■ Support to the Commercialization of Cambodian Rice Project [AFD Grant - CKH-1077-01-S and CKH-1077-02-T]





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ACRONYMS

AC	Agricultural Cooperative
ACBN	Agricultural Cooperative Business Network
ACDF	Agricultural Cooperatives Development Fund
ACM	Assistant for Coordination and Management (in SCCRP project management team)
ACMES	Ayeyawady Chao Phraya Mekong Economic Cooperation Strategy
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	Agence Française de Développement / French Agency for Development
AFDI	Agriculteurs Français et Développement International
AFO	Accounting and Finance Officer (in SCCRP project management team)
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	Accompagnement du Risque de financement de l'Investissement privé en Zone d'intervention de l'AFD
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	Projet d'Appui aux Irrigants et aux Services aux Irrigants
ASPIRE	Agriculture Services Program for Innovation, Resilience and Extension (IFAD project)
ASYCUDA	Automated System for Customs Data
AusAID	Australian Agency for International Development
AVSF	Agronomes et Vétérinaires Sans Frontières
BFS ExCo	Banking and Finance Solutions Executive Committee (of CRF)
BritCham	British Cambodian Chamber of Commerce
C2A	Commission Agriculture et Alimentation de Coordination Sud (French development NGO platform)
CAC	Crédit Agricole Consultants
CACA	Cambodian Agricultural Cooperative Alliance
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
СВ	Certification Body
CBAPC	Contract Based Agriculture Promotion Committee
CC	Commune Councils
CCA	Climate Change Adaptation
CCC	Chamber of Commerce of Cambodia
CCD	Cambodian Certification Department

CCFC Chambre de Commerce Franco-Cambodgienne / Franco-Cambodian Chamber of Commerce CDC Council for the Development of Cambodia CDRI Cambodia Development Resource Institute CEDAC Centre d'Etude et de Développement Agricole du Cambodge **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 CO Certificate of Origin CoC Code of Conduct COrAA Cambodian Organic Agriculture Association COSTEA Comité Scientifique et Technique de l'Eau Agricole **CREA** Cambodia Rice Exports Association CRX Cambodia Rice Exporter Meeting (facilitated by IFC) CSR Corporate Social Responsibility DACP Department of Agricultural Cooperatives Promotion DAE Department of Agricultural Extension DAI Department of Agro-Industry DAL Department of Agriculture Legislation DANIDA Danish International Development Agency DDM Demand Driven Model DFID Department for International Development (UK) DGRV Deutscher Genossenschafts- und Raiffeisenverband e. V. (German Cooperative & Raiffeisen Confederation) Dis. District DMC Direct-seeding Mulch-based Cropping system DP Development Partners DPM Deputy Prime Minister Department of Planning and Statistics (of MAFF) DPS DRC Department of Rice Crops EΑ **Executing Agency EBA** Everything but Arms EC European Commission EC **Executive Committee** EDExecutive Director EoI Expression of Interest **EPWG** Export Promotion Working Group (informal group of rice exporters supported by IFC) ESP Environmental and Social Policy **ESR** Equitable, Solidaire, Responsable (Fairness, Solidarity, Responsibility) – Ecocert owned standard EU European Union ExCo **Executive Committee** 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

- Financial Institution FNN Farmer and Nature Network FMP ExCo Farming and Milling Productivity Executive Committee (of CRF) 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 Deutsche Gesellschaft für Internationale Zusammenarbeit / German Development Cooperation **GMP** Good Manufacturing Practice GMP ExCo Global Market Promotion Executive Committee (of CRF) **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 ΙP Intellectual Property IPD Intellectual Property Department of the Ministry of Commerce IPM Integrated Pest Management **IRAM** Institut de Recherche et d'Application des Méthodes de Développement ISC Institute of Standards of Cambodia **ISF** Irrigation Service Fee IΤ Information Technologies IVY International Volunteers of Yamagata **IWRM** Integrated Water Resources Management **ICC** Joint Coordination Committee (FCRE, SNEC, IFC, AFD) JDI Japan Development Institute JICA Japanese International Cooperation Agency KAPCD Khmer Angkor People Community for Development KOICA Korea International Cooperation Agency KYC Know Your Customer (banking)
 - LRI Live Rice Index
 - MAFF | Ministry of Agriculture, Forestry and Fisheries
 - MEF | Ministry of Economy and Finance

Long Grain White Rice

MFI Micro-Finance Institution

LGWR

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 MRC Mekong River Commission MRC "Mini Rice Center" 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 NOP National Organic Program (USA organic standards) **NPACD** National Policy for Agricultural Cooperatives Development NPD National Project Director (in SCCRP project management team) NSC National Standard Council **NSDP** National Strategic Development Plan **NWISP** North-West Irrigation Sector Project (ADB/AFD) OAOrganic Agriculture ODM Offer Driven Model OPM Open Paddy Market O&M Operation and Maintenance (of irrigation schemes) PAO Project Administration Officer (in SCCRP project management team) PADAC Programme d'Appui au Développement de l'Agriculture au Cambodge PADEE Project for Agriculture Development and Economic Empowerment (IFAD/FAO project) PBA Program Based Approach PC Project Coordinator (in SCCRP project management team) PDA Provincial Department of Agriculture **PDOWRAM** Provincial Department of Water Resources and Meteorology PDRD Provincial Department of Rural Development PIMD Participatory Irrigation Management Development ЫЬ Public Investment Program PM Prime Minister PMA Project Management Advisor (in SCCRP project management team) 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 PR Public Relations PSC Project Steering Committee **PSG** Paddy Selling Group RBA Rice Bank Association

Climate Resilient Rice Commercialization Sector Development Program (ADB)

RDB

RGC

Rice-SDP

Rural Development Bank

Royal Government of Cambodia

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 SCM Scoring Criteria Method SEA South East Asia SIAL Salon International de l'Agroalimentaire (Paris) **SME** Small and Medium Enterprise **SMP** Sansom Mlup Prey NGO 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) Ltd. 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 UK United Kingdom 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 UNIDROIT International Institute for the Unification of Private Law **USA** United States of America USAID United States Agency for International Development USP Unique Selling Proposition VAHW Village Animal Health Worker VF Vision Fund WASP Water and Agriculture Sector Project (financed by AFD) WB World Bank WCS Wildlife Conservation Society

World Intellectual Property Organization

Water Resource Management Sector Development Program (ADB)

World Rice Conference

World Trade Organization WVI | World Vision International

WIPO

WRC

WTO

WRMSDP

UNITS AND MEASURES

ha	Hectare
kg	Kilogram
KHR	Cambodian Riel
km	kilometer
t	ton (metric ton)
t/h	ton (metric ton) 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 coordinated by the Supreme National Economic Council and funded by the *Agence Française de Développement* (AFD – French Agency for Development) for a period of 3 years (January 2013 to December 2015), which is in process to be extended until 31st December 2017.

This report is the 12th Quarterly Executive Report of the project. It covers the period from October 1st to December 31, 2015, for technical components 1 to 4.

During this period, ToR were proposed to Cambodian Rice Federation regarding an offer of institutional support to CRF and involvement of CRF in the Rice Policy review, but CRF did not provide any feedback until the end of this quarter. The partnership contracts with FAEC and FCFD were completed and final reports submitted by the two FO Federations. Continuation and modalities of support are still subject to further discussions, taking into account action and budget plans prepared by the two Federations.

The support to the process of branding of Cambodian premium Jasmine rice has progressed, notably with comprehensive drafts for verification mechanisms of compliance with the brand requirements submitted by TÜV Rheinland. Yet CRF GMP ExCo has not yet provided comments or endorsement of these proposed tools which shall be their focus in the coming months.

In Preah Vihear, ACU team continued to develop its capacities with the support of COrAA and project team. The organic certification (against EU and USA standards) has been confirmed by Ecocert for the 8 cooperatives, and more than 2,400 tons of paddy have been sold to AMRU, which is a quite positive result, even if the volumes are significantly lower than the quantities committed by contract. Besides, with facilitation by the project, Rang Kesei AC has supplied 433 tons of conventional paddy to AMRU, and a new contract for paddy supply was signed in Stung Treng between Ramsar AC and Kan Chan Heang mill.

The selection of resident technical assistance to RDB has been finalized and the contract negotiation is ongoing. Moreover, RDB has drafted a revised credit policy dedicated to Farmer Organizations that is expected to be endorsed by the RDB Board of Directors early in 2016.

The Table 1 next page provides a summary of outcomes during this quarter, foreseen steps and concerns.

SUMMARY

Table 1: Summary of important activities and outcomes of the past quarter and 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
 C#1 Proposed ToR on institutional support to CRF validated by SNEC and submitted to CRF. FAEC and FCFD service catalogue approved by their Boards. FAEC, FCFD, FWN booklet on paddy availabilities with their members printed and disseminated. Action and budget plan for 2016 for FAEC and FCFD prepared, showing development of their own resources in their budget balance. Launch FCFD campaign to attract new members. 	 Validation of proposed institutional support by CRF management. FAEC and FCFD General Assemblies. Consider and make decision on further support to FO Federations + prepare MoU. Start the facilitation of an understanding between the different FO Federations and Networks regarding a mechanism for designation of their representatives in CRF Board. Cambodia Rice Forum. Start Rice Policy review. 	 Lack of reactivity of CRF regarding the proposed ToR for institutional support. Still limited commitment of FAEC is switching toward a business model more driven by services to members and less dependence from partners NGOs / projects.
 C#2 Pursue branding process. First draft of deliverables D1 to D7 delivered by TÜV Rheinland. Participation in roundtable on Cambodian rice branding organized by British Embassy on 28/10. 	 Validation by CRF's GMP ExCo of the proposed brand requirement regarding quality management and process Validation of proposed system for verification of compliance developed by TÜV Rheinland. 	■ Slight slowing down of the pace of meetings of GMP ExCo in the last two months of 2015 due to busy period for exporters.
 C#3 • Organic certification provided by Ecocert for 8 ACs in Preah Vihear. • AMRU get Ecocert's CSR certification. • > 2,400 tons of paddy delivered by ACs to AMRU under CF agreement. • New contract for paddy supply signed between Ramsar AC and Kan Chan Heang rice mill in Stung Treng. • Selling of 433 t of paddy by Rang Kesei cooperative to AMRU in Battambang. 	 Delivery of paddy as per contract between FWUC of Krouch Saeuch and Phour Kok Ky rice mill. Actual collection of contributions to ACU Preah Vihear (transfer of amount withhold on Amru payments). Continue to draft the Manual on contract farming and relaunch the Taskforce (meeting with MAFF). 	 Working capital issues still induced some delay for payment of farmers in Preah Vihear. No activity of CRF's Farming and Milling productivity ExCo during this quarter.
 C#4 Finalisation of the selection of Consultant to provide resident Technical Assistance to RDB (Mekong Strategic Partner selected) + contract drafted. Discussion with RDB and FO Federations on the process of development of new credit policy of RDB to Farmer Organizations. 	 Signature of the contract with TA to RDB and start implementation. Validation of RDB's new policy of credit to Farmer Organizations and dissemination to FO Federations and networks + start the identification of loan requests. 	 Delays in validation of the credit policy to FO by the Board of RDB.

