Quarterly Executive Report #04, pages 19-19.

also be useful but are judged less profitable by the cooperative leaders which would consider such investment only with a high level of subsidies provided by the project.

Table 14: Potential cooperatives in Angkor Borei district (Takeo) and investment project considered

Name of Cooperatives	Village	Commune	Interest confirmed	Investment project considered
Ampil Mean Chey	Ampil	Ponley	No	–
Sromok Sok Sen Chey	Sromok	Ponley	Yes	Harvester + Truck
Ta Ey Rung Roeung	Ta Ey	Ba Sre	Yes	Truck
Tamoung Rung Roeung	Tamoung	Tamoung	No	–

3.2.1.3. SRMOK SOK SEN CHEY AGRICULTURAL COOPERATIVE'S PROJECT

Sromok Sok Sen Chey cooperative has 78 members from 6 villages and its members have a surface of rice field of 156 ha. The cooperative has not yet started to commercialize paddy but need cash flow start up this activity. The cooperative owns a piece of land of 22 m × 60 m.

Short term rice varieties (notably IR 504) are the ones mainly used by the cooperative members, with high yields (around 6 t/ha), and two harvests per year. A part of the surfaces are also used for seasonal rice (one crop only). The production of the members is estimated around 1,500 tons of paddy per year, out of which a bit more than 300 tons is used for family consumption, leaving a surplus of nearly 1,200 tons, potentially.

Sromok Sok Sen Chey Agricultural Cooperative would primarily consider to invest its capital and borrow from a Financial Institution at affordable conditions in order to buy a harvester and truck and develop its activity of collect and selling of paddy. Investment in dryers and warehouse are seen as less attractive and less profitable, from the point of view of leaders. The summary of the analysis of costs and profit is shown in Box 3 below.

Box 3: Analysis of investment and profit/loss of proposed investments by Sromok Sok Sen Chey Agricultural Cooperative

Mr Sok Sarang and Mrs Svay Samnang have worked on an analysis of the investments and profit and losses for the project of *Sromok Sok Sen Chey* AC of investment on harvester and truck.

The analysis is based on the capacity of the cooperative to mobilize its own capital for an amount of around 5,000 USD and on a loan on a 5 years term at 8% of interest rate per year.

A. Capital	65,500 USD
1. Harvester Machine	45,000 USD
2. Truck	10,000 USD
3. Revolving fund and cash flow	10,500 USD
B. Analysis of profit and losses	
1. Total income	53,190 USD
2. Material expenses	22,191 USD
3. Gross profit	30,999 USD
4. Operational costs	14,284 USD
5. Interest rate of loan (/year)	4,433 USD
6. Reimbursement to bank	11,083 USD
7. Net profit (annual)	1,198 USD

3.2.1.4. TA EY RUNG ROEUNG AGRICULTURAL COOPERATIVE'S PROJECT

Ta Ey Rung Roeung cooperative was founded in June 2013. It has 75 members and its members have a surface of rice field of 150 ha. The cooperative has not yet started to commercialize paddy but is interested to develop this activities in relation with either local rice mills or with Vietnamese traders. The cooperative owns a piece of land of 30 m × 60 m.

65% of total land is lowland on which farmers grow IR 504 from January and start harvesting in March-April (one crop only on low land). The 35% remaining surface is upland rice field where farmers grow 2 times (and up to 3 times) IR 504. Only a small part of the upland is used to grow Phkar Rumdoul (1 time per year). Cooperative members would be able to produce and market about 1,100 tons of paddy annually.

Ta Ey Rung Roeung cooperative leaders told to the project team that they are not interested in investing in warehouse and dryer because the price of paddy is not so different even if we store for a few month, whereas there are risks of losses of quantities or quality while storing. Besides they mentioned that they can dry their paddy on the field. But the cooperative could be interested to invest in a truck in order to transport and sell paddy rice to Vietnamese traders or local rice mills in Takeo like Golden Daun Keo. The summary of the analysis of costs and profit made by Sok Sarang and Svay Samnang is shown in Box 4 below.

Box 4: Analysis of investment and profit/loss of proposed investments by Ta Ey Rung Roeung Agricultural Cooperative	
Mr Sok Sarang and Mrs Svay Samnang have worked on an analysis of the investments and profit and losses for the project of <i>Ta Ey Rung Roeung</i> AC of investment in truck.	A. Capital 19,955 USD
	1. Truck 15,000 USD
The analysis is based on the hypothesis of a loan of 15,000 USD on a 5 years term at 8% of interest rate per year .	2. Revolving fund and cash flow 4,955 USD
	B. Analysis of profit and losses
	1. Total income 27,300 USD
	2. Material expenses 10,300 USD
	3. Gross profit 17,000 USD
	4. Operational costs 12,395 USD
	5. Interest rate of loan (/year) 1,196 USD
6. Reimbursement to bank 2,991 USD	
	7. Net profit (annual) 418 USD

3.2.1.5. REMARKS AND NEXT STEPS FOR ANGKOR BOREI

The project team in charge of the feasibility study of pilot action in Takeo organized a final restitution meeting with the four³⁹ cooperatives pre-identified in Angkor Borei.

Four Board members of *Ta Ey Rung Roeung* cooperative took part in this meeting, but only the President of the Board of *Sromok Sok Sen Chey* cooperative attended (despite the meeting was organized at their cooperative office!) which is maybe not a very good sign on the interest of this cooperative (or on the ownership of their project, apart from the president). The interest of the cooperative as a whole will therefore have to be confirmed. The two other cooperatives did not attend the meeting which is considered as a lack of interest for the project proposed activities.

³⁹ See Table 14 in § 3.2.1.2. page 25.

During the meeting, the possibility to make joint investments (possibly by establishing a Cooperative Union) was considered, but leaders of the two cooperatives said that they are not ready to make joint investment but can collaborate together on paddy commercialization.

The next step for the work with these two cooperatives in Angkor Borei is to identify possible financing opportunities and the condition of loans that could be offered, and see what could be the project support regarding this access to finance (possibility to guarantee the loan, and/or to provide subsidies in order to lower the interest rate to a more affordable level) as well as soft support. Based on this a full action plan can be proposed and discussed with the cooperatives for final validation and implementation.

The Project Management Advisor has prepared a note⁴⁰ regarding proposed principles / policy regarding project subsidies to FOs' investments that will be discussed in April with Project team (Component #3) and AFD. Discussions planned in April will be important to clarify the project's "doctrine" regarding subsidies, in particular in the perspective of the pilot actions envisaged in Takeo province.

3.2.2. TRAMKAK

3.2.2.1. KEY FEATURES ABOUT PADDY PRODUCTION IN TRAMKAK AREA

The feasibility study was also partly implemented by Mr Sok Sarang and Mrs Svay Samnang in Tramkak district.

In Tramkak district, paddy production is mainly done in wet season. Fragrant rice varieties represent roughly 60% of the paddy produced in the area, with average yields between 2.5 and 4 t/ha depending on the area and on crop management and fertilizer use. Farmers sell dry paddy throughout the year, according to information gathered by the study team, either to local rice millers but also to Vietnamese collectors.

One exporter (Sok Keo Import Export Co., Ltd) has its rice mill located in Tramkak district.

3.2.2.1. PRELIMINARY IDENTIFICATION OF POTENTIAL COOPERATIVES IN TRAMKAK

Five cooperatives are identified in Tramkak district, listed in the Table 15 (opposite), with a potential to develop paddy commercialization. Some of them have already a warehouse and some experience in selling paddy (*Trapeang Sre Nge*, *Tipath Ponlork Thmey*). All these 5 AC are member either of FAEC or FCFD (or both for the case of Tipath).

Table 15: Potential cooperatives in Tramkak district (Takeo)

Name of Cooperatives	Village	Commune
Trapeang Sre Nge	Kro Nhong	Trapenag Sre Nge
Tipath Ponlork Thmey	Tipath	Chieng Torng
Taso	Taso	Oudomsorya
Kraing Bonteyay	Kraing Banteay	Samrong
Raksmeay Chrey Veng	Raksmeay Chrey Veng	Angtasom

3.2.2.3. ENVISAGED SUPPORT THROUGH FAEC AND FCFD

At this stage the feasibility has not yet explored the potential of these five cooperatives with as much details as for Angkor Borei area. Because all the five cooperatives identified are member of FAEC and/or FCFD, and because the project also intend to develop FO Federations' capacities to support their members in the commercialization of paddy, it has been agreed that a pilot could be implemented in Tramkak district with the FO Federations as the main implementing partner⁴¹ – yet with support from the project team. It is

⁴⁰ Note entitled "The question of subsidies to FO's investments: Proposed Principles", dated 18 March 2014.

⁴¹ For Takeo, FAEC would take the lead as indicated in the Table 12, page 18 in this report.

notably envisaged to support the creation of a Union of Cooperatives in Tramkak to scale up the volumes that could be marketed and thereof attract more interest from buyers. A more precise action plan will be developed with FAEC and FCFD for this purpose (See Part 1.4., pages 16-20 in this report).

3.2.3. PREY KABAS

During the 2nd mission to Takeo, on March 18, 2014, the study team visited one interesting cooperative (*Samaki Senprasream Cooperative*) at Prey Choeu Teal village, Prey Pado commune, Prey Kabas district, Takeo province. This AC was founded in May 2009 and up to now counts 99 members.

This cooperative has its own land (size of 18 to 28m × 110m, estimated value = 10,500 USD) and a warehouse (size 17m × 50m × 11.50m - construction cost is more than 50,000 USD).