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

1.1. Work with the Cambodian Rice Federation

1.1.1. ON-GOING OPERATIONAL PARTNERSHIPS WITH CRF

The main operational partnership of SCCRP project with Cambodian Rice Federation is on the development of a collective brand for Cambodian premium Jasmine rice (see more details on the progresses of this work in Section 2 of this report, pages 9 to 12). This process is led by the Global Market Promotion Executive Committee of CRF in which Project Management Advisor is taking part as an advisor/observer.

During previous quarters, SCCRP representative(s) also used to take part in the meetings of the Farming and Milling Productivity Executive Committee. But (unless the project was not informed) this FMP ExCo had no meeting during this quarter (but CRF executive team had some meetings with institutional partners such as MAFF or CARDI on related subjects such as seeds and varieties).

1.1.2. ADDITIONAL PERSPECTIVES ON INSTITUTIONAL SUPPORT AND RICE POLICY REVIEW

After getting feedback from the SCCRP project coordinator on the draft Terms of Reference for 1) the Institutional Support to CRF and 2) the Support to the Cambodian Rice Policy Review, these Terms of Reference were shared with Cambodian Rice Federation.

The Project Management Advisor and the Assistant to Project Coordination and Management have met CRF President (together with some other representatives and advisors) on 19 November 2015 to discuss the envisaged support. CRF was asked to review the proposed Terms of Reference and to provide comments within the following two weeks. But only on 21st December, Mr Horn Theara (CRF Officer) wrote that he has read the ToR and find them good but still that comments would be expected from CRF advisor, which would be provided in January.

Besides, during the meeting on 19 November, CRF has expressed that they could propose candidates to take part in the Institutional Support mission, but did not reply the project's request to provide names and CVs of those potential candidates.

The lack of reactivity of CRF continues to slow down the actual implementation of these envisaged supports.

1.1.3. CRF FINANCING AND SUSTAINABILITY AND GOVERNMENT FINANCIAL SUPPORT TO CRF

A first installment of 50% of the total 450,000 USD of the Royal Government of Cambodia subsidy to CRF has been disbursed already.

Besides, CRF has indicated that the payment of the export fees of 1 USD/t of fragrant rice and 0.50 USD/t of white rice (which principle was approved in February 2015¹) is now already applied.

 $^{^1}$ Cf. Quarterly Executive Report #09, \S 1.1.3. page 5.

1.2. SUPPORT TO FEDERATIONS / NETWORKS OF FARMER ORGANIZATIONS

1.2.1. Institutional support and consolidation of FO Federations

1.2.1.1. Preparation of work plans and budget 2016

FAEC and FCFD have prepared and shared with the project their respective budget plans for 2016 (which was a request for the consideration of possible follow-up support)². AFD had previously recommended that the incomes generated by services / activities would cover at least 30% of the overall budget³.

In the budget provided by FCFD, 19,000.00 USD are foreseen to be generated from service fees, profit on commercial activities, membership fees⁴ and other incomes from private partners, over a total budget for Year 2016 of 51,342.00 USD, i.e. 37.0 % of the overall budget. Incomes from services are based on agreed unit costs (developed in FCFD "Service Catalogue") and on hypothesis of a scaling up of these activities. The assumptions (regarding volumes of inputs purchased with FCFD facilitation or loans accessed with FCFD intermediation) would have to be confirmed (they look quite optimistic). Yet this proposition is still seen as a good move in the direction of a Federation more oriented toward services to members and the consolidation of its financial sustainability based on the development of these services.

On its side, FAEC has estimated that it could generate 10,100.00 USD from service fees, profit on commercial activities, membership fees⁵ and other incomes from private partners, over a total budget for Year 2016 of 95,061.00 USD, i.e. 10.6 % of the overall budget. As stated in previous Quarterly Report⁶, « FAEC Board took note of the objective of balancing 30% of the budget with "own resources", but understanding that this would concern only the recurrent management and operational costs of FAEC (and permanent services internalized) and not the activities financed by specific projects in which FAEC is an implementing partner». But according to our own analysis of FAEC budget, if activities specific to AFSA project are taken out, the recurrent costs of the annual budget of FAEC (including services that SCCRP project intend to help FAEC to develop, and regular management costs such as General Assemblies, Board meetings, office, accounting and general secretariat, etc...) is still in a range of 60 to 70,000 USD, the own resources of FAEC then representing only about 15% of the total of those recurrent costs. On the other hand, FAEC has other partners (AFSA project and AFDI) that can contribute to cover these recurrent costs and would thereof require less subsidies from SCCRP project than FCFD.

No decision is made at the end of 2015 regarding further financial support by SCCRP project to FCFD and FAEC. Additional discussions are required on the strategic orientations of the support to FO Federations, based on the balance of the last 1 year and ½ of support (See § 1.2.5. pages 7-8).

1.2.1.2. FCFD CAMPAIGN TO RECRUIT NEW MEMBERS

FCFD intends to promote itself and recruit new members in 2016 in order to scale up its activities and consolidate its organization. For this purpose, FCFD has started a campaign to communicate with FOs, in priority in the 5 provinces where FCFD already has members (in order to improve cost efficiency). In early November, FCFD Board has confirmed this orientation and objective and has defined a strategy and

² Note that only the budget plan of FCFD was accompanied by a rough work plan for next year.

³ Cf. notably Quarterly Executive Report #11 page 4.

⁴ It has to be noted that the up-dated membership policy has been endorsed by FCFD Board on 4 and 5 November 2015, following up on the work of previous quarters conducted with SCCRP support (See notably Quarterly Executive Report # 11, page 5).

⁵ It has to be noted that the up-dated membership policy and service catalog have been endorsed by FAEC Board on 8 and 9 October 2015, following up on the work of previous quarters conducted with SCCRP support (See notably Quarterly Executive Report # 11, page 5).

⁶ Cf. Quarterly Executive Report #11 page 4.

⁷ Budget plan presented by FCFD for 2016 indicates in resources the payment of membership fees by 100 FOs.

guidelines to approach potential members. Membership policies, fees, action plan 2016 and membership application forms were developed or up-dated for this purpose.

Meetings were then organized with several FOs at district level⁸ to present the Federation. 90 FOs took part in these meetings (members and non-members), between the 11th and the 25th of November 2015. Results of the recruitment of new members will be known at FCFD General Assembly in January 2016.

1.2.1.3. Preparation of Federations' General Assemblies

FCFD Board had a meeting on 30 November to prepare annual General Assembly of FCFD. Mr Phat Sophany (AVSF) will contribute and advise in the preparation of the General Assembly which is foreseen to take place in January 2016.

Discussions and advices were also provided for the preparation of FAEC General Assembly as well.

1.2.2. IMPLEMENTATION OF FO FEDERATIONS' SERVICES TO MEMBERS FOR PADDY COMMERCIALIZATION

1.2.2.1. BOOKLET ON PADDY PRODUCTION BY MEMBERS OF FCFD, FAEC AND FWN $\,$

FAEC, FCFD and FWN have jointly produced (with the SCCRP project support) a booklet gathering contact details and information on paddy potential production and availability of 44 of their members (cooperatives, FWUCs or other FOs) from 13 provinces. For each FO, information provided include the contact details, the varieties grown and potential volumes, the period of harvest, and an information on road accessibility, and availability of warehouse and irrigation.

1,000 hard copies of this booklet were printed and distributed to FO members and representatives of Federations, but more importantly to rice millers and CRF members in order to make this information available for potential buyers.



1.2.2.3. FCFD's Facilitation of Paddy seed Production

More than 65 tons of rice seed has been produced by the two ACUs of Battambang and Kampong Thom. 35 t are expected to be sold to FO members and the rest to non-members. Selling price will be around 2500 KHR/kg.

1.2.2.4. FAEC'S FACILITATION OF PADDY COMMERCIALIZATION BY FOS IN TAKEO

On 13 November 2015, FAEC representatives (including FAEC Technical officer and SCCRP consultant) met with Golden Daun Keo rice mill and Sok Keo rice mill in Takeo in order to understand perspective on rice purchasing and to identify possible collaboration between FO and rice mill for 2015. As a result, both rice mills said that they would give a priority in the management of incoming paddy delivery to Farmer Organizations bringing their paddy with small truck or "moto-remorque" over large trucks. Besides, if a Farmer Organization can collect more than 50 tons of paddy, the company would accept to go to the community location to check the quality and purchase the paddy directly from there. For paddy price the companies said that they could buy at a price 70 to 100 KHR/kg higher than middlemen's prices. Moreover rice millers provided their contact numbers to FO to ask any information related to paddy purchasing. Further to the meeting, all these information were conveyed to some of the members in Takeo province (mainly in

⁸ In the provinces of Battambang, Siem Reap, Kampong Thom, Takeo and Prey Veng where FCFD is already represented.

Tramkak district) by Mr. Kong Meoun, FO Fed representative. He has also facilitated the preparation of paddy trade business plans with the pre-ACU Samaki Tramkak and RBA Kranh Khmao. This last FO had developed a plan to collect and sell 300 t of paddy after harvest in Decembers, but finally this plan was not implemented because paddy prices were still low. Finally, only 5 tons of paddy were sold by one of the FO to Daun Keo Rice mill further to these operations.

1.2.3. IMPLEMENTATION OF FO FEDERATIONS' OTHER SERVICES TO MEMBERS

1.2.3.1. Federations' support to the creation of Agricultural Cooperative Unions and ACU business development

JOINT PURCHASE OF PADDY SACKS BY ACUS IN BATTAMBANG, KAMPONG THOM AND PREY VENG

Two Pre-ACUs (one in Battambang and another in Kampong Thom province) have been supported by FCFD to develop and implement a service of joint purchase of paddy sacks. As a result, from the beginning of the operation until the end of this quarter, these two ACUs have bought total of 55,000 sacks from central depots in Phnom Penh and sold all of them to their FO members. The ACUs could generate a margin of not less than 100 KHR/sack, while purchase price for FO members was still at least 100 KHR cheaper compared with purchase to local suppliers. It has to be noted (and regretted) that the support of FCFD for this operation did not lead to any fee or sharing of benefit for the Federation, which thereof no contribution to build the sustainability of the Federation's services out of project subsidies.

A similar operation was supported by FAEC with Kampong Trabaek ACU in Prey Veng province. A first operation of purchase of 2,000 sacks was conducted, and a second supply operation is foreseen for 10,000 sacks.

1.2.3.2. SUPPORT FO ACCESS TO CREDIT SERVICES

On 1st of October, FAEC and FCFD representatives took part in a meeting with RDB in SNEC about the development of a credit mechanism for Farmer Organizations. Lessons from the previous unsuccessful requests for loans were drawn, and it was agreed that FAEC and FCFD will resume their role in support and facilitation of loan requests from their members once RDB new credit policy is officially endorsed, hopefully early in 2016. More details on this meeting are given in § 4.2.1. page 34 in this report.

After the meeting of 1st October, RDB has shared with FO Federations representatives the draft new credit policy for Farmer Organization. FAEC organized an internal meeting on 9 October to review and discuss the document, and has then provided a feed-back to RDB with comments and suggestions for revisions or adjustments.

1.2.3.3. Analysis and use of results of ACs assessment with SCM method

Following the completion of the assessment using the "Scoring Criteria Method" earlier this year⁹, an analysis was made of the scoring in order to identify areas on which support by FO Federations could be focused in order to consolidate the capacities of Agricultural Cooperatives and to improve their performances. The results from this reflection were an important input to contribute to the elaboration of FAEC five years strategic plan (a process also supported by AFSA project).

Besides, a performance certificate was issued to ACs for them to serve as a testimony of their capacities, in order to build trust of potential investors or partners.

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⁹ Cf. Quarterly Executive Report #09, § 1.2.4.3. page 9, Quarterly Executive Report #10, § 1.2.4. page 7 and Quarterly Executive Report #11, § 1.2.2.4. page 7.

1.2.4. ADVOCACY ROLE OF FO FEDERATIONS

1.2.4.1. Representation of farmers in Cambodian Rice Federation

PARTICIPATION IN CRF BOARD MEETING

On 10 November 2015, Mr Samath Veasna, Vice President of FCFD joined the 9th Board meeting of CRF. The meeting was mainly focused on the quota of rice export to China & Indonesia and the processing of working group No 9 on rice sector. But it also provided the opportunity for Mr Samath Veasna to distribute to CR Board members the booklets of FO rice production data, compiled from three federation (FCFD, FAEC & FWN) – see § 1.2.2.1. page 5 in this report.

ADDRESSING FARMERS REPRESENTATION IN THE CRF BOARD FOR SECOND MANDATE

Whereas CRF has modified its statutes¹⁰ to reserve 3 seats in its Board for representatives of Farmer Organizations appointed by representative federations or networks of Farmer Organizations, a major subject for the up-coming months will be to work with FO Federations and networks (FAEC, FCFD, FWN and others) on the modalities of designation of these representatives. This has been identified as an important subject on which SCCRP project should work with FO representatives in early 2016 (See 1.2.5.2. next page).

1.2.4.2. Participation in a National Consultation Workshop on Agricultural Cooperative Union and Business Network

Some FOs members of FAEC and FCFD ¹¹ took part in a "National Consultation Workshop on Agricultural Cooperative Union and Business Network" organized on 11 December by the General Directorate of Agriculture (GDA) and the Royal University of Agriculture (RUA) – where the workshop took place –, with the support of the Peace Institute of Cambodian (PIC) and the Korean Project of International Agriculture (KOPIA).

The elements presented and discussed were not about the standards by-laws of ACUs. Elements submitted for discussion in the workshop were not provided in advance to participants, who get the information only during the workshop.

1.2.5. OVERALL REVIEW OF THE PROJECT SUPPORT TO FAEC AND FCFD UP TO DECEMBER 2015

1.2.5.1. FAEC AND FCFD COORDINATION MEETING

10 representatives of FAEC and FCFD had a joint meeting on 27 November to review overall achievements of the implementation of the partnership with SCCRP project. The results presented in FAEC and FCFD reports mainly underline the three following point (but unfortunately do not review the modality of the coordination of work between the two Federations and the perspective to pursue joint activities):

- The scope of the activities implemented in relation with SCCRP project is quite broad and the limitation of human resources (only one technical staff assigned) is a constraint to achieve all the objectives.
- The FOs always expect of getting some incentive from FO Fed when they participated any meeting.
- FAEC and FCFD do not receive support from relevant ministries.

¹⁰ Cf. Quarterly Executive Report #09, § 1.1.2. pages 4-5.

¹¹ FAEC and FCFD were not invited as such in this workshop.

1.2.5.2. MEETING OF SNEC PROJECT TEAM AND AFD WITH FAEC, FCFD, FWN AND DACP

A meeting took place on 2nd December in SNEC with PMA and representatives of AVSF-CIRD-ADG team, AFD, DACP, FAEC, FCFD and FWN/ISC. This meeting was considered as part of a supervision mission of AFD (by anticipation of the AFD headquarter mission scheduled in January/February 2016). Its objectives were to review the achievements of FO Federations and Networks (in particular FAEC and FCFD which have contract signed with the project), assess how recommendations formulated by AFD have been taken into considerations, and start to consider purpose and conditions of a possible follow-up support.

Among main conclusions of this meeting:

- No decision was made on further support to FAEC or FCFD, but it was agreed that first final executive reports (See § 1.2.5.3. below) of the first phase should be submitted by FAEC and FCFD before to consider additional support;
- Orientations and business model of Federation shall be confirmed, in particular with a growing orientation toward development of services to members, financed by members fees, service fees or profit made on commercial activities;
- A major topic is the representation of farmers in CRF and the SCCRP project assistance to FO Federations shall contribute to facilitate discussion with all FO Federations / network on the modalities of designation of representatives in CRF Board for the next mandate (See § 1.2.4.1. on previous page).

1.2.5.3. FINAL EXECUTIVE REPORTS BY FAEC AND FCFD

After the meeting of 2nd December, and as required by their contracts, FCFD and FAEC have submitted their Final Executive Report to SNEC on 14 and 15 of December respectively, covering the whole period of the contracts they have signed with SCCRP project (i.e. from June 2014 to November 2015). Final invoices were also submitted in December, which close the current contracts with the two Federations. The Table 2 below provides a final statement of the use of the amount of subsidy allowed in these contracts. In total only 57.2 % of the 169,941 USD of budget allocated to the two Federations have been used.

Table 2: Amount of contracts, amounts justified and amount unspent in FCFD and FAEC contracts

Contract	Organization	Total amount	Amount justified	%	Unused amount
CKH-1077-C#1-2014-01	FCFD	98,626.00 USD	52,403.51 USD	53.1 %	46,222.49 USD
CKH-1077-C#1-2014-01	FAEC	71,315.00 USD	44,865.56 USD	62.9 %	26,449.44 USD
Total		169,941.00 USD	97,269.07 USD	57.2%	72,671.93 USD

A final payment of 1,838.50 USD still has to be made by AFD (request for payment was sent on 11 December 2015 by SNEC but was not yet proceeded at the end of the year), whereas the amount of expenditures justified by FAEC up to the end of the contract duration was below the advance received: FAEC will have to reimburse to AFD an amount of 1,062.90 US\$ in January 2016.

Continuation and modalities of further support to FO Federations still has to be discussed and a decision shall be made in the first quarter of 2016.

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

2.1. QUALITY LABEL / CAMBODIAN RICE BRANDING: DEVELOPMENT OF A COLLECTIVE TRADEMARK FOR CAMBODIAN PREMIUM JASMINE RICE

2.1.1. MEETING WITH WIPO AND MOC'S DEPARTMENT OF INTELLECTUAL PROPERTY

Meetings took place with WIPO mission, commissioned by the Ministry of Commerce, on 22 October morning with the Department of Intellectual Property in MoC, and on 22 October afternoon with CRF and the consultants involved in the branding process (ad' communication and TÜV Rheinland). SCCRP's PMA and ACM took part in both meetings.

The two sessions have been helpful to clarify the support of the IP rights legal expert mobilized by WIPO in the process. Besides it was seen that the option of a Certification Mark (rather than a collective trademark) could be reconsidered (see Box 1).

Box 1: Reconsideration of the option of a Certification Mark vs. Collective Trademark

Whereas the tool foreseen to be used up to now was rather a collective trademark, due to the progress of preparation of the legal framework¹², the intention was to incorporate in the rules for brand users the need to get the verification of compliance with brand requirements done by a Certification Body. A Certification Mark could therefore be considered as a relevant option. Eligibility of CRF to register a Certification Mark would yet have to be verified. It is not foreseen that CRF would be the certifier, but that CRF could be the applicant for the mark registration, while delegating the role of certifier to competent third party. It has to be checked (by WIPO) if CRF could apply for the registration of a Certification Mark in such conditions.

As indicated by the IP legal expert during the meeting on 22 October, the choice of the IP tool might be adapted depending on the legal framework of the countries where the brand will be registered. The brand might be registered by CRF as a Certification Mark in some countries and as a Collective Trademark in others (depending on what the legal framework would allow), yet with similar contents in terms of requirements and process for the verification of compliance.

2.1.2. PROGRESSES ON BRAND'S SPECIFICATION, REQUIREMENTS AND MECHANISMS FOR VERIFICATION OF THE COMPLIANCE

A first batch of draft Deliverables (D2, D3 and D4) was sent by TÜV Rheinland¹³ to SNEC Project Management Advisor on 21st of October 2015. PMA has reviewed and has provided comments during a meeting hold at TÜV Rheinland office on 26 October.

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¹² In January 2015 (See Quarterly Executive Report #09, p. 13), the Department of Intellectual Property of MoC has indicated that MoC would be ready early in 2015 to register collective trademark, whereas the legal frame for registration of certification mark was foreseen to be operational only in 2016 or 2017. But now the Department of Intellectual Property has indicated that the progresses have been faster than initially foreseen and that MoC is about to be ready to register Certification Marks as well as Collective Trademarks.

¹³ Recall: TÜV Rheinland is contracted by SNEC/SCCRP project as a contribution of SCCRP project to CRF's process of branding of Cambodian Rice – See Quarterly Executive Report #11, § 2.1.1. page 11.

On 13 November, a GMP ExCo meeting took place in CRF office, during which TÜV Rheinland has presented the overall audit process flow that would apply to brand users for their initial application and for further renewal. There was little reaction and comments from the ExCo members, but the presentation gave the opportunity to raise few questions and clarify some misunderstanding.

Then on 20 November 2015, TÜV Rheinland has sent to SNEC Project Management Advisor revised versions of D2, D3, D4 and drafts of D1, D5, D6 and D7. Whereas the first version of deliverables 2, 3 and 4 was not really satisfactory and not corresponding to expectations, there have been very significant improvements in the second batch of delivery which correspond much better to the demand.

All these deliverables D1 to D7 were then shared (by e-mail) to all members of CRF's Global Market Promotion Executive Committee by Mr Poeuv Bunrith (coordinator of this ExCo), on 1st December 2015.