Samaki Senprasream Cooperative warehouse under construction ▷



Samaki Senprasream Cooperative has received the support from Mini Rice Centre (MRC) Pilot Project by Agricultural Cooperative in Cambodia supported by JICA. More investments are planned by that project, which may include – based on information gathered from the cooperative:

- 1 rice mill,
- 2 dryers with a capacity of about 10 tons/day/dryer,
- 1 power generator.

In addition, with support of ADB through MAFF-DAE project, this AC got a warehouse with the size 5 m × 12 m (construction cost is about 20,000 USD). Up to now, this AC already borrowed money from ACLEDA 10,000 USD for 3 years with interest rate 19.20%/year. To request for this loan, President and Chairman of internal auditors of this AC provide their land certificates as collateral to ACLEDA.

SCCRP project could consider to work with this cooperative on “soft” inputs, such as:

- Facilitate loan request from banks (RDB) or MFIs with lower interest rate (for cash flow, notably),
- Build or improve the capacity of the management committee and their staff(s) (if relevant) in term of business plan development and management, accounting, internal audit ...etc.

This would require further investigation, in particular to ensure synergies with existing support received by this AC.

3.3. SUPPORT THE CREATION OF “PADDY SELLING GROUPS” WITHIN STUNG CHINIT AND TEUK CHHAR FWUCS

3.3.1. FINAL RESULTS OF SELLING BY PADDY SELLING GROUP

In Stung Chinit, the sales of paddy by Paddy Selling Group was already finalized since December 2013, with a total of 390 t of paddy sold⁴².

In Teuk Chhar, only 40 tons were sold at the end of Year 2013, and it was foreseen to continue to sell in January and February 2014⁴³. The PSG in Teuk Chhar actually continued to try to sell, but prices offered by

⁴² See details in Quarterly Executive Report #04, page 21.

millers and wholesalers for white rice varieties were not better compared to prices offered by local middlemen. So no additional sale was done and the volumes sold remain the same as in the previous report.

3.3.2. PREPARATION OF A FOLLOW-UP ACTION

3.3.2.1. WORKSHOP WITH FWUCS

On 27 February 2014, the Project Management Advisor met Mr Seng Sophak (ISC) with members of Component #3 team to discuss results and lessons from the Paddy Selling Group experience in 2013 and talk about perspectives for follow-up actions.

As the Farmer and Water Net (FWN) has expressed an interest to work with its members on issues related to paddy commercialization, it was suggested to organize a workshop with some leader of the Farmer and Water Net (FWN) and other Farmer Water User Communities (FWUCs) non-member of FWN.

A total of 11 FWUCs from 8 provinces took part in this workshop (See Table 16, opposite). This workshop has been organized in SNEC on 14 March 2014, with the objective of sharing the experience of PSG and to discuss possible perspectives of support to FWUCs regarding paddy commercialization.

Table 16: FWUC present in workshop on 14/03/2014

Provinces	Name of FWUCs
Kampong Thom	Stung Chinit
	Boeung Leas
	Angko
Kampong Cham	Teuk Chhar
Kampong Speu	O Veng
Pursat	Krouch Saeuch
Battambang	Ping Pong (Don Aov)
Siem Reap	Baray
Bantey Meanchey	Pralay Ekpheap
	Ponley
Sihanouk	Prey Nup

The presentation of Stung Chinit Paddy Selling Group experience by Mrs Rom Saroeun raised interest of participants, and the potential to replicate this experience with other FWUC was discussed. But some FWUCs representatives were not confident that they could mobilize members to sell important volumes together, while the experience shows that buyers' interest is raising if the PSG are able to supply significant quantities (starting from 100 tons, at least).

Possible roles of the Farmer and Water Net were also considered during the workshop. The FWN could notably gather profiles of Paddy Selling Groups (type of varieties and volumes available, period of harvest...) in order to promote them as paddy sellers to a larger scale and drive interest of millers/exporters. This effort of promotion of FOs as paddy collector and seller could be done jointly with FAEC and FCFD.

3.3.2.2. CONCEPT NOTE FOR FOLLOW-UP ACTION

Further to these discussions the ISC has drafted a concept note to propose follow-up action to consolidate Paddy Selling Groups in Stung Chinit and Teuk Chhar and extend the concept in 6 additional FWUCs: Tnoat Chum, Beung Leas and Angko (in Kampong Thom province), Po Pi Deum (in Bantey Meanchey), Don Aov (in Battambang) and Krouch Saeuch (in Pursat). The concept note was received by the project on 29 March 2014. The proposed action will be further developed and fine-tuned during the next quarter. It is foreseen that a contract will be signed with the ISC for implementation, tentatively from 1st of May 2014.

⁴³ Cf. Quarterly Executive Report #04, page 21.

3.4. SUPPORT TO ORGANIC PADDY PRODUCTION COOPERATIVES IN PREAH VIHEAR AND CONNECTION TO MARKET

The operational implementation of the pilot action with organic paddy producer cooperatives was already over at the end of December, but the contract of COrAA was still on-going⁴⁴. The beginning of this year has been used to review the results and lessons learnt from the first year of this pilot and to prepare follow-up activities.

3.4.1. EXPERIENCE REVIEW MEETING WITH CORAA AND AMRU

A meeting has been organized on January 6, 2013 in SNEC between the project team (Project Management Advisor and members of C#3 team), COrAA and AMRU (represented by its President Mr Song Saran and by its General Manager) in order to discuss the results of the procurement/purchase of paddy between the cooperatives and AMRU, and to analyze the difficulties met that explain the relatively disappointing results (for all parties) of the first season of organic paddy growing and procurement⁴⁵. The main conclusions of the discussion are summarized in the Box 5 below.

Box 5: Main conclusions of the meeting between COrAA, AMRU and project team in January 2014

For the last rice season, AMRU could buy only around 100 tons of organic paddy rice from the cooperatives at Preah Vihear province. Below are encountered problems and lesson learnt, proposition of AMRU from previous season and possible improvements for the coming years:

Encountered problems and lesson learnt from previous rice season:

➔ At cooperative level:

- Rice production techniques: farmers could not improve their techniques especially harvest and post-harvest techniques. As the result, the rate of broken rice is more than 50%.
- Harvesting techniques: lack of harvesting machine: hand harvesting to slow to optimize the time of harvest.

➔ At buyer level (AMRU):

- AMRU did not well organize internally its work with the cooperatives (lack of staffs to work with the cooperatives, whereas quality control was also not done by cooperatives).
- AMRU had to check all rice bags which took too much time.

Propositions of AMRU for improvements for the next season:

➔ For cooperatives

- Develop abilities of cooperatives to implement quality testing (moisture content, rate of broken rice, etc.). AMRU would then only have to cross check quality on larger batches of paddy gathered by the cooperative which would save a significant amount of time.
- Limit the number of farmers who have fields far from access roads to reduce difficulties and time spent to harvest and to transport the crop.

3.4.2. EXPERIENCE REVIEW MEETING WITH THE COOPERATIVES IN PREAH VIHEAR

In the following days, from 7 to 11 of January, COrAA has conducted an extensive consultation with cooperative members to review the experience and lessons learnt from 2013 implementation. Meetings were facilitated by Mr Seyla Cheam and Mr Phallyboth Chhim and involved 177 farmers.

⁴⁴ It has been extended until end of February 2014.

⁴⁵ Cf. Quarterly Executive Report #04, in particular § 3.4.4. page 24.

3.4.3. FINAL SYNTHESIS OF LESSONS LEARNT BY CORAA TEAM

CORAA team made its own synthesis of the findings of the review of lessons learnt. The team summarized the results of the consultation in a SWOT analysis table (See Table 17 below).

Table 17: SWOT analysis of the Organic rice production by cooperatives and linkage with buyers

Strength	Weaknesses
<p>Production</p> <ul style="list-style-type: none"> ▪ Strong cooperatives; ▪ More potential cooperatives to join CORAA; ▪ Over 1,000 tons of organic certified paddy were available; ▪ Farmers start being aware of aspect of organic agriculture and marketing scheme; ▪ Farmers mostly understand the post-harvest requirements (storage, harvesting, drying); ▪ Market demand (good quality rice); ▪ Seed selection, purity of paddy mostly good; ▪ Paddy quality improvement (Seed, post-harvest, field care taking); ▪ Healthy food; ▪ Mini-organic fair successfully conducted. <p>Marketing / Procurement</p> <ul style="list-style-type: none"> ▪ Networking with several traders and buyers for both local and export market; ▪ Consumers are increasingly aware of organic products; ▪ Increased demand of organic rice during the year in the local market; ▪ More interest among consumers (based on organic fair); ▪ CORAA Organic certification mark recognized by some consumers. 	<p>Production</p> <ul style="list-style-type: none"> ▪ Not enough labor available to conduct transplanting and harvest on time; ▪ Poor storage management; ▪ Slow work during harvesting; ▪ Lack of machines and equipment for production and harvesting; ▪ Farmers are less concerned about the weather during harvest time, many do not give attention to weather forecast on the radio; ▪ Cooperative management needs more improvement ▪ Collaboration among coop members not strong, not well developed. <p>Marketing / Procurement</p> <ul style="list-style-type: none"> ▪ Buyer did not follow MoUs; ▪ Some criteria for paddy quality (Moisture content, Purity, percentage of broken grains) need to be defined more clearly in the MoU, also respective deductions for price for good quality; ▪ Trader not well-prepared for the procurement; ▪ Low confidence among producer groups/cooperatives; ▪ Lack of clear and efficient methods for paddy testing during procurement; ▪ Low investment on organic production; ▪ Concept of long-term partnership with farmers not appreciated.
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Support from Gov't (stated in new government policy, as stated in the Rectangular Strategy III); ▪ Increased demand from importing countries; ▪ Niche market can be tapped; ▪ Supply for export markets is available; ▪ Cambodia won the World Rice Best Award 2012 and 2013 (organic rice can utilize this as well). 	<ul style="list-style-type: none"> ▪ Vietnam promotes organic rice production as well; ▪ More market competition (price); ▪ Cost of production is high compared to Thailand; ▪ Awareness among consumers on CORAA-certified products is still limited. There are several products with organic claim in the local market but without any proof; ▪ No national organic standard; ▪ Lack of regulations to protect the organic sector; ▪ No enforcement of laws; ▪ Short-term project support only; ▪ Cambodia could lose the Most Favored Nation (MFN) status), also EBA from the EU.