SNEC Project management advisor has provided extensive comments on these deliverables on 3rd December for D1 to D4 and on 9 December for D5 to D7. Unfortunately, up to now, there has been not any single comment formulated by CRF or members of the GMP ExCo on these elements provided by TÜV Rheinland. The lack of reactivity of exporters involved in the Executive Committee is a concern.

The Table 3 below presents a statement of progress for each deliverable within TÜV Rheinland contract.

Table 3: Progress of deliverables by TÜV Rheinland for the development of mechanism for verification of the compliance with CRF brand requirements

Deliverables	1st draft	2 nd draft	Final	Comments by SCCRP	Comments by CRF
D1 – Overall summarized description of the control and certification system proposed	☑ 20/11/15			☑ 03/12/15	
D2 – Detailed procedures, control methods and tools for verification of compliance with management process requirements	☑ 21/10/15	☑ 20/11/15		☑ 26/10/15 ☑ 03/12/15	
D3 – Detailed procedures, control methods and tools for verification of compliance with product specifications	2 1/10/15	☑ 20/11/15		☑ 26/10/15 ☑ 03/12/15	
D4 – Catalogue of measures / sanctions to be decided in case of non-compliance with Product or Process requirements	☑ 21/10/15	☑ 20/11/15		☑ 26/10/15 ☑ 03/12/15	
D5 – Guidelines for Brand users	☑ 20/11/15			☑ 09/12/15	
D6 – Guidelines for Certification Bodies	☑ 20/11/15			☑ 09/12/15	
D7 – Guideline for CRF Brand Management Officer	☑ 20/11/15			☑ 09/12/15	
D8 – Edited Final versions of previous deliverables					
D9 – Report of the training on the Trademark requirements for exporters / Rice millers / Rice traders					

It has to be noted that, whereas the technical specifications on the product have been endorsed by GMP ExCo, TÜV Rheinland has develop the control mechanisms on management system based on hypothesis of requirements that still have to be confirmed by the ExCo. TÜV Rheinland was asked by the project to

prepare a checklist of those assumptions / propositions regarding system requirements in order to crosscheck with the Executive Committee and confirm or reject each of these assumptions and possibly complete this list of structural requirements.

Box 2: A strategic question regarding the possibility (or not) to use the brand for rice repacked outside of Cambodia

In addition to previous points, SCCRP project PMA has raised the following question on which the ExCo should also make a decision: would it be possible for a distributor to use CRF's brand for rice repacked outside of Cambodia? If yes it would obviously have to be done with proper verification of traceability and compliance with the processing and packaging requirements (that should be certified by a third party body authorized by CRF). But this is technically possible to verify. The question is more strategic, with on one hand the potential loss of added value if final packaging operations are done outside of Cambodia, on the other hand a potential loss of market for the branded rice (and thereof loss of opportunity to give more visibility and notoriety to the brand) if some major distributors, who could be interested to use the Cambodian Premium Jasmine Rice brand, finally give up because they wish to import in bulk and re-pack in the country of destination.

This question is left for GMP ExCo further consideration and decision.

2.1.3. Progresses on communication and marketing aspects of the branding

During GMP ExCo meeting on 13 November, "ad' communication" ¹⁴ team has presented preliminary work on the branding (based on previous brainstorming session with the ExCo in September and on various consultations consultants had with stakeholders), notably first elements on assets and issues with the perception of Cambodian rice, key elements that can contribute to trigger consumers' choice for Cambodian premium Jasmin Rice, and possible core emotional values (such as heritage, authenticity, passion/pride) that could be constitutive of the identity of Cambodian premium Jasmine rice.

More elaborated content on the brand were presented to the GMP ExCo on 22nd December 2015. Then, further to this meeting, "ad' communication" has sent (on 29 December) to ExCo members and relevant stakeholders an on-line survey based on visual elements they proposed for the brand logo and identity. The proposal presents key elements for brand attributes and brand values, and 4 main options for the design of a logo (with for each variations on colors).

To the same audience, the consultants have also submitted for comment the methodology for the brand testing for end-consumers and traders, testing that "ad' communication" will implement in early 2016 in target markets.

2.1.4. ROUNDTABLE: "What can the right branding do for Cambodia's Rice Exports?" Organized by British Embassy and Brit' Cham

The British Embassy and Brit' Cham (Cambodian-British Chamber of Commerce) has organized a roundtable discussion on the branding of Cambodian Rice entitled "What can the right branding do for Cambodia's Rice Exports", with H.E Sun Chanthol, Minister of Commerce, and Lord David Puttnam, UK Prime Minister's Trade Envoy to Cambodia, as the event's special guests.

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¹⁴ Recall: "ad' communication" is contracted by the International Finance Corporation as a contribution of SCCRP project to CRF's process of branding of Cambodian Rice – See Quarterly Executive Report #11, § 2.1.2. page 11.



The roundtable took place on 28th October in le Royal hotel in Phnom Penh. SCCRP Project Management Advisor was invited to present, in the opening panel session, the on-going initiative of branding led by Cambodian Rice Federation and supported by SCCRP project, IFC, and WIPO mission.

Cédric Gertgen, Director of "ad' communication" also had the opportunity to present preliminary elements for Cambodian Rice branding.

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

3.1. PILOT PROMOTION OF CONTRACT FARMING LED BY DACP AND DAI

3.1.1. STUNG TRENG

3.1.1.1. FOLLOW-UP VISIT OF CONTRACT BETWEEN PREAH RUMKEL AC AND KAN CHAN HEAN RICE MILL.

On 24 October 2015, counterparts from DACP (Mr Ouk Saroeun, Mrs Svay Samnang) and DAI (Mr Chea Sopheak) and representatives from Stung Treng PDA undertook a follow-up visit of the implementation of the Contract Farming agreement signed¹⁵ between Kan Chan Hean rice mill and Preah Rumkel AC.

Preah Rumkel AC has a total of 75 members, out of whom only 32 are engaged in the Contract Farming agreement. Yet during the visit, members who are not yet engaged in the CF agreement this year expressed their interest to join for the next cropping season.

At the harvest time, the AC has bought the paddy from farmers at a price of 1,000 KHR/kg. But Kan Chan Hean mill offered to the cooperative a price of only 1,000 KHR/kg, inclusive of transportation costs and of the additional commission of 30 KHR/kg set in the contract¹⁶. Thereof, the conditions offered were leading to losses for the cooperatives, which successfully managed to get better price from other traders.

3.1.1.2. Implementation and result of Contract between Preah Rumkel AC and Kan Chan Hean Rice Mill

At the end of this quarter, Preah Rumkel AC did not sell any paddy to the rice mill. The AC bought paddy from farmers at 1,000 KHR/kg, whereas Kan Chan Hean mill proposed to buy at a the price of 1,000 KHR/kg only, including the transportation cost and fee of the cooperative (of 30 KHR/kg as stated in the contract). Therefore, AC decided to sell the paddy to other traders as AC could get benefit

3.1.1.3. PADDY SUPPLY CONTRACT SIGNED BETWEEN KAN CHAN HEAN RICE MILL AND RAMSAR AC

On 24 October 2015, the team has also visited Ramsar Agricultural Cooperative located in Kandal village, Preah Romkel commune, Tala Borivath district, Stung Treng province. This cooperative has expressed interest to negotiate a partnership with Kan Chan Hean rice.



The project team has started to facilitate a discussion and an agreement was reached rapidly. A contract was signed on 15 November 2015, in Stung Treng PDA Office for the supply of 40 to 80 tons of Phka Rumduol paddy of November 2015 harvest by Ramsar Agricultural Cooperative to Kan Chan Hean rice mill.

Signature of contract between Ramsar AC and Kan Chan Hean mill.

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¹⁵ Cf. Quarterly Activity Report #11, § 3.1.2. page 14.

 $^{^{16}}$ Cf. Quarterly Activity Report #11, \S 3.1.2. page 14.

Main conditions can be summarized as follows: Price of paddy will be based on market price; price reference will be provided by local traders; the miller will come to collect the paddy at the collecting points within AC area. 45 members of the cooperative are involved, growing paddy on 78.5 ha of land.

Despite the format used was a "Contract Farming" format, this case cannot really be considered as contract farming as the contract is signed while the time of harvest already comes. It shall rather be considered as a case of supply contract / collective selling of paddy by a cooperative.

Further to the signature of the contract, Ramsar AC has delivered a total of 16.5 tons of paddy in three delivery operations as shown in Table 4 (opposite).

Further to the signature of Table 4: Delivery operations of Ramsar AC to Kan Chan Hean rice mill

	Quantity (tons)	Price (KHR/kg)	Amount (KHR)
1st delivery	7	1,150	8,050,000
2nd delivery	5	1,100	5,500,000
3rd delivery	4.5	1,000	4,500,000
Total / Average	16.5	1,094	18,050,000

3.1.2. PURSAT: CONTRACT SIGNED BETWEEN FWUC KROUCH SAEUCH AND PHOUR KOK KY RICE MILL

Meetings were organized on 7 and 8 December 2015, with participation of project team and counterparts from DAI and DACP and PDA officers, to follow up the ongoing implementation of the Contract Farming signed in September¹⁷ between Phour Kok Ky rice mill and the FWUC of Krouch Saeuch.

For the rice mill side, there is no concern so far relating to implementing the contract farming with FWUC. Phour Kok Ky rice mill has expressed that, in addition to the 100 to 155 tons of *Sen Kraob* paddy the FWUC took the commitment to supply in the contract, the mill would be interested to buy more *Sen Kraob*, from other members of the FWUC, even if they are not involved in the contract scheme (provided the quality meets the requirements).

On 8 December, the FWUC confirmed that potentially more *Sen Kraob* paddy could be delivered to Phour Kok Ky rice mill, since 1,000 ha are cultivated in the scheme. Yet FWUC representatives have expressed a concern about the shortage of irrigation due to deficit of rainfall this year, but they believe it will not affect the capacity of the FWUC to supply the volume committed in the contract.

Sen Kraob paddy is expected to be harvested and delivered to Phour Kok Ky rice mill from February 2016.

3.1.3. BANTHEAY MEANCHEY: EXPLORATION OF POTENTIAL CF BETWEEN FOS AND IRI GROUP

Further to previous contacts and requests, the project team (including counterpart staff from DAI and DACP and PDA) organized a meeting with IRI Group rice mill on 27 October 2015 to discuss on the intention of IRI Group rice mill to develop contract farming with ACs or FOs for next year. The meeting was carried out at IRI Group office in Poipet town. The management team of IRI Group rice mill described its 30 years' experience in rice export and experienced in working with Thai FOs on the contract farming in Thailand. IRI Group rice mill now has a plant under contraction in Phnom Srok district, which is expected to be operational in November 2016. IRI Group plans to export 500,000 tons of rice from Cambodia to third country and to apply its successful experiences from Thailand with Cambodian farmers.