Source: CORAA (Note that this table reflects only CORAA own appreciation).

Among the main elements considered for improvement, one can underline:

- Improvements necessary on quality seed supply: COrAA will work with farmer cooperatives to identify seed growers in every cooperative in order to improve seed purity.
- Concerning labor shortage during harvest season, COrAA will encourage the cooperatives to find out partners to hire the hand harvester machines (reapers) in order to accelerate the harvest and thereof improve the quality of paddy (conducting harvest at the optimum of paddy ripening improves the quality of paddy, in particular reduces the rate of broken kernels).
- Concerning the lack of storage facilities, farmer cooperatives need to improve short term storing condition to make sure that the paddy quality after cut will not be spoiled by the weather.
- COrAA will find link to additional companies who are interested in organic paddy and are willing to enter a long-term partnership to supply both local and internal market. As proposed by the cooperatives, two buyers at least will give them more advantages and more secure.
- Last but not least, COrAA will work with buying partners since earlier as rice production start to build up confidence and reliance both producers and traders. The quality of paddy should be taken care since earlier stage of seed selection till harvesting.

3.4.4. PREPARATION OF A FOLLOW-UP ACTION

Based on the lessons learnt from this first year, COrAA has developed a first draft of concept note for a follow-up action for 2014 wet season crop. A first draft sent to the project on January 23, 2014. Comments by project PMA were sent on 12 February. The concept note was then discussed on 26 February in SNEC with C#3 team leader and PMA. The proposed action indeed focuses on the necessary improvements to address issues and take into consideration lessons learnt from the first year of implementation. It also envisages some scaling up which are challenging but yet relatively necessary to maintain the interest of buyers, and in particular exporters such as AMRU who cannot engage in the marketing of organic rice for small volumes.

A more detailed proposal was then prepared and sent to the project team in the middle of March 2014. Extensive exchanges and discussions continued based on the proposal, leading to various amendments.

Preparation and negotiation of a contract for the implementation of follow-up action will take place in April 2014, for an expected start in May.

3.5. PARTNERSHIP WITH GOLDEN RICE ON CONTRACT FARMING APPROACH

3.5.1. A PARTNERSHIP RELATION A BIT “CHAOTIC”

In December 2013, Golden Rice has proposed perspectives of contracts with Farmer Organizations for the production of Sen Kraob paddy. The possibility to guarantee a minimum price of 1,200 KHR/kg was even mentioned by Golden Rice President during the meeting on December 2, 2013⁴⁶. Golden Rice also said that they would source quality Sen Kraob seeds and provide them to FOs.

Besides it was also agreed to organize, at Golden Rice mill, a training of FO leaders on quality control methods. Details of the training were discussed with Golden Rice. It was even foreseen that the training would take place in the end of December, but Golden Rice has decided to postpone the implementation of this activity⁴⁷.

⁴⁶ Cf. Quarterly Executive Report #04, § 3.5.2. pages 25-26.

⁴⁷ Cf. Quarterly Executive Report #04, § 3.5.3.1., page 26.

In the beginning of this Quarter, the project team tried to follow up and facilitate the implementation of the perspectives agreed in last December. But Golden Rice has progressively moved backward.

- In an e-mail dated 6 January 2014, Mr Him Chantha (Golden Rice) has indicated that Golden Rice still has the intention to supply for free some small quantities of seeds to FOs and to promise to buy the paddy produced at harvest with a minimum price of 1,200 KHR/kg, but with no formal contract (no written agreement). From the project point of view, the facts that agreement between FOs and buyers are not formalized is not satisfactory because verbal agreements can always be subject to interpretation and dispute, and also because it is difficult to document the process and draw lessons afterward.
- On 13 January, Golden Rice has informed that finally they were not able to get the quality seeds of Sen Kraob from Vietnam, and then recommend that FOs manage by themselves with AQIP Seed the procurement of Sen Kraob seeds.
- Later on Golden rice informed that they would not be in position anymore to guarantee a price for Sen Kraob paddy because there was no order for export yet.

3.5.2. CLARIFICATIONS AND PROVISION OF FORMAT OF CONTRACT TO GOLDEN RICE

At that stage, the Project Management Advisor asked for a meeting with Golden Rice in order to clarify the situation and intentions of the company. The meeting took place on January 15. Golden Rice has confirmed its intention to pursue the preparation of contract with FOs and asked the project for samples or format of contracts.

On 20 January the Project Management Advisor has sent to Golden Rice a Form of Contract (in English) in order to provide ideas on possible structure and content of contracts with FOs. Golden Rice has expressed its will to have simple and short contracts. But on the other hand, the project has insisted not to make things complicated but still to address details. As stated in the e-mail addressed to Golden Rice: “We believe it is quite important to be clear on the details of the deals (quality, process for delivery and payment, etc...) in order to avoid misunderstanding that would lead to dispute.”

3.5.3. VISIT OF GOLDEN RICE IN STUNG CHINIT

On 23 January 2014, Golden Rice has visited Stung Chinit irrigation scheme in order to check the suitability of the area for Sen Kraob production. AQIP Seed Company also took part in the visit, which organization was facilitated by the project team and the ISC. The team has notably visited the fields of Mr Ta Hay, a farmer already producing Sen Kraob in Stung Chinit area. A discussion with farmer took place then at the office of Stung Chinit FWUC in Kampong Thmar.

Mr Ta Hay provide explanation on his crop during the field visit ▷



Opportunities of contracts were discussed during the meeting in FWUC office but without clear timing because Golden Rice could not yet figure out when they would be able to source quality seeds. AQIP Seeds also mention that they would be able to supply seeds to Stung Chinit FWUC and to provide training, but

with a minimum order of 100 tons⁴⁸ of seeds, which is far above the needs of farmers at this stage as they would be interested only to test Sen Kraob variety.



△ Comments made by Mr Sak Choenn (AQIP Seeds) during visit with Golden Rice Co. in Stung Chinit (Sen Kraob rice field) on January 2014.

3.5.4. BACK ON A POSITIVE TRACK?

In practice there was not much progress on the preparation of contracts by Golden Rice in February and early March, and the concerns expressed in the § 3.5.1. (p. 32-33) were still actual. An e-mail was sent by the Project Management Advisor to Mr Sok Hach, President of Golden Rice, on March 11, 2014, in order to raise the project team concerns about the “erosion” of Golden Rice commitments. Further to this, Golden Rice has proposed a meeting with project PMA and AFD Director⁴⁹. The meeting took place on March 18, and on that occasion Golden Rice President has clarified the intention of the company as follow:

- Golden Rice still intends to supply seeds of Sen Kraob to some Farmer Organizations. This will target only few FOs considered by Golden Rice as having a high potential (i.e. capacity to produce Sen Kraob on large surfaces to be able to grow and supply significant volumes of paddy.
- This will be in limited quantities as the purpose for this first year will be only to test and confirm the ability of producing Sen Kraob in the area. On that day, Golden Rice President said that the signature of a formal contract is not seen as necessary as Golden Rice will provide the seeds for free and the only engagement from the producer side shall be to let Golden Rice monitor the field in order to follow up the crop and have its own evaluation of the suitability of Sen Kraob variety for the area. The farmers may propose to Golden Rice to buy back the paddy, but there would be no obligation to do so.

⁴⁸ Minimum quantity to get the free training.

⁴⁹ AFD Director's attendance was justified because of the commitment taken by Golden Rice regarding the signature of contract with Farmer Organizations for paddy supply as part of the conditions of the loan agreement signed with PROPARCO. Cf. Quarterly Executive Report #03 page 21.

Regarding the training of FO leaders on paddy quality assessment, Golden Rice has suggested⁵⁰ to re-schedule them around the end of May.

3.6. PARTNERSHIP WITH BRICO ON CONTRACT FARMING APPROACH

3.6.1. DIRECT SELLING BY FO TO BRICO

Further to last quarter meetings, Mr Kunthy Kann told the Project Management Advisor that BRICO has bought hundreds of tons of paddy from the Farmer Organizations they have met through project activities, in late 2013 or January 2014 (but no detailed information has been made available).

3.6.2. PREPARATION OF CONTRACT FARMING

3.6.2.1. REVISION OF THE DRAFT CONTRACT

In early January 2014, the Project Management Advisor has undertaken a comprehensive review and improvement of form and wording of the draft contract between BRICO and FOs (English version). Dialog continued with BRICO, whose Executive Director proposed to introduce a bonus of +0.50 USD/t in addition to the proposed pricing system if the full volumes committed by contract are delivered by the FO.

3.6.2.2. CONSULTATION WITH FO MEMBERS

Following the meetings between BRICO and FO leaders in the end of year 2013, the team of Component #3 took part in information and consultation meetings with four FOs⁵¹ (one by one), on 27-28 January 2014. The objective of these meetings was to explain more detail about the contract farming scheme, the obligation of buyer (BRICO) and suppliers (FOs) and presented the draft contract farming agreement. The main request raised by FO members during these meetings was about the need to address the difficulty to access quality seeds of Sen Kraob variety in order to reach BRICO quality requirements.