IRI Group rice mill plans to buy paddy from seven provinces, especially the provinces surrounding Tonle Sap Lake including Kampong Cham, Preah Vihear and Otdar Meancheay provinces as well. IRI Group rice mill wishes to work with FOs and individual farmers on the contract farming scheme and will work also in partnership with medium scale of rice millers in Banteay Meanchey province in order to reach targeted

 $^{^{17}}$ Cf. Quarterly Executive Report #11, \S 3.1.3. pages 14-15.

export volumes. In this year, IRI Group rice mill is producing paddy seeds on 80 hectares of rice fields in Phnom Srok district, in which 40 hectares cropped *Phka Rumduol* seeds (certified seeds bought from CARDI) and remaining 40 hectares of rice fields cropped other varieties including seeds imported from Thailand (similar to *Sen Kraob*). Those seeds will be used for planting in next year season production on 200 hectares of rice fields in the same district.

During the same field mission, other meetings were organized separately with leaders and members of four Agricultural Cooperatives (Pidor Ta Ong, Paoy Snoul, Kouk Thom & Rumdul Tean Kam) with project team and PDA staff to discuss on the possibility to make the contract farming with IRI Group rice mill. Among four ACs, only Pidor Ta Ong AC confirmed its interest and ability to make contract with rice mill because this AC has access to irrigation and can cultivate rice twice a year on about 60 hectares of rice fields. The leaders of Pidor Ta Ong AC are interested in making the contract farming with IRI Group rice miller also because IRI Group rice mill plant is located in the same district (Phnom Srok), close to the AC. The three other ACs (Paoy Snoul, Kouk Thom & Rumdul Tean Kam) said they are interested but they cannot engage themselves in contract farming because most of the members left to work in Thailand and also because they have no access to irrigation.

The leadership of IRI Group rice mill wishes to cooperate with the project in next year in identifying the potential FOs and facilitating the contract farming arrangement. Yet it is not decided if the project as such should get involved, or if starting from 2016, such facilitation of CF agreement should fall under the regular activities of DAI / DACP and PDA. This also depends on how innovative is the CF model proposed.

3.2. CONTRACT FARMING BETWEEN GOLDEN RICE AND FARMER ORGANIZATIONS

3.2.1. FOLLOW UP ON REQUEST FOR HOMOLOGATION OF *Phka Kravanh* and perspective for scaling up of Contract Farming

Since last August¹⁸, MAFF sent a letter to the President of Golden Rice pertaining to the decision of MAFF to request Golden rice to work with the General Directorate of Agriculture (GDA) and Cambodia Agricultural Research and Development Institute (CARDI) on field adaptation trials of *Phka Kravan* variety prior to make a decision regarding the homologation / registration of the variety. However, up to now, there was no follow-up discussion between Golden Rice and PDA.

3.3. CONSOLIDATION OF THE SUSTAINABILITY OF ORGANIC PADDY SUPPLY CHAIN IN PREAH VIHEAR

3.3.1. SUPPORT TO THE CREATION AND CAPACITY BUILDING OF THE UNION OF COOPERATIVES

3.3.1.1. Official creation and registration of the ACU

Within this quarter, the process of official establishment and registration of the ACU of Organic Cooperatives in Preah Vihear is still pending. The Department of Agricultural Cooperative promotion in charge is still waiting for the final approval of model statute and internal regulation by MAFF. According to the result of communication with MAFF representatives, the model statute and internal regulation might be approved by MAFF during the first semester of 2016. The General Assembly to officially establish the ACU will be organized once these additional regulations are issued by MAFF.

 $^{^{18}}$ Cf. Quarterly Executive Report #11, \S 3.2. page 15.

This actual timing does not comply with the time frame proposed by DACP earlier in 2015. SCCRP project management team understands that these delays in approval and issuance by MAFF of official models of statutes and regulations are beyond the control of DACP. Yet the delays in the official registration of the ACU are causing serious problems which are harmful for the process of support to the ACU:

- The formal election of a Board was delayed, leaving the governance of the ACU to an unofficially established group of AC leaders, with less recognition and authority that would have an official Board. This is not favorable to the establishment of a balanced relation and governance with the salaried team of the pre-Union.
- A bank account was temporarily open under the name of three leaders from three different cooperatives of the pre-Union. But it would be urgent now for the ACU to be in position to open a bank account in its own name (notably as AMRU shall now start to pay to ACU the 50 KHR/kg withhold on the payments of paddy delivered by ACs). This has implications in term of transparency and on legal responsibilities.
- As unofficially registered, the ACU, as such, has no legal existence and is not yet in position to sign any contract.

SCCRP project management team wished to urge MAFF to achieve the formalization of the regulations for ACUs so we can finalize the process of Preah Vihear ACU registration.

3.3.1.2. ACU GOVERNANCE: SUPPORT TO TRANSITORY BOARD

The Board member of ACU is not officially elected until this quarter, due to reasons exposed above. The Presidents of each AC are playing the role as ACs representatives and jointly act as the ACU Board in this transition period. The clear roles and responsibilities of Board members are not yet defined. At present, the functioning of the ACU is based on a "Memo" approved by the 8 ACs representatives at the beginning of ACU establishment. The participation of SCCRP team in the monthly Board meeting aims to orient activities implemented by ACU team in the good way and to progressively specify roles and responsibilities of ACU Board and a share vision and understanding of the functions of the ACU.

SCCRP team has participated two times during this quarter in ACU Board meetings (on 3 November and on 15-16 December). One day before the meeting, project team has recommended to ACU manager and ICS Officers to prepare the report of activities realized in the month and work plan for the following month to present to ACU Board. ACU manager is also advised to highlight the problems encountered during activities implementation and to propose solutions.

During the meeting, SCCRP consultant team enhanced the necessity of transparency in the reporting of ACU staff to the Board and the authority and responsibility of the Board on the salaried team.

Among the main topics discussed in these Board meetings during this quarter, we can mention:

- Monthly planning of activities;
- Organization of paddy collection and supply to AMRU;
- Survey of reference price of paddy rice in Kampong Thom and of price of paddy rice buying in Preah Vihear by middlemen;
- Discussion with AMRU on price of paddy for lower quality (not stipulated in contracts);
- Creation of folder to keep relevant documents at ACU office and at ACs level especially related with organic rice;
- Material and equipment needed for ACU for their functioning;
- Encouragement of farmers to used rice harvesters.

3.3.1.3. Administrative and managerial capacity building to ACU team

HUMAN RESOURCES: REPLACEMENT OF STAFF

Mr. Oum Sarith resigned from his position as Internal Control Supervisor in ACU to work for World Vision Cambodia from 15 October 2015. The replacement of his position is needed according to the workload of existing ACU team and the result of consultation between ACU manager and the representative of 8 ACs members of ACU. In this perspective, SCCRP consultant team supported ACU manager and 8 ACs to recruit Mr. Oum Sarith replacement. This process was also seen as an on-the-job capacity building of ACU manager and AC leaders regarding recruitment. The activities supported have included job description review, preparation of job vacancy announcement, pre-selection and shortlist preparation, writing test, oral interview and conclusion of selection. The templates of all reference documents and tools were provided to ACU managers. Representatives from 8 ACs were the decision makers in this process, which was concluded with the recruitment of Ms. Horn Sovann Chenda. Ms Chenda is experienced and native of Rovieng district, Preah Vihear Province. She will get the same salary and profit as other ICS officers of the ACU.

PREPARATION SERVICE CONTRACT WITH SERVICE PROVIDERS

Further to the approval by SNEC project management to mobilize the "miscellaneous/unforeseen" budget line of the project subsidy to the ACU for trainings, consultants of the Component #3 have provided some support to the ACU manager to develop the contracts of service providers (Dr. Meas Piseth for a training on post-harvest technique – See § 3.3.2.1. below – and GRET for a refresh training on management and bookkeeping for the transaction and selling of paddy – See § 3.3.4.2. page 21). This also was seen as an onthe-job training for the ACU manager.

SUPPORT ACU MANAGER IN THE PREPARATION OF QUARTERLY AND FINAL REPORT TO SNEC

SCCRP consultants have supported the ACU manager to create tools to collect information needed for reporting. The first draft of template report was sent by ACU manager to SCCRP consultant team for comments before starting to write the full report. The first narrative and financial quarterly report have already been submitted to SNEC and the final report has started to be drafted in December and is expected to be sent to SNEC in January 2016.

PROPOSITION OF TOOLS FOR AN ANALYTICAL ACCOUNTING

On 7 October, the Project Management Advisor has also provided an adapted template of analytical tool, based on a model he has developed in the past on Excel, allowing an easy recording of incomes and expenditures with automatic analysis by budget codes and compilation in an automatically generated annual budget statement. But since the format and method already used by the ACU manager were already quite satisfactory, there is no obligation for the ACU to adopt this proposed tool.

3.3.2. TECHNICAL TRAININGS FOR ACS AND ACU

3.3.2.1. Technical training on improvement of harvest and post-harvest practices

TRAINING BY DR MEAS PISETH

As mentioned in § 3.3.1.3. (previous page), the ACU has mobilized Dr. Meas Piseth (+ one assistant) for a training of ACU and ACs on harvest and post-harvest techniques. The training took place on 4 and 5 October 2015. 30 persons have attended the training: 16 Internal Inspector of ACs, 3 officers of ACU, 2 from SNEC project team, 7 persons from PDA or MAFF and 2 members of FCFD.

This training focused on the topics such as challenges in handling of rice grain after harvest, theories of rice grain quality, video and practices on the grain quality, theories of the grain harvesting, threshing and drying, observation and practices on the grain handling (harvest, threshing, drying, storage and milling), and theories of the grain storage and milling.



Training on harvest and post-harvest ▷

The trainers touched the theory and connected the course with real practice, in-class and at the small rice mill located in Sethakech village, Chhean Mukh commune.

After training, the internal inspectors of ACs and ACU staffs understood these topics above but they just selected some key elements to extend to their ACs members. The ACU staffs organized the meeting with 8 ACs internal inspectors to prepare the work plan to disseminate these key elements to ACs members after the training by Dr Meas Piseth.

EXTENSION OF TRAINING ON HARVEST / POST-HARVEST TO ACS

After the training by Dr Meas Piseth, representatives of ACs have extended key elements of the training to AC members, between 19 and 30 of October 2015. This extension focused on the topics of threshing, storage and harvesting. Recommendations on the optimum time for harvesting (based on the maturity)¹⁹ were communicated to the members. Also farmers were encouraged to use harvesting machine instead of harvesting manually, and it was also recommended not to keep the paddy bunch on the field for long, but to thresh swiftly after harvest. In total 478 farmers members of the cooperatives took part in the dissemination meetings delivered by AC internal inspectors and ACU.