In follow-up discussion with BRICO, it was agreed that the company could ease the supply of seeds, but would not be able to provide a loan for that: FOs would have to pay the seeds cash at delivery.

3.6.2.3. REFLEXION ON PRACTICAL MANAGEMENT OF COLLECTION AND SUPPLY BY FOS

In parallel of the discussion on the terms of the contract, the project team started to reflect on the internal organization the FOs need to set in order to be able to implement the contract efficiently, and what this organization will require and will cost.

The PMA has provided some preliminary elements of reflection on this (See Annex 3), prior to a meeting of C#3 team (including DAI counterpart officer) on 3 February 2014.

Various issues have to be addressed:

- Logistic issues in order to optimize the collection and delivery process (taking into account the objective of delivering the paddy at BRICO mill within 24 hours after the harvesting).
- Financial issues, in particular if members expect to be paid as soon as they deliver the paddy to the FO, whereas BRICO will pay by bank transfer after receiving the paddy: calculation of the cash flow need to cover at least 3 days of delivery at the peak of harvest.

⁵⁰ Cf. David Sok e-mail dated 24 March 2014.

⁵¹ *Char Meanchey* Agricultural Cooperative, *Kdey Sangkoeum Kaksekar Khmer* Agricultural Cooperative, *Pet Sat Doeumbey Akpivat Kaksekar* and *Kasekar Akpivat Sangkum* Agricultural Cooperative.

- Human resources issues: need for the FO to clearly identify who will be responsible for what, possibly share the roles and responsibility to avoid overload of work for FO leaders.
- Administrative and accounting issues (develop format for registers, delivery certificates, invoicing, etc...).

Preliminary reflection on these issues has started, but procedures and tools still have to be further developed in detail with FO leaders in close coordination with the buyer (for the contract with BRICo as well as for other contracts). It might be needed to mobilize additional expertise in managerial capacity building of FOs to address these challenges⁵².

3.6.2.4. SEEDS SUPPLY ISSUE

The project took part in a discussion between BRICo and AQIP Seed, in SNEC, on 5 February 2014, in order to assess the ability of AQIP to supply quality seeds of Sen Kraob and discuss the price and conditions of delivery. An agreement on the principle was reached and will be confirmed once exact volumes required are known.

3.6.2.5. FURTHER DISCUSSIONS WITH BRICo AND FINE-TUNING CONTRACT WORDING

Exchanges continued with BRICo Executive Director and a meeting took place at BRICo office in Phnom Penh with PMA and Mr Tith Samon on 19 February 2014. Mr Kann Kunthy has confirmed that BRICo would not be able to provide seed loans to FOs. But he accepted the possibility to provide short term advance payment (2-3 days before the first day of harvest) so that the FO can have the cash flow to pay its members immediately when they deliver the paddy.

Then the project team had meeting on 28 February 2014 with senior counterpart officer of DAI to complete the verification of draft final contract farming in English version and sent to BRICo's representative on 3 March, 2014 for crosscheck and comments. The key points revised were the criteria of first and second quality, setting the price of paddy, the harvest and transportation, the cases of natural disaster risk and the process for conflict resolution. Until the end of this quarter, BRICo did not yet provide feedback on this edited version of the contract.

3.6.2.6. MEETING WITH FO LEADERS

On 19 March 2014, another meeting with the leaders of FOs interested to engage in contract with BRICo took place to further discuss practical issues regarding the implementation of the contracts at FO level, and to update FO information on BRICo decision regarding seed supply (support the organization of the purchase, but no credit on seeds). Only two FOs took part in that meeting: *Kdey Sangkoeum Kaksekar Khmer Agricultural Cooperative* and *Pet Sat Doeumbey Akphivat Kaksekar*.

3.6.2.7. BRICo RECRUITMENT OF A CONSULTANT TO DEVELOP THE COMPANY CF STRATEGY

On March 24, 2014, Mr Kann Kunthy has shared with the project the terms of reference for the recruitment by BRICo of a consultant to develop their strategy for contract farming with Farmer Organizations. This recruitment is a very positive sign of the interest of BRICo to further develop contract farming with FOs.

⁵² See also § 3.10.2.1. p.39.

3.7. POTENTIAL PARTNERSHIP WITH GOLDEN DAUN KEO RICE MILL IN TAKEO

In March 2014, C#3 team (Mr Sok Sarang) met Golden Daun Keo to gather information as part of the feasibility study for pilot activities in Takeo. The company has provided information on the type of rice they are collecting and in which period of the year. Golden Daun Keo is mainly interested by:

- Early rice variety: IR 504 and IR 66;
- Fragrant photoperiodic varieties: Phkar Rumdoul and Phkar Malis.

Possible partnership was not discussed further up to now.

3.8. OTHER ACTIVITIES RELATED TO NETWORKING AND POTENTIAL PARTNERSHIP

3.8.1. MEETING WITH PILOT SEED MULTIPLICATION PROGRAM UNDER IFC RICE SECTOR PROJECT

On 7 February 2014, Mr Sok Sarang (team leader of AVSF-CRID-ADG team on C#3) and Jean-Marie Brun (SNEC/ IRAM PMA) have met Mr Seak Soly, in charge of the Pilot Seed Multiplication Program conducted as part of IFC rice sector project. Mr Sem Viryak (IFC Associate Operation officer) also took part in that meeting, which purpose was to exchange more information about what both projects are doing at the production level⁵³.

ISC team explained that 7 rice mills and 2 seed firms cooperate within their seed multiplication project. In the 1st year of the project implementation (2012-2013), 27 farmers cooperated with rice mills and could produce seed more than 40 tons. In the 2nd year of the project implementation (2013-2014), 164 farmers have cooperated with the project to multiply seed on more than 217 ha. As the result, around 400 tons of rice seed were produced. Most of the rice seed multiplied has sold to the cooperated rice mills.

Among the conclusion of this discussion, an opportunity of promotion of contract farming with some of the millers involved in this IFC program was identified (building on the fact that they should have quality seeds available), notably for Sour Kheang rice mill in Kampong Cham and Chun Thom rice mill in Prey Veng. The SCCRP project team plan to organize a visit of these two rice mills, in April or May 2014.

3.8.2. MEETING WITH FORTE ON INDEX-BASED CROP INSURANCE

On 6 March 2014, the Project Management Advisor, together with Mr Tith Samon (AVSF-CIRD-ADG team) has met with Mr Chamroeunrith Youk⁵⁴, Director of FORTE Insurance and Mr Lyhoung Ny, Assistant Manager. Representatives of FORTE Insurance have presented a pilot of index-based crop insurance that FORTE has started to establish and implement in two districts of Battambang.

Insurance policies are proposed to farmers with two options of sum insured (350 and 500 USD/ha)⁵⁵ and cover three types of weather risks:

- Excess rainfall,
- Water deficit,
- Dry day index.

According to FORTE presentation during the meeting, the premium charged to clients is around 60 USD/ha which sounds still relatively expensive, or at least difficult to sell to farmers.

⁵³ IFC and SNEC/AFD project have a close coordination regarding the issues of sector organizations and export promotion activities, but there was a need to up-date information on projects' activities at production level.

⁵⁴ Mr Chamroeunrith Youk is also the chairman of the Board of BRICo.

⁵⁵ Amount shown in an up-dated version of the presentation document provided by FORTE after the meeting. Coverage presented during the meeting was around 400 USD.

The Project has suggested (during the meeting and by further exchange of e-mail on 25 March 2014) an adjustment of the amount covered and premium in order to cover only the value of seeds, within the same ratio premium/amount covered, in order to possibly embed the insurance within farming contracts that include provision of seeds by the buyer, for him to cover the risk of not being reimbursed of the value of seeds if the crop is destroyed by natural disaster. In contract farming, millers are often reluctant to supply the seeds in advance because they fear the risk of not being repaid, notably if the crop is affected by natural disaster. To cover this risk could be a way to alleviate this constraint and encourage seed supply as part of farming contract. The lower value of insurance premium per farmer leads to higher transaction costs, but this could be compensated by the facts that insurance contracts would be made through FOs as part of contract farming (bulk sale of insurance contract). But FORTE replied that they are not interested to make such adjustments at present and expect the project to consider their existing insurance product.

3.9. KNOWLEDGE MANAGEMENT AND CAPACITY BUILDING

3.9.1. TRAINING OF DAI AND DAE COUNTERPART IN THAILAND

In January, SNEC project team has been informed of a one-week training workshop on contract farming organized in Thailand by GIZ. SCCR Project has been proposed to register and take in charge two participants from MAFF (and counterparts of the project): Mr Yi Bunhak from the DAI and Mr Ouk Saroeun from DAE.

Initially scheduled from 26 to 30 January, the training has been postponed due to political situation in Thailand (demonstrations). It finally took place from 2 to 6 March 2014.

Mr Yi Bunhak and Mr Ouk Saroeun have produced a brief report after they returned from the training, and it is planned to organize a workshop (in early May) to share this experience with the project team and with PDAs of provinces where the project is implementing pilot activities.

3.9.2. STUDY ON EXISTING PRACTICES OF CONTRACT FARMING IN CAMBODIA

Following to the proposal by ADG⁵⁶ two students (Ms Selvie last year student in Master degree at Gembloux University and Mr Oern Rathana, 4th year BSc. student at Prek Leap National Agricultural College) have been mobilized to undertake this study since early February 2014. A kick-off meeting of the study took place in the DAI Office on February 4, 2014. A follow-up meeting was also organized on 28 February.

It was initially considered to mobilize CIRD Director, Mr Prak Sereyvath, to take the role of team leader for this study on a part time basis, and a contract with CIRD was drafted and submitted to AFD non-objection on 13 February. The process took some time, and in the meantime CIRD has informed that due to personal matters CIRD Director was not able to undertake this task anymore. As CIRD failed to find a replacement for him, the process for contracting CIRD for this purpose was stopped. Subsequently, it has been agreed that the scope of the study would be narrowed down and that Mr Christophe Goossens (ADG) would be entitled to spend few days (5 to 6) on the time allocated for his position in AVSF-CIRD-ADG contract to provide advices to the students. The project will also contribute some transportation costs for the field surveys.

In addition, it has been proposed to mobilize one additional officer of the Department of Agro-Industry to take part in this study, in order for the DAI to gain knowledge and ownership on the study result. Mr Chea

⁵⁶ Cf. Quarterly Executive Report #04, § 3.8. page 30.

Sopheak, vice-chief of the Agro-Industrial Development Office in DAI has been appointed for this purpose and the MOU between SNEC and the DAI has been amended accordingly⁵⁷.

Preliminary results from the study are expected to be available at the end of next quarter.

3.10. GENERAL COORDINATION OF THE COMPONENT #3

3.10.1. MONTHLY COORDINATION MEETINGS

Regular coordination meeting of the Component #3 took place, on a monthly basis, to review progresses of activities and plan actions for the following month. Meetings were coordinated by Sok Sarang on 14 of January, 12 of February and 11 of March. Aside of planning purpose, these meetings are also occasions to discuss the Component #3 implementation approach.

3.10.2. ISSUES WITH C#3 “TECHNICAL SUPPORT AND MONITORING UNIT” (AVSF-CIRD-ADG TEAM)

3.10.2.1. CONCERNS REGARDING THE CAPACITIES OF THE TEAM

Concerns have been expressed by SNEC project team to AVSF country director (as responsible for the AVSF-CIRD-ADG consortium) regarding the abilities of the team to undertake some of the tasks expected from the “Technical Support and Monitoring Unit”. Progresses of development and implementation of pilot actions have been found relatively slow and the ability of some members of the team to work on the capacity building of FO leaders on the management of paddy commercialization operation are put in doubt by the difficulties to develop budgetary simulation tables with FOs to plan the expenditures that will have to be engaged in commercialization operation and calculate gross margin that FOs shall retain to cover those costs.

The Project Management Advisor had a meeting with AVSF on 26 February to discuss these issues. Informal exchanges also took place with CIRD director. AVSF-CIRD-ADG consortium took note of the remarks, share some concerns, and replied that they will try to commit more time to provide backstopping to the team in order to improve its capacities and performances.

3.10.2.2. REPLACEMENT OF MR CHRISTOPHE BOSCHER

On 12 March 2014, AVSF country director (Mr Min Sophoan) has addressed a letter to H.E. Ros Seilava, SNEC Project Director to request the replacement of Mr Christophe Boscher (International Backstopping Consultant) by Mr Gaylord Robin. The reason for this change is that Mr Boscher will be mobilized on a full time basis by another project.

The experience of Mr Gaylord Robin has been judged satisfactory and a positive point is that he will be based in Cambodia and thereof it will be much easier to mobilize him on-demand and for more regular inputs, whereas Christophe Boscher was based in Senegal and had to concentrate his supports in 4 to 6 weeks missions.

A request for non-objection on this replacement has been sent by SNEC to AFD on 24 March 2014, and the non-objection was given by AFD on 27 March 2014. An official notification will be sent to AVSF in early February.

⁵⁷ Addendum No 1 to the MoU No CKH-1077-MOU-C#3-DAI 2013-01. This Addendum has been signed on 31 March 2014.

3.10.3. NOTE ON PROJECT POLICY ON SUBSIDIES

The Project Management advisor prepared a discussion note (dated 18 March 2014) about the project policy regarding subsidies to FOs investments. This note will be discussed in April with C#3 project team, SNEC and AFD.

4. COMPONENT #4: UP-GRADING THE RURAL DEVELOPMENT BANK

4.1. MISSION OF BANKING CONSULTANTS

4.1.1. KPMG REPORT AND STEERING COMMITTEE

4.1.1.1. KPMG REPORT

KPMG has provided a compilation of reports for most of the tasks defined in the Terms of Reference of their mission (See Table 18, Checklist of deliverables). Two elements were still missing at the end of this quarter: reports of the Task A.6. (Strengthening Legal Department) and of Task B.4. (Develop Overhaul Operation Manual).

For the Part C (Training) we understood that KPMG proposes itself to deliver the training, and we did not see any alternative proposition of other competent Training Providers (C.3.).

Regarding the Task A.1. a procedure template for client risk analysis is still missing, and for Task A.5. it is expected that the consultants goes further in the development of a draft Code of Conduct.

Table 18: Checklist of KPMG deliverables

Tasks	Check
A.1. Establish Risk Management Framework	<input checked="" type="checkbox"/>
A.2. Establish Compliance Framework	<input checked="" type="checkbox"/>
A.3. Develop AML/CFT Policies and Procedures	<input checked="" type="checkbox"/>
A.4. Develop Environmental and Social Policy	<input checked="" type="checkbox"/>
A.5. Develop Code of Conduct and Ethics Committee	<input checked="" type="checkbox"/>
A.6. Strengthen Legal Department	<input type="checkbox"/>
B.1. Strengthen IT Department	<input checked="" type="checkbox"/>
B.2. Redesign Credit Function	<input checked="" type="checkbox"/>
B.3. Review Human Resources Policy	<input checked="" type="checkbox"/>
B.4. Develop Overhaul Operation Manual	<input type="checkbox"/>
B.5. Recast the Global Organization	<input checked="" type="checkbox"/>
C.1. Determine Training Requirements	<input checked="" type="checkbox"/>
C.2. Develop Training Programmes	<input checked="" type="checkbox"/>
C.3. Select Training Institutes and Providers	<input type="checkbox"/>
C.4. Estimate Training Costs	<input checked="" type="checkbox"/>

4.1.1.2. FINAL STEERING COMMITTEE OF KPMG MISSION

The final steering committee of KPMG mission took place on 18 February 2014 at RDB. KPMG team has presented a summary of its recommendations to the members of the Steering Committee, including H.E. Son Koun Thor, President and CEO of the Rural Development Bank.

In addition to the recommendations, KPMG has underlined the need to define priorities taking into account the RDB size, mandate and the financial resources it can allocate to implement the recommendations.

4.1.2. MEETING ON THE STRENGTHENING AND DEVELOPMENT OF RDB IN MEF

The Ministry of Economy and Finances organized a meeting focused on strengthening and evolution of the Rural Development Bank. The meeting took place in MEF on March 27, 2014. It was chaired by H.E. Vongsey Vissoth and attended by several officials from MEF, and from RDB (including member of the Board of Director of RDB and senior officers). SCCRP Project Director, H.E. Ros Seilava took part in the meeting together with Project Coordinator and Project Management Advisor. KPMG was invited to present results of its support mission.

In his introduction, H.E. Vongsey Vissoth has enhanced the commitment of MEF to reform RDB and the ambition to strengthen and scale up RDB and develop its role as an important institution to support the

development of the agriculture and rural sector, and in particular of the rice sector. He recalled that RDB has played a very important role at the early stages of the development of microfinance sector in Cambodia. Now MFI are very developed and have access to various financial resources. Therefore the need for RDB to support this sector has been reduced, but there might be other needs to address now. In particular, MEF vision for RDB is to become a major financial actor for agriculture development. H.E. Vongsey Vissoth has also highlighted that the development of the agriculture sector might not be left to private banking sector only but that the agriculture development policies may require some specific financial support and RDB could play this role, with its specificity as a development bank⁵⁸.

H.E. Vongsey Vissoth has also confirmed that the intention of MEF is not to convert RDB to a Commercial Bank, but to keep it as a specialized bank or a financial institution dedicated to be used as a support to development policies.

RDB (H.E. Son Koun Thor) took the commitment to prepare an action plan by the end of April 2014 to define the roadmap for implementation of KPMG recommendations.

MEF will establish a taskforce to work on the reform and scaling-up of RDB, which will be led by H.E. Mey Kalyan. The SCCRP project will be associated to this taskforce. Last, H.E. Vongsey Vissoth have informed that if there is too much reluctance to change in RDB and if needed reforms cannot actually take place, the “Plan B” will be the creation of a new financial institution for agricultural development.

Whereas concerns have been expressed earlier by the project management team about the ownership and appropriation of KPMG recommendations, the orientations enhanced during this meeting have been seen as a very positive signal and demonstrate the Government and in particular MEF interest and commitment to actually strengthen RDB.

4.2. MISSION OF LEGAL CONSULTANTS

No progress on this mission. The statement made in the previous quarterly report⁵⁹ remains valid: to date, DFDL has only drafted a memorandum on Conversion from Specialized Bank to Commercial Bank, dated September 10, 2013.

RDB shall follow-up on the contract⁶⁰ with DFDL and consult with AFD and SNEC on the measures to take to finalize the implementation of the consultancy or to terminate the contract.

4.3. DEVELOPMENT OF A CREDIT MECHANISM DEDICATED TO FARMER ORGANIZATIONS

4.3.1. RECRUITMENT OF HORUS DEVELOPMENT FINANCE AND RECALL OF THE OBJECTIVES OF THE MISSION

During the previous quarter, Horus Development Finance has been recruited⁶¹ to undertake a consultancy mission for the development of a credit mechanism dedicated to Farmer Organizations. The mission is planned to be implemented in two phases:

⁵⁸ This is very much in line with the proposed initiative of setting up a dedicated credit mechanism for Farmer Organizations, align with the strong policy focus on FO/Cooperatives development and taking into consideration the major obstacle of difficult access to finance for FOs.