3.3.2.2. Training provided by AMRU team on paddy quality check

A commitment taken by AMRU as part of the contract farming agreement with the 8 cooperatives signed in 2015 is to provide, before harvest, a technical training to AC representatives on the method for paddy quality checking. This was implemented in early November: AMRU Rice technical team has provided training to ACU team and AC representatives, in several sessions organized over 5 days, from 2nd to 6th November 2015. The training course was delivered by Mr Nhim Thaing Cheng and an assistant. 39 persons were trained from the 8 ACs, plus 4 ACU staff and also two officers from PDA Office of Agricultural Cooperatives Promotion, one staff of COrAA and 2 members of SCCRP team.

Training by AMRU to ACs on paddy quality control methods

The trainer started by presenting the process of paddy buying in the field and the estimated planning of harvest by farmers of each AC, the materials needed during paddy buying and the point of collection to deliver to AMRU²⁰. For paddy quality check, the trainers have demonstrated methods to assess the 3 key criteria to consider for paddy quality: varietal purity, moisture content and broken rate.



 $^{^{19}}$ When 80% to 85% of paddy is ripe, or after 30to 35 days after flowering.

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²⁰ Besides the training objective, these sessions had also a role in the coordination of harvest and collection of paddy as part of the implementation of the Contract Farming agreements.

AMRU team has also reminded ACs about the premium price of paddy which depends on paddy quality as stated in the contracts.

3.3.3. ORGANIC CERTIFICATION: CAPACITY BUILDING, INSPECTIONS AND CERTIFICATE ISSUANCE

3.3.3.1. DIRECT SUPPORT TO AMRU RICE RELATED TO ORGANIC CERTIFICATION

Some direct supports of SCCRP project team were provided to AMRU Rice in the previous quarter such as conducting pre-audit at the rice mill of AMRU Rice in Phnom Penh and Kampong Cham and providing training to AMRU Rice staffs on EOS/EU and NOP organic standards before the external inspection of Ecocert. Then the external inspection of Ecocert was conducted from 4 to 17 September 2015, as reported in the previous quarter²¹. After the external inspection of Ecocert, some additional direct supports were provided to AMRU Rice as following:

- Following up with Ecocert on organic certification;
- Facilitating consultation with Ecocert regarding the question on adding new farmers for organic certification next year and correction of total land size of certified members;
- Based on perspectives to include 5 new ACs supported by AMRU Rice this year to get EOS/EU and NOP organic certification, the team has supported AMRU Rice for reviewing the documents for the corrective actions to be sent to Ecocert. One meeting between the team and staff of AMRU Rice was organized at SNEC office on 16 November 2015 for this purpose.

3.3.3.2. SUPPORT BY CORAA TO ACS AND ACUS FOR IMPLEMENTATION OF CORRECTIVE MEASURES

After Ecocert inspection, COrAA has supported the ACs and ACUs to implement the few corrective measures needed and to continue to implement and improve the internal control system and the traceability system.

UPDATE FARMER RECORDING BOOKS

The farmer recording books were updated in Khmer and English version and were separated from internal inspection reports. Several points in the farmer's book were changed such as:

- English translation was added to the recording book;
- Replace description of the land use to the table with the list of crops and its land size;
- Add the column for date of sowing, transplanting, and direct seedling in the table of rice seed use;
- Add the column for quantity of actual harvest in the table of organic rice harvesting;
- Add the farmer commitment (with signature) at the end of farmer's book.

Simultaneously, advices were provided to ACU staff to ensure their capacity to support farmers in the implementation of these changes.

3.3.3. SECOND ROUND OF INTERNAL INSPECTIONS

COrAA has supported the ACU officers to prepare the second round of internal inspections in October 2015. Procedures and objectives of second internal inspection were recalled. Objectives are mainly to control the practices of AC members regarding pest and disease control, herbicide, irrigation and water flow, yield estimation, storage, drying and transportation facilities, traceability system.

 $^{^{21}}$ Cf. Quarterly Executive Report #11, \S 3.3.3.4. pages 21-22

COrAA and ACU staffs have then followed-up the implementation of this second round of internal inspections by ACs' internal inspectors. A number of improvements were still made, including in the capacities of Internal Inspectors to detect deviations and address them. Deviations identified were corrected, contributing also to improve AC members' practices.

Paddy field inspections implemented by IC Inspectors ▷



Improvement in the ICS system include:

- Field map were updated and drawn for the farmer;
- Farmers code in list were corrected with the right one;
- Farmer's names were included in the farmer's list properly;
- Every deviation was recorded in the sanction and punishment by internal inspectors.

3.3.3.4. CERTIFICATION

Further to the inspections conducted in September²², all corrective measures required were undertaken and communicated to the Certification Body. Ecocert has confirmed the organic certification on 21 October 2015 by notification of the acceptance of correction measures undertaken to address all the non-compliance identified during the inspection. Certificate was issued to AMRU.

3.3.3.5. Additional follow-up during transactions to ensure traceability

COrAA and the ACU have also monitored the ACs teams and coached them during the implementation of organic paddy collection and selling to AMRU, in order to ensure the identification of sacks and the traceability of paddy: all sacks of organic paddy were properly marked with the relevant code numbers (identifying cooperative, village, member...). Consistency with farm list codes was verified.

3.3.4. IMPLEMENTATION OF CONTRACT FARMING AGREEMENT WITH AMRU FOR 2015

3.3.4.1. Up-date of estimations of volumes to deliver to AMRU before harvests

In early October, cooperatives (with the support of the pre-Union), have revised the estimation of the volumes they expect to be able to deliver to AMRU. When the contracts were signed, paddy was not yet transplanted in a number of rice fields, whereas some farmers were encountering problems of drought. In early October, cooperatives were able to provide a sharper estimation of surface that will be actually cropped and on expected volumes they may be able to deliver.

The Table 5 next page details the quantities in contract and the revised estimations in early October. In total, at the time of this up-date, the expected quantities have been reduced of -8% compared to the quantities in contract.

 $^{^{22}}$ Cf. Quarterly Executive Report #11, \S 3.3.3.4. pages 21-22.

Table 5: Revised estimated volumes that ACs expected to be able to deliver to AMRU, as per October 2015

Cooperatives	Nb of farmers	In contracts signed		Revised estimation in early October			
		Fragrant (Jasmine) paddy	White rice paddy	Total	Fragrant (Jasmine) paddy	White rice paddy	Total
Krabao Prum Tep	91	178.00 t	28.50 t	206.50 t	150.00 t	28.50 t	178.50 t
Kaeluma Chivikpheap Ros Nuv	52	267.95 t	19.80 t	287.75 t	200.00 t	19.80 t	219.80 t
Romduol Malu Prey Chheay Den	90	364.25 t	31.35 t	395.60 t	330.00 t	31.00 t	361.00 t
Satrey Ratanak	190	826.70 t	0.00 t	826.70 t	832.70 t	0.00 t	832.70 t
Torsu Sen Chey	98	490.50 t	85.00 t	575.50 t	480.00 t	78.00 t	558.00 t
Leuk Kampos Satrey	220	782.00 t	10.00 t	79 2. 00 t	650.00 t	10.00 t	660.00 t
Rohas Samaki Meanchhey	98	146.40 t	0.50 t	146.90 t	146.40 t	0.50 t	146.90 t
Rom Tom Samaki Meanchey	44	89.30 t	39.00 t	128.30 t	86.80 t	39.00 t	125.80 t
Total amount	883	3,145.10 t	214.15 t	3,359.25 t	2,875.90 t	206.80 t	3,082.70 t

3.3.4.2. UP-DATING TOOLS AND CAPACITIES OF COOPERATIVES TO MANAGE TRANSACTIONS

REFRESH TRAINING BY GRET IN OCTOBER

The pre-Union of Cooperatives has hired Mr Hy Thy (GRET) for a short term mission²³ in order to provide support to some cooperatives regarding the tools and capacities to manage the transactions (between farmers and cooperatives and between cooperatives and AMRU) at the time of harvest.

Mr Hy Thy was in Preah Vihear from 7 to 9 October²⁴. He has provided direct refresh training and capacity building to three cooperatives (*Torsu Sen Chey, Satrey Ratanak* and *Leuk Kampos Satrey*). A briefing took place at the office of the pre-Union of Cooperatives, and at least one officer of the pre-Union of Cooperatives was present during all the duration of the mission, so the Union can continue to provide support to other cooperatives.

Following AMRU requests, improvements of the tools to manage transactions were proposed, notably the form of delivery certificates from farmers to cooperatives. These improvements were discussed with the cooperatives at that time, despite the proposed format were not final yet.

Management committee members of Satrey Rattanak AC working on the procedures for management of paddy transaction during Mr Hy Thy mission, on 08 Oct. 2015 ▷



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 $^{^{23}}$ Financed by the subsidy of the project to ACU, under the budget line "miscellaneous and unforeseen". Greenlight for the mobilization of this budget line was granted by SCCRP project coordinator by e-mail dated 1^{st} October 2015.

²⁴ SCCRP Project Management Advisor and Assistant to Coordination and Management also took part in that mission.

COMPLEMENTARY BRIEFING BY AMRU TEAM IN NOVEMBER

AT the same time of the training on paddy quality checking, i.e. in early November, AMRU team has presented 4 tools to be used to manage transactions during the delivery of paddy to AMRU:

- Delivery Invoice for Organic paddy,
- Delivery Note for Organic Paddy,
- Weighting recording sheet
- Voucher.

AMRU officer explained to participants how to fill the fours tools, one by one. It was reminded that the cost of printing these tools is the responsibility of each AC. Furthermore, AMRU staff also explained how to write the code number on each bag of each farmer in order to identify each bag and ensure full traceability.

3.3.4.3. FINAL SETTING OF PRICES

PRICE REFERENCE

During the training in early November, AMRU trainers provided a list of rice buyer/miller in Kampong Thom province to ACU staff and ACs representatives to facilitate their work to check the reference price before fixing the price for buying with ACs for this year.

PRICE NEGOTIATION

The contracts signed between AMRU Rice and the 8 cooperatives in Preah Vihear indicate that, for each category of paddy quality, the price applied will be based on the market price + a premium. In practice, the market price is not defined on a daily or weekly basis, but is set for all the harvest season, at the very beginning of the harvest, and is based on agreed references (3 highest prices offered in Kampong Thom or Siem Reap). Thereof, before the first transactions, AMRU and ACs meet to discuss and agree on the price references and set the actual prices that will be paid for each quality of paddy.