⁵⁹ Cf. Quarterly Executive Report #04, page 31.

⁶⁰ RDB is the signatory of the contract with the consultant (the management of banking and legal consultants as part of Component #4 was delegated by SNEC to RDB, on the request of RDB and AFD, since 1st February 2013 (SNEC letter No 002/13 កញ្ញា/កម្ពុជា). That letter states that, as a signatory of the contracts with consultant, RDB will bear the responsibility on the management of the consultants and on the quality of outputs.

⁶¹ Cf. Quarterly Executive Report #04, page 31 and page 35.

- **Phase 1:** (Unit #1) Confirm the option of a credit mechanism hosted by RDB. Under this phase, the consultant is expected to:
 - Develop a credit mechanism and design the credit offer(s), in consultation with the project coordination team in SNEC, the Rural Development Bank (and banking consultants working with RDB), MEF, and relevant Federations of Farmer Organizations.
 - Propose options/scenarios and validate them with relevant stakeholders regarding the risk management of the loans and/or of the portfolio of loans to FOs with alternatives to physical collateral (see the list of risk management measures tentatively mentioned in the ToR of the mission).
 - Assess the possibilities and conditions required to channel a portion of the existing “Agriculture Support and Development Fund” (ASDF: currently 36 million USD) as the capital to be used for the credit to FOs.
 - Assess the costs/the economy of the portfolio of loans to FOs (refinancing costs, transaction costs...) and cost coverage (interest rate, structural subsidies required or balance of the cost based on the overall management of the Agriculture Development Fund Portfolio...).

- **Phase 2:** Depending on the results of Phase 1 and subsequent decision by the relevant stakeholders (SNEC, MEF and RDB, mainly), the second Phase could be dedicated to one out of the two following Units:
 - Unit #2: Set up the implementation of the credit mechanism hosted by RDB.
 - or
 - Unit #3: Assess and develop alternative scenarios with micro-finance institutions.

The contract between SNEC and Horus Development Finance has been signed on 10 February 2014.

4.3.2. IMPLEMENTATION OF PHASE 1

The field part of the implementation of the Phase 1 was conducted from 10 to 21st of February. The mission was led by Mrs Christine Westercamp (Team Leader), associated with Ms Dannel Liv and backstopping inputs by Mr Kang Chandarot.

During the mission, Horus team has met SNEC project team (including Project Director, Project coordinator, PMA and members of C#3 team), RDB, MEF, representatives of Farmer Organizations, and notably members of FAEC and FCFD boards, and other stakeholders such as micro-finance institutions (Vision Fund, Amret, Chamroeun, AMK, PRASAC) and bank (ACLEDA). A field visit was also organized in Takeo province to meet Farmer Organizations in order to better assess their financial needs.

A debriefing was done with the consultants at SNEC with Mr Ung Luyna, Project coordinator and Mr Jean-Marie Brun, PMA. The consultant has presented 3 possible scenarios to develop a credit mechanism for Farmer Organizations:

- **Scenario 1:** The credit to FOs is managed by a partner Financial Institution (such as a MFI), and RDB is used to refinance the MFI at a preferential rate for this specific portfolio (using the ASDF). A Guarantee Fund could also be created and hosted by RDB. Possibly, the system could also mobilize AFD’s ARIZ mechanism to guarantee a part of the loan. FO Federations would be involved in providing information on potential borrowers and screening their eligibility. They could also contribute to the Guarantee Fund to engage their responsibility and give credit to their pre-screening of clients.

- **Scenario 2:** RDB directly provides loans to FOs by using the ASDF fund. A Guarantee Fund is created and hosted in another bank. FO Federations are involved with the same role as in Scenario 1: providing information on potential borrowers and screening their eligibility and contribute to the Guarantee Fund.
- **Scenario 3:** As in the Scenario 1, loans to FOs are provided by a partner Financial Institution (such as a MFI), directly refinanced by MEF for this specific portfolio (possibly with a portion of the ASDF, but not going through RDB). A Guarantee Fund is established and located in a separated bank. FO Federations are involved with the same role as in Scenario 1 and 2: providing information on potential borrowers and screening their eligibility and contribute to the Guarantee Fund.

The three scenarios above are still preliminary scenarios that will be further developed in Horus mission report. A draft of this report is expected to be delivered in April⁶².

Horus Team Leader is expected to come back to Cambodia in the next Quarter to present the results of the first mission. This will end the Phase 1 of the mission. Next steps (and notably the orientation toward Unit #2 or Unit#3) will be then decided by SNEC in consultation with MEF, RDB and AFD.

⁶² It was initially due in early March, Horus have asked a delay to deliver the report in the end of March, but then said it will be provided in April.

5. COMPONENT #5: CROSS-CUTTING ISSUES, COORDINATION AND PROJECT MANAGEMENT

5.1. PROJECT MANAGEMENT, CROSS-CUTTING ISSUES, INTER-COMPONENTS COORDINATION

5.1.1. REGULAR MEETING WITHIN SNEC PROJECT TEAM

SNEC project team had regular internal meetings (notably between project Coordinator and Project Management Advisor) to share information, discuss actions to be undertaken and address various issues.

Reporting session with the National Project Director, H.E. Ros Seilava, also took place occasionally (notably on 3 and on 28 of February in this Quarter).

5.1.2. MEETING WITH SNEC AND AFD

On the 3rd of March, a meeting took place in SNEC, with the National Project Director and AFD Director for Cambodia. Two topics were more specifically discussed during this meeting:

- RDB reform;
- The creation of the CRF.

5.1.2.1. DISCUSSION ABOUT RDB REFORM

The support to RDB: H.E. Ros Seilava has expressed the willingness of MEF to engage an in-depth and ambitious reform of the RDB, with the objective to make it evolve in a real development bank. MEF would like to commission a review of RDB loans portfolios as part of the reform process. AFD has confirmed its willingness to contribute to this process of RDB reform, primarily under the current SCCR Project, and expressed that at the moment, there is a need to receive feedback from MEF on KPMG recommendations and a roadmap for their implementation. In order to make the reform process operational, AFD suggested that each of the institutions involved (MEF, RDB and SNEC) could appoint a focal person, set a taskforce⁶³ that would summarize recommendations and propose a work plan to be submitted to MEF.

5.1.2.2. DISCUSSION ABOUT THE CREATION OF CRF

At the time of the meeting, the process of creation of Cambodian Rice Federation was not very well engaged from the point of view of the project team⁶⁴ (a point of view shared by SNEC and AFD). Different options were considered on how the project and SNEC shall react to the early stages of the process. *De facto* the merging of FCRE, ARPEC and CREA was leading to a cancellation of the current MOU with FCRE. Transfer of the support to the new CRF would be considered only if the new institution is established and governed in a democratic and transparent way, which was not really well engaged in the end of February. Further steps in the creation of the CRF have provided some improvements, but ability of the project to pursue the support to the new CRF will depend on the developments of the situation in the coming months.

⁶³ This was in large part what has been done later on during the meeting in MEF, on 27 March – See § 4.1.2. pages 41-42 in this report.

⁶⁴ See § 1.3.1.1. and 1.3.1.2. pages 12-13 in this report.

5.2. ADMINISTRATIVE AND LOGISTIC ISSUES

5.2.1. PROCUREMENT AND CONTRACTING OF SERVICE PROVIDERS / SUPPLIERS

5.2.1.1. CONTRACTING CONSULTANTS FOR MARKET STUDY

A draft contract has been prepared by SNEC project team (including PMA) for the implementation of the international market study / Phase II-B⁶⁵ by Agland and its partners, and was already informally submitted to AFD. But an issue occurred that obstructed the delivery of non-objection for the signature of this contract:

The procurement process for the selection of consultant was undertaken by IFC, following their own procedures⁶⁶. SNEC project team was invited to provide comments on the offers, but the formal scoring was done internally by IFC. For internal procedure reasons, IFC is not entitled to disclose the full report of the selection process, whereas it is, understandably, a necessary document for AFD to grant its non-objection.

Until the end of this Quarter, this issue could not be solved, and solutions are still explored to get out of this deadlock situation.

5.2.2. FINANCIAL AUDIT OF THE PROJECT FOR YEAR 2013

BDO has implemented the financial audit of the project for Year 2013. The audit was finalized in February 2014 and the auditors have endorsed the Project's Financial Statement for 2013.

Ancillary recommendations have been addressed to the project to improve security and have been taken into account by project administration team.

⁶⁵ Cf. § 2.2.1., page 21-22.

⁶⁶ As stated in the Quarterly Executive Report #04, page 35, and in the Project Procurement Plan for Year 2013 – v.3.