In early November, AMRU has provided a first price list to ACs members during a meeting which took place in Rom Tom Samaki Meanchey AC. These prices were presented as net prices to apply for each quality grade, but without a breakdown of reference price and premium components of the total price, making a little bit difficult the verification with price references. This first proposal is shown in Table 6 below:

Table 6: Initial price list proposed by AMRU to ACs at the beginning of 2015 harvest period

T those of Timeren Price not	PP	,	· ··· · · · · · · · · · · · · · · · ·	P	
Grades	Purity	Moisture content	Moisture content (New proposition by AMRU)	Broken rate	Price of paddy rice in 2015 (Premium price included)(Riel/kg)
អេ ១ (A1)	90-100	13-14.9	13-14.6	1-18	1510
ប៊ី ១ (B1)	82-89	13-14.9	13-14.6	15-20	1450
ស៊ី ១ (C1)	90-100	13-14.9	13-14.6	21-30	1400
ស៊ី ២ (C2)	90-100	13-14.9	13-14.6	31-35	1300
អេ ២ (A2)	90-100	15-19	14.7-17	19-20	1400
ប៊ី ២ (B2)	82-89	15-19	14.7-17	15-20	1350
ឌី ១ (D1)	90-100	15-19	14.7-17	31-35	1300
ឌី ២ (D2)	90-100	15-19	14.7-17	36-37	1200
Wet Paddy rice 1st quality	90-100	n/a	20-27	n/a	1200
Wet Paddy rice 2 nd quality	90-100	n/a	20-27	n/a	1150



△ Paddy field in Satrey Rattanak AC in October 2015.

In order to support the ACs in this negotiation, the project team (including PMA) has provided some comments on this first price list, notably:

- 1. Asked to show in the table the reference price and the premium to verify the compliance with the terms of the contract.
- 2. Requested explanation / justification for a modification of the specifications of the 8 grades of quality (regarding the proposed revision of the moisture content for all the grades, different in AMRU's price table and in the contract). To stress the binding character of the Contract Farming agreement, it is desirable to stick to the terms of the contract (except if the ACs have something they want to negotiate as a counterpart for this revision favorable to AMRU , in which case a renegotiation can lead to a "give-and-take" adjustment, which can be mutually beneficial and satisfactory for both parties).
- 3. For the reference price used (which does not appear in the above table) the humidity rate of the reference paddy is very different from the humidity rate of the corresponding grade of quality as defined in the contract. For some category, reference price was for wet paddy (between 20 to 27 % of humidity) but applied with no correction for dry paddy (14% of humidity for grade A1, B1, C1 and C2). PMA has provided calculation for the correction of reference price to take into account the different level of moisture content between the reference and the category in the contract.

Besides, during this negotiation, cooperatives have obtained the inclusion of additional quality grades, not originally covered by the Contract. A5 and A6 categories were introduced²⁵. Specifications of each grade

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²⁵ For the additional grade A5 and A6, it was agreed that the share of the premium to be transferred to the ACU would be 30 KHR/kg only instead of 50 KHR/kg for all other categories.

were finally aligned with the term of contract (for the grade of quality already defined, i.e. all grades but A5 and A6) and prices offered were revised to correct the difference of moisture content between the reference paddy and the grade of paddy considered in the contract. This was a significant change compared to the initial price table proposed by AMRU. As a result the final price list that applied for the organic paddy of 2015 harvest is the one shown in the Table 7, below.

Table 7: Final price list applied for the paddy categories for harvest 2015 (for 8 ACs in contract with AMRU)

Grades (in	1	New name (by AMRU)	Purity	Moisture content	Broken rate	Reference market price (Riel/kg)	Premium (as in	Price to be applied by AMRU Rice (KHR/kg)		Price to be paid to AC & ACU (KHR/kg)		
contract)							contract)			ACU		AC
# 9 (A1)	=	A1	90-100	13-14.9	1-18	KHR 1,250	KHR 260	KHR 1,5	510	KHR	50	KHR 1,460
ប៊ី ១ (B1)	=	A2	82-89	13-14.9	15-20	KHR 1,250	KHR 210	KHR 1,4	160	KHR	50	KHR 1,410
ស៊ី 9 (C1)	=	А3	90-100	13-14.9	21-30	KHR 1,250	KHR 175	KHR 1,4	125	KHR	50	KHR 1,375
ស៊ី ២ (C2)	=	A4	90-100	13-14.9	31-35	KHR 1,250	KHR 125	KHR 1,3	375	KHR	50	KHR 1,325
n/a	=	A5	90-100	13-14.9	40-50	n/a	n/a	KHR 1,0	080	KHR	30	KHR 1,050
n/a	=	A6	90-100	13-14.9	50-60	n/a	n/a	KHR 1,0)30	KHR	30	KHR 1,000
អេ ២ (A2)	=	B1	90-100	15-19	19-20	KHR 1,200	KHR 210	KHR 1,4	‡ 10	KHR	50	KHR 1,360
ប៊ី ២ (B2)	=	В2	82-89	15-19	15-20	KHR 1,200	KHR 180	KHR 1,3	380	KHR	50	KHR 1,330
ឌី 9 (D1)	=	В3	90-100	15-19	31-35	KHR 1,200	KHR 175	KHR 1,3	375	KHR	50	KHR 1,325
ឌី ២ (D2)	=	В4	90-100	15-19	36-37	KHR 1,200	KHR 125	KHR 1,3	325	KHR	50	KHR 1,275
Wet Paddy 1 st quality	=	C1	90-100	20-27	n/a	n/a	n/a	KHR 1,2	:00	KHR	50	KHR 1,150
Wet Paddy 2 nd quality	=	C2	82-89	20-27	n/a	n/a	n/a	KHR 1,1	50	KHR	50	KHR 1,100
White rice A1	=	WRA1	n/a	15-17	1-19	850	KHR 213	KHR 1,0	63	KHR	50	KHR 1,013
White rice A2	=	WRA2	n/a	14-15	19-30	850	KHR 170	KHR 1,0	20	KHR	50	KHR 970
White rice A3	=	WRA3	n/a	14-15	30-35	850	KHR 128	KHR 9	78	KHR	50	KHR 928

3.3.4.4. Volumes actually delivered to AMRU



For this 2015, the total fragrant rice and white rice selling to AMRU is 2,438,538 Kg. The total amount of paddy rice selling is summary in the Table 8 next page. For detail information related with this commercialization, please read the final report of ACU.

○ Organic paddy collection in Preah Vihear.

Volumes actually delivered to AMRU are about 27% below the volumes committed in the contracts, yet with important variation from one cooperative to another. According to consultants for Component #3, the following reasons explain this gap:

- There are droughts problem at the end of cycle of rice production. The yield of rice production decreased a lot due to lack of water especially in some high production area of Preah Vihear province (Rovieng district). This is seen as the main cause for not reaching the target volumes.
- The quality of the paddy produced by some of the farmers did not meet the minimum requirements (purity and high broken rate) and was not accepted by AMRU.
- AMRU came a bit late to buy the paddy from farmers for some village. And in some cases farmers had an urgent need of cash to reimburse their credit or finance the wedding of children for instance. Thereof they decided to sell paddy to middlemen even though they know they would get a high price by selling to AMRU.

Table 8: Volumes committed in contracts between ACs and AMRU Rice for organic paddy supply for year 2015 and volumes actually delivered

AC Names	Volumes cor	nmitted in Co	ontracts 2015	Volum	es actually de	Δ	% of	
	Fragrant (Jasmine) paddy	White rice paddy	Total	Fragrant (Jasmine) paddy	White rice paddy	Total	(on total Fragrant + White)	realization of the contract
Krabao Prum Tep	178.00 t	28.50 t	206.50 t	165.79 t	0.00 t	165.79 t	-40.71 t	80.3%
Kaeluma Chivikpheap Ros Nuv	267.95 t	19.80 t	287.75 t	108.71 t	0.00 t	108.71 t	-179.04 t	37.8%
Romduol Malu Prey Chheay Den	364.25 t	31.35 t	395.60 t	329.86 t	0.00 t	329.86 t	-65.74 t	83.4%
Satrey Ratanak	826.70 t	0.00 t	826.70 t	744.67 t	4.77 t	749.44 t	-77.26 t	90.7%
Torsu Sen Chey	490.50 t	85.00 t	575.50 t	429.86 t	31.45 t	461.31 t	-114.19 t	80.2%
Leuk Kampos Satrey	782.00 t	10.00 t	792.00 t	414.67 t	36.81 t	451.48 t	-340.52 t	57.0%
Rohas Samaki Meanchhey	146.40 t	0.50 t	146.90 t	79.11 t	0.00 t	79.11 t	-67.79 t	53.9%
Rom Tom Samaki Meanchey	89.30 t	39.00 t	128.30 t	71.91 t	20.91 t	92.82 t	-35.48 t	72.3%
TOTAL	3,145.10 t	214.15 t	3,359.25 t	2,344.58 t	93.94 t	2,438.52 t	-920.73 t	72.6%

The Figure 1 below shows a graphic representation of volumes committed in contract and volumes actually delivered by each of the 8 Agricultural Cooperatives involved in the project and in the Union of Cooperatives.

Figure 1: Volumes committed and delivered by the 8 ACs involved in Contracts with AMRU

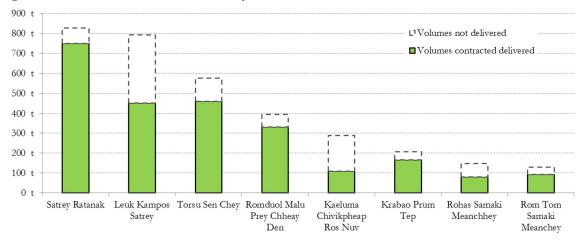
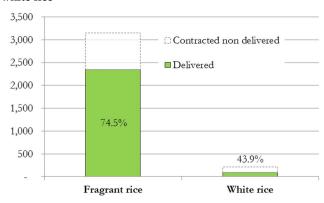


Figure 2: Realization of contracts of 8 ACUs for fragrant and white rice



One can also note that the rate of realization of contract is lower for white rice varieties than for fragrant rice: 74.5% for fragrant rice, against only 43.9% for white rice (See Figure 2 opposite).

3.3.4.5. Payments to Cooperatives

At the beginning, AMRU has been able to pay cooperatives on time, as per the terms of the Contract Farming agreements. But then AMRU faced some difficulties with cash flow (payments from buyers in Europe and USA coming late in December), some payments to the cooperatives were delayed.

On 31st December, the payment of about 329.7 million Riels (about 82,421 USD) was pending and was expected to be settled in early January.

3.3.4.6. PAYMENT TO ACU

As agreed in the contracts, an amount of 50 KHR/kg²⁶ of paddy delivered by the cooperatives was withheld from the payment to ACs. The total of the amounts deducted will then be transferred directly by AMRU to the Agricultural Cooperative Unions, as the contribution of ACs to ACU budget.