ANNEXES

ANNEX 1: PMA TIMESHEETS

JANUARY 2014

	Location	Activities	
Wednesday 1	a.m.	SNEC	Review Christophe Boscher Report and provide comments
	p.m.	SNEC	Review Christophe Boscher Report and provide comments
Thursday 2	a.m.	SNEC	Finalize the revision of Christophe Boscher Report + brief discussion with Christophe Goossens + Sophany
	p.m.	SNEC	Prepare the Addendum No1 to COrAA contract for Pilot Action implementation
Friday 3	a.m.	SNEC	Various follow-up on C#3 activities + exchange with IFC on CoC project - Correction to COrAA contract addend.
	p.m.	SNEC	Meet Sean Linin (FCRE) - Draft contract of HORUS for mission on Credit mechanism for Fos.
Saturday 4	a.m.		
Sunday 5	a.m.		
Monday 6	a.m.	SNEC	Meeting with AMRU rice and COrAA
	p.m.	Chamb. Commerce	Joint Meeting with FCRE and ARPEC on the Code of Conduct for Rice Export
Tuesday 7	a.m.	SNEC	Revise minutes of meeting with COrAA - Review ToR and Offer of Horus to prepare meeting
	p.m.	SNEC	Skype discussion with Horus Finance on mission on Credit mechanism for Fos - Prepare contract
Wednesday 8	a.m.	SNEC	Finalize preparation of Horus draft contract -
	p.m.	SNEC	1 st comment FCRE work plan 2014 - Check project accounting Dec. 2013 - Review draft contract farming BRICo
Thursday 9	a.m.	SNEC	Exchange with Saint Blanquat and FCRE on HR management issues - Discuss with Sophany on FO Fed workshop
	p.m.	BKK-1 - SNEC	Lunch meeting with Bas (IFC) - check FCRE financial report - Project Quarterly financial report
Friday 10	a.m.	SNEC	Finalize financial report and financial statement 2013 - Discussion with Samon on CF with BRICo
	p.m.	SNEC	Prepare executive report #04 - miscellaneous e-mail exchanges
Saturday 11	a.m.		
Sunday 12	a.m.		
Monday 13	a.m.	SNEC	Meeting with Christoph Goossens and Sophany on workshop with FO Fede - Meeting with BDO auditors
	p.m.	SNEC	Answer questions from BDO auditors - Meeting with Ung Luyna
Tuesday 14	a.m.	SNEC	C#3 Coordination meeting
	p.m.	SNEC	C#3 Coordination meeting
Wednesday 15	a.m.	Golden Rice / IFC	Meeting with Golden Rice management / Meeting with Agland/Food Works, FCRE and IFC on Market Study
	p.m.	SNEC	Component #3 - exchange with BRICo - Proposal for GIZ training on CF - answer BDO auditors questions
Thursday 16	a.m.	SNEC	Workshop with FO Federations
	p.m.	SNEC	Workshop with FO Federations
Friday 17	a.m.	SNEC	Workshop with FO Federations
	p.m.	SNEC	Workshop with FO Federations
Saturday 18	a.m.	Chamb. Commerce	FCRE meeting for revision of budget and a action plan + meeting with Food Works for market study presentation
Sunday 19	a.m.		
Monday 20	a.m.	Cambodiana	Meeting with FCRE and Bayer Crop Sciences
	p.m.	Cambodiana / SNEC	Work with FCRE on material for GA - Reporting - Miscellaneous issues
Tuesday 21	a.m.	SNEC / Inter Con	Review comments of Horus on Contract - AMRU-HanWha joint venture signing ceremony
	p.m.	SNEC	Skype meeting with Horus - Meeting with FO Federations representatives on interprofession
Wednesday 22	a.m.	Sunway Hotel	FCRE General Assembly and strategic workshop
	p.m.	Sunway Hotel	FCRE General Assembly and strategic workshop
Thursday 23	a.m.	SNEC	Follow up FCRE G.A. - Lunch meeting with nutrition officer of WFP
	p.m.	SNEC - Topaz	Meet Sok Sarang: finalize ToR for study on CF - Comments on new CoC - Cambodian Rice Promotion diner
Friday 24	a.m.	SNEC	Various administrative issues - Revise draft contract of Horus Finance for mission on Credit for Fos
	p.m.	SNEC	Check and correct AVSF invoice - Work on Quarterly Executive Report #4
Saturday 25	a.m.		
	p.m.	(home)	Work on Quarterly Executive Report #4
Sunday 26	a.m.		
Monday 27	a.m.	SNEC	Prepare Addendum No1 to MOU with DAI -
	p.m.	AFD office - SNEC	Meet AFD mission on Gis - Review action plan of FAEC+FCFD - request ANO on Horus contract
Tuesday 28	a.m.	SNEC	Work on Quarterly Executive Report #04 - Meeting with FCRE and Saint Blanquat & A.
	p.m.	RDB / SNEC	Meeting with AFD and RDB - Contact Horus to prepare mission - Read BDO report and provide feedback
Wednesday 29	a.m.	NIRAS office / SNEC	Short meeting in NIRAS on project progresses - Additional revision to Horus contract after AFD comments
	p.m.		
Thursday 30	a.m.	SNEC	Reply AFD on invoices - reply FCRE members comments on fees -
	p.m.	SNEC	Revise reports of FCRE G.A. and workshop - Skype with HORUS - Work on Quarterly Report #04
Friday 31	a.m.	SNEC	Meeting with Sophany + C. Goossens on support to FAEC, FCFD... - Meeting on FO Contract with DAI and Samon
	p.m.	SNEC	Additional comments to BDO - Issues on contract farming - Work on Quarterly Executive Report #04

FEBRUARY 2014

		Location	Activities
Saturday	1 a.m. p.m.	(home)	Work on Quarterly Executive Report #04
Sunday	2 a.m. p.m.	(home)	Proof-reading of Quarterly Executive Report #04
Monday	3 a.m. p.m.	SNEC SNEC	Prepare "Management Response" to BDO "Management Letter" - Work on issues of contract with BRICo Meeting with team C#3 - Meeting with H.E. Ros Seilava and project coordinator + meeting with IRAM & NIRAS
Tuesday	4 a.m. p.m.	SNEC DAI Office / SNEC	Additional comments to BDO - Final edit Q.E. Report #04 - Check accounting Jan-2014 - Check CoRAA invoice Kick off meeting on study on Contract Farming - Skype meeting with HORUS + follow up ANO request
Wednesday	5 a.m. p.m.	SNEC SNEC	Discussion with C#3 team on credit mission - advise FCRE on membership invoicing - Meet BRICo + AQIP - Work on Agland Contract - comments budget for FOs (Samon) - meet Sokkheang + Luyna
Thursday	6 a.m. p.m.	SNEC SNEC	Prepare Agland contract (Cambodian Rice Market Study) - Draft Agenda of JCC#3 meeting - advise FCRE Comment on CoC Export - Revise HORUS mission program
Friday	7 a.m. p.m.	SNEC IFC / SNEC	Final revision of HORUS contract + prepa mission - Meeting with Seak Soly and Viryak in IFC - Draft CIRD contract for Study on CF
Saturday	8 a.m. p.m.	(home)	Draft CIRD contract for study on Contract Farming
Sunday	9 a.m. p.m.		
Monday	10 a.m. p.m.		
Tuesday	11 a.m. p.m.	(hospital)	various e-mails.
Wednesday	12 a.m. p.m.	(hospital) / SNEC SNEC	Review CoRAA concept note / work with C#3 team HORUS meeting wit FO Federations
Thursday	13 a.m. p.m.	SNEC SNEC	HORUS Meeting with FO Federations Steering committee meeting of HORUS mission
Friday	14 a.m. p.m.	SNEC SNEC	JCC#3 meeting with FCRE and IFC Meeting with W.Scott (Agland) on Market Study - Start minutes of JCC#3 meeting - Proceed with horus invoice
Saturday	15 a.m. p.m.	(home)	Minutes of JCC#3 meeting
Sunday	16 a.m. p.m.		
Monday	17 a.m. p.m.	SNEC / Intercon. Intercont./SNEC	Revuse FCRE letter / Meeting with Agland team, IFC and exporters (international rice market study) Continue meeting with exporters (standards) / Meeting with Agland - Meeting with HORUS mission
Tuesday	18 a.m. p.m.	SNEC / RDB SNEC	Quick look at KPMG deliverables - Steering committee meeting of KPMG mission Request quotation to SB&A for FCRE - Mail to FCRE Secretary General + IFC - revise contract farming form
Wednesday	19 a.m. p.m.	SNEC / BRICo office SNEC	Discussion on contract with Samon / Meet BRICo about contract farming Rewrite draft contract for CIRD for study on contract farming based on AFD feedback
Thursday	20 a.m. p.m.	SNEC SNEC	Start preparatory work on FCRE status reform (/CRF) Start preparatory work on FCRE status reform (/CRF) - Meeting with FAEC and FCFD
Friday	21 a.m. p.m.	SNEC SNEC	Review draft status of CRF send by MOC and continue to prepare on contribution to the discussion on status Debriefing of HORUS mission on credit to FOs
Saturday	22 a.m. p.m.	(home)	Work on status of the CRF
Sunday	23 a.m. p.m.	(home)	Work on status of the CRF
Monday	24 a.m. p.m.	SNEC MoC	e-mail to MOC - Meeting on status of "Cambodian Rice Federation"
Tuesday	25 a.m. p.m.	SNEC SNEC	Meeting with C#3 team - reviewing contract farming Meeting with Phat Sophany and Christophe Goossens on work plan with FAEC and FCFD
Wednesday	26 a.m. p.m.	SNEC SNEC	Meeting with CoRAA - review concept note. Miscellaneous - Meet with AVSF mission - Skype meeting with Célia Coronel (IRAM-France)
Thursday	27 a.m. p.m.	SNEC SNEC	Meeting with ISC (Seng Sophak) Review and comment ToR of FAEC and FCFD assistants - Start to work on Annual Report 2013
Friday	28 a.m. p.m.	SNEC SNEC	Meeting with C#3 team - reviewing contract farming Steering committee meeting on study on contract farming - Contacts with IFC

MARCH 2014

		Location	Activities
Saturday	1 a.m. p.m.		
Sunday	2 a.m. p.m.		
Monday	3 a.m. p.m.	SNEC SNEC	Work on Annual Report 2013 Letter to AFD on CoRAA report - element on CIRD selection - Meeting with H.E. Seilava and AFD
Tuesday	4 a.m. p.m.	SNEC	Work on Annual Report 2013 + miscellaneous e-mails
Wednesday	5 a.m. p.m.	SNEC SNEC	Follow up on FCRE/CRF issue - Discussion with Phat Sophany on MOU with FAEC +FCFD Work on Annual Report 2013 - Meeting with FCRE
Thursday	6 a.m. p.m.	SNEC Restaurant - SNEC	Prepare note for meeting with MOC on CRF creation + various communication with IFC, FCRE... Lunch meeting with MOC (Sok Sopheap) - Meeting with FORTE (crop insurance) - check February accounting
Friday	7 a.m. p.m.	SNEC SNEC / IFC Office	Exchanges with Luyna on project team organization - Comment on ToR for next support mission on C#3 Meeting with IFC on CRF - Search for additional examples of inter-professional organizations statutes
Saturday	8 a.m. p.m.		
Sunday	9 a.m. p.m.		
Monday	10 a.m. p.m.	Loran Office / SNEC SNEC	Meeting with Loran Group - Work on annual report 2013 Review documentation on inter-professional organizations - prepare meeting on 12/03
Tuesday	11 a.m. p.m.	SNEC SNEC	C#3 Coordination meeting C#3 Coordination meeting (Continued)
Wednesday	12 a.m. p.m.	SNEC MoC	Work with FO representative on CRF statute Meeting with MOC, FCRE, ARPEC, CREA on creation of CRF
Thursday	13 a.m. p.m.	SNEC SNEC	Work on Annual Report 2013 + Miscellaneous Work on annual report 2013 - Meet ADG mission about project implementation and study on CF
Friday	14 a.m. p.m.	SNEC SNEC	Workshop with FWUCs Workshop with FWUCs
Saturday	15 a.m. p.m.		
Sunday	16 a.m. p.m.		
Monday	17 a.m. p.m.	SNEC SNEC	Meeting with Sok Sarang on C#3 annual report - Work on annual report 2013 Work on perspectives and implementation strategy of Component #3 in 2014
Tuesday	18 a.m. p.m.	SNEC Resto - AFD office	Meet C. Goossens on CF study - Work on strategy of C#3 in 2014 (issue of subsidies to equipments) Lunch with Golden Rice + AFD - Meeting on project accounting issues - Meeting with Muong S. + A. Pouilles-D.
Wednesday	19 a.m. p.m.	SNEC SNEC	Work on budget planning for 2014 + finalize Annual report 2014 Work on budget planning for 2014 + finalize Annual report 2014
Thursday	20 a.m. p.m.	SNEC MoC	Meet with Sarang - feed back on mission in Takeo - Check Agland revision on contract - Meeting in MOC with H.E. Mao Thora about CRF - view opportunity of BRICo consultant recruitment on CF - ...
Friday	21 a.m. p.m.	SNEC SNEC	Edited addendum to MOU with DAI - Discuss with Sophany on agreement with FO Fede. - Review CoRAA prop. Comment on AVSF time sheet - review CoRAA proposal - check AFD changes in addendum to MOU with DAI
Saturday	22 a.m. p.m.		
Sunday	23 a.m. p.m.		
Monday	24 a.m. p.m.	MOC - SNEC SNEC	Meeting at MOC on election process for ExCo of CRF - review CoRAA proposal Discussion with Mr Samon and Yi Bunhak on Contract Farming meeting - feedback to Agland -
Tuesday	25 a.m. p.m.	SNEC SNEC	Exchange with Agland, AFD and IFC on contract for market study - Request ANO on addendum No 1 with DAI Discuss on workshop on CF on 7 April - Exchange with FORTE on crop insurance -
Wednesday	26 a.m. p.m.	SNEC SNEC	Last revision to Addendum to MOU with DAI (integrate workshop) - write and send comments to CoRAA Arrange meeting for April 1st - Brief on CRF process to support team to FO Federation - miscellaneous
Thursday	27 a.m. p.m.	MEF SNEC	Meeting on the reform of RDB and workplan for up-grading Meeting with AFDI mission (support to FAEC)
Friday	28 a.m. p.m.	SNEC SNEC	Phone exchange with GIZ on seed certification + mail to MAFF on the subject - Reporting SNEC project coordination team meeting - Work on Quarterly Report #05
Saturday	29 a.m. p.m.		
Sunday	30 a.m. p.m.	(home)	Work on Quarterly Report #05
Monday	31 a.m. p.m.	SNEC SNEC	Review synthesis table of C#3 - discuss with Sophany on FAEC & FCFD recruitment - Comment ISC proposal Work on a format for coordination by objective - Review letter to FCRE - Final edition of Annual Report #1

ANNEX 2: FCRE MEMBERSHIP OPTIONS AND CORRESPONDING FEES AND BENEFITS ADOPTED BY GENERAL ASSEMBLY

FCRE MEMBERSHIP OPTIONS AND BENEFITS FOR YEAR 2014	BASIC MEMBER	SILVER MEMBER	GOLD MEMBER	PLATINUM MEMBER
CONDITIONS				
<i>Member fees</i>				
200 USD / Year	Basic member fee			
200 + 300 USD / Year = 500 USD / Year		Basic member fee + Silver fee		
200 + 300 + 1,500 USD / Year = 2,000 USD / Year			Basic member fee + Silver fee + Gold fee	
200 + 300 + 1,500 + 13,000 USD / Year = 15,000 USD / Year				Basic member fee + Silver fee + Gold fee + Platinum fee
BENEFITS				
Right to take part in General Assembly, vote and being eligible.	✓	✓	✓	✓
Registered FCRE members have signed a Code of Ethics (Conduct) of FCRE	✓	✓	✓	✓
Name appears in member list on the website (but not searchable by query based on specific criteria for exporters and company not in the exporters compendium booklet.	✓	✓	✓	✓
Discount on training fees for all trainings organized by FCRE	20%	✓		
	40%		✓	
	100%			✓
Receive electronic copy of the FCRE newsletter	✓	✓	✓	✓
Discount on advertising on FCRE website and newsletter	15%	✓		
	40%		✓	
	100%			✓
Company profile displayed on FCRE website		✓	✓	✓
For exporters and platinum members, Company displayed in the Exporters Compendium booklet and searchable in the website by query based on specific criteria		✓	✓	✓
Priority for invitation to take part in business opportunities meetings		✓	✓	✓
Company logo displayed on FCRE website with clickable link to company website			✓	✓
Title of Honorary of President				✓
Automatic membership in one of the Commission (export promotion commission or inter-professional commission) on the choice of the member				✓
30% discount on FCRE administration fees on sponsors' seminar / conference events				✓
Logo display during General Assemblies and Workshops				✓
Free email distribution and FCRE website posting on product launching announcement / advertisements				✓

ANNEX 3: PRELIMINARY REFLECTION ON MANAGEMENT OF PADDY COLLECTION AND DELIVERY BY FO AS PART OF CF WITH BRICO

(Elements provided by PMA on 3 February 2014 to feed the reflection of the C#3 team and FO leaders)

OPTION 1

Farmers (or small groups of Farmers) bring their paddy directly to BRICO.

They get a receipt of delivery (Delivery Certificate) on which the quantity and quality class is written + the date.

They bring back this receipt of delivery and receive a payment from the cooperative at a price defined according to quality (but slightly lower than what BRICO will actually pay). Transportation costs to BRICO can be either included in the price or counted separately (in that case, the price paid to farmers could be aligned on local collector price, maybe with a small bonus?... or bonus to be paid at the end of all harvest based on the net profit of the cooperative.)

OPTION 2

One (or 2-3) point(s) and time of collection is defined.

For instance, every day during harvest, at a given location and time (for instance between 6:30 am and 8:am, and they bring what they have harvested the day before), members can bring their paddy.

They shall inform one day before on the estimated quantities that they will bring so the FO can organize transportation means (trucks) accordingly.

At least two persons are trained on quality assessment in the coop. At least one of these two shall be at the place of collection to assess quality. Payment can be done in cash, based on the quality.

Then one or two persons of the cooperative are in charge to accompany trucks to bring the paddy to BRICO (this is an easy task, and the cooperative can assign different persons to do it on different days, so they still have time to manage their own farm...). One person will have to do this only one time or two time per week, and the pool of responsible persons will rotate.

Time of these persons will be compensated (\$). Need to calculate what can be afforded.

They bring back receipt of delivery from BRICO. The cooperative prepares an invoice one time or two time per week to BRICO (or every 2-3 days when volumes are high, at the peak of harvest).

End of season

At the end of the season, Cooperative calculates its raw profit:

$$\begin{array}{r}
 \text{Total amounts paid by BRICo} \\
 - \text{ Total amount paid to farmers} \\
 \hline
 = \text{ Raw profit}
 \end{array}$$

Then they calculate net profit:

$$\begin{array}{r}
 \text{Raw profit} \\
 - \text{ Transportation costs} \\
 - \text{ Remuneration of persons in charge (delivery, quality control)} \\
 - \text{ Interest on bank loan for cash flow} \\
 - \dots \\
 \hline
 = \text{ Net profit}
 \end{array}$$

Then they decide how they share the net profit:

For instance:

- 30% share in proportion of cooperative shares held by members

and

- 70% shared in proportion of the quantity of paddy delivered by members as part of the contract

To be done:

Develop hypothesis of prices and profit and estimate the possible remuneration of persons in charge!