The Table 9 (below) details the calculation of the amount that the ACU will charge to AMRU on this purpose. A total amount of 119,855,180 KHR shall be charged to AMRU by the ACU, equivalent to approximately 29,653 USD.

Table 9: Calculation of amount to retrocede by AMRU to the Cooperatives Union

ACs Names	Volume sold to AMRU (kg) for grades in contract	Volume sold to AMRU (kg) Grades A5, A6	Total volume sold to AMRU (kg)	Amount to retrocede to ACU (KHR/kg) for grades in contract	Amount to retrocede to ACoU (KHR/kg) for grades A5, A6	Total Amount to retrocede to ACU (KHR) for grades in contract	Total Amount to retrocede to ACU (KHR) for grades A5, A6	Grand Total Amount to retrocede to ACU (KHR)
Krabao Prum Tep	165,795		165,795	50	30	8,289,750	-	8,289,750
Kaeluma Chivikpheap Ros Nov	106,164	2,548	108,712	50	30	5,308,200	76,440	5,384,640
Rohas Samaki Meanchhey	79,107		79,107	50	30	3,955,350	-	3,955,350
Leuk Kampos Satrey	451,476		451,476	50	30	22,573,800	-	22,573,800
Romduol Malu Prey Chheay Den	315,567	14,298	329,865	50	30	15,778,350	428,940	16,207,290
Satrey Ratanak	723,149	26,294	749,443	50	30	36,157,450	788,820	36,946,270
Torsu Sen Chey	402,370	58,946	461,316	50	30	20,118,500	1,768,380	21,886,880
Rom Tom Samaki Meanchey	92,824		92,824	50	30	4,641,200	-	4,641,200
Total quantity of paddy rice sold to AMRU (kg) 2,438,538 116,822,600 3,						3,062,580		
Total mount of money to Retrocede to ACU in Rield							119,885,180	
Total amount to Retrocede to ACU convert to USD (Ref: NBC: 1USD=4043 Riels)							\$ 29,653	

We can note that, in the projections of budget and financial resources of the Cooperative Union in 2016 prepared by the project in the previous quarter, the hypothesis of incomes of the ACU from 2015 harvest (to be used for ACU expenditures in 2016) was 31,250 USD (See Quarterly Executive Report #11,

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²⁶ 30 KHR/kg for the two additional categories of quality (A5 and A6) which were added at harvest time and were not defined in the contract.

Annex 1, page ii). Even if the final incomes are a bit lower than expected, about 95% of the targeted amount will be reached, which is still quite in line with the previsions.

3.3.5. COORDINATION WITH OTHER INITIATIVES IN SUPPORT TO ORGANIC PADDY PRODUCER ACS IN PREAH VIHEAR

On 27 October 2015, a meeting was hosted in SNEC with SCCRP project (represented by Mr Jean-Marie Brun, Mr Min Sophoan and Ms. Chum Pesey), World Vision International (WVI, represented by Mr Leng Vireak and Mrs You Malen), International Volunteers of Yamagata (IVY, represented by Mrs Ayumi Matsuura) and AFD (represented by Mr Muong Sideth).

World Vision International and IVY had previously expressed their intention to develop and implement activities in support to the organic paddy producers Agricultural Cooperatives and ACU in Preah Vihear. SNEC project team had previously exchanged and provided information on the SCCRP project activities in support to these cooperatives. The meeting on 27 of October was aiming at providing more background information to WVI and IVY, sharing on the SCCRP project approach and strategy, and getting information on the intentions of WVI and IVY. The objective was also to agree on possible modalities for further coordination in order to harmonize intervention, enhance synergies and avoid overlapping or conflicting approaches.

Whereas it was agreed that there is room for additional support to cooperatives in Preah Vihear, it was underlined that the support from other organizations shall not be a substitute to the commitments and responsibilities of the cooperatives and of their members (notably the mobilization of the Cooperatives' contribution for the budget of the Union should start from the next harvest, as soon as profit is made from the selling of organic paddy, and that it would be counterproductive to substitute subsides to these agreed contributions). IVY intends notably to support four new cooperatives, which could possibly join the Union. WVI has indicated that they can provide capacity building support to ACs / ACU, notably in term of management, book keeping and entrepreneurship. It was suggested to consider support to develop other activities in dry season in order to maximize the use of the Human Resources of the Union in the low season for rice.

The three projects'/organizations' representatives agreed that a next meeting could be organized early in 2016 to pursue the coordination, with the cooperatives' leaders, and possibly with AMRU and other partners such as COrAA.

3.3.6. ESR CERTIFICATION OF AMRU

AMRU has succeeded in getting Ecocert's ESR Standard certification²⁷. This private owned standard provides some guarantees for the consumers regarding Corporate Social Responsibility of the company producing/supplying the goods). ESR Standards stands for "Equitable, Solidaire, Responsibile" (i.e. Fairness, Solidarity, Responsibility)²⁸.

The ESR certificate was issued by Ecocert to AMRU on 29 October 2015.

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 $^{^{27}}$ Cf. Quarterly Executive Report #11, \S 3.3.3.6. page 22.

²⁸ The Ecocert ESR standard can be downloaded from: http://www.ecocert.com/sites/default/files/u3/Fair-Trade-standard-Version-3.pdf

3.4. Support to paddy supply by FO to AMRU in Battambang

Following the results of previous meeting organized in last July, Rang Kesei Agricultural Cooperative has sold 433,347 kg of *Sen Kraob* paddy (fresh paddy) to AMRU rice. The price varies from 1,073.5 to 1,320 KHR/kg depending on the quality. Setting the price was based on the market price (reference of local traders' purchases within a week).

As part of this deal, AMRU is paying a service fee of 2.75 USD/ton to the cooperative, in order to cover the costs for coordination, facilitation, mobilization of members and gathering of paddy). Hence, the cooperative has received an income of 1,191.70 USD from the management of these paddy supply operation. Besides, Rang Kesei AC can reduce a lot of transportation cost since AMRU rice mill is located only about 10 km from the AC. The advantages mentioned above strongly motivate Rang Kesei AC to continue to work in partnership with AMRU rice for the next cropping season.

3.5. Involvement of FWUC in paddy commercialization

3.5.1. PADDY SELLING BY STUNG CHINIT FWUC

3.5.1.1. Previous preparation for paddy selling since early stage of 2015 crop

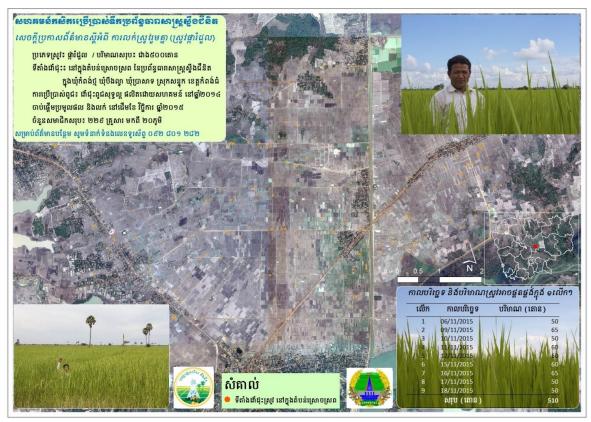
Follow-up on previous support provided by SCCRP project, the Paddy Selling Group activity of Stung Chinit Farmer Water Users Community has started to prepare the selling of *Phka Rumduol* paddy for this year since the early stage of the cropping period in May 2015, when group representatives have started to updated the lists of members and the registration of activities. 183 members of the groups have used improved seed which produced by seed producer group in this area in 2014 ²⁹ (15.5 tons of total improved seed were sold to members of PSG). Besides this, there are 70 members that they still cropped seeds that they produced by themselves.

3.5.1.2. Assessment of volumes available and announcement to rice millers

In late October 2015, Paddy Selling Group leaders have estimated that the production of quality *Phka Rumduol* paddy by PSG group members could reach more than 500 t in November 2015. To disseminate this information, Stung Chinit FWUC has issued an announcement (See next page) targeting potential paddy buyers (rice millers / exporters), communicating this availability of more than 500 t of *Phka Rumduol* paddy produced in Stung Chinit irrigation scheme. The announcement was specifying that the paddy was cropped from quality seeds produced by the FWUC in 2014, and detailed expected volumes that could be supplied for each delivery from 6 November to 18 November (50 to 65 t per delivery, for a total of 9 collection days during the period).

SCCRP project has not been directly associated with this initiative of announcement, except by suggesting to disseminate the announcement via CRF. Yet the initiative can for sure be considered as a follow-up of the paddy selling group experience directly supported by SCCRP in 2013 and 2014, including the support to seed production in Stung Chinit in 2014, from which the paddy available for this selling operation is partly produced.

 $^{^{29}}$ Cf. Quarterly Executive Report #08, \S 3.4.3.1., page 30.



△ Announcement of Phka Rumduol paddy availability issued by FWUC Stung Chinit.

3.5.1.3. VISIT OF CRF DELEGATES IN STUNG CHINIT AND GATHERING OF PURCHASE OFFERS

Following-up on this announcement, two officers of Cambodian Rice Federation (Mr Yan Pich and Mr Phang Phalla) have visited Stung Chinit FWUC and rice fields on 4th of November. SCCRP project team was represented in this visit by Mr Min Sophoan (AVSF-CIRD-ADG team) and Mrs Svay Samnang from DACP.

On the day following the visit, CRF has communicated contacts and reference prices of three rice millers³⁰ to FWUC Stung Chinit (via the Irrigation Service Center).







³⁰ Notably Apsara Rice, located in Oudong district (Kampong Speu), and Nikoline Investment Co., Ltd. located in Tbong Khmom province.

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3.5.1.4. Paddy selling and overall balance of Paddy Selling Group evolution in Stung Chinit

As result in late 2015, Stung Chinit Paddy Selling Group has sold 193 tons of *Phka Romduol* rice to APSARA rice company, Nikoline company. It was observed that more than 300 tons of *Phka Romduol* was not sold through PSG because they could get better price than PSG partner. Yet it was assessed by the Irrigation Service Center that the existence and activity of the Paddy Selling Group was pulling up prices offered by local buyers.

This year, thanks to the use of quality seeds by a part of the members and better follow-up of practices, the Paddy Selling Group was in position to differentiate qualities of paddy that it offers, and the different levels of quality could be acknowledged by farmers and buyers. The PSG has achieved its objective of selling its paddy to buyers who accept to give price according to rice quality. It is noted that PSG get started in 2013 by selling paddy to middlemen, then in 2014, the PSG has sold its paddy to rice traders and millers/exporters (notably identified with the support of the SCCRP project, such as Golden Rice) and finally, in 2015, the Paddy Selling Group of Stung Chinit could get connected to several millers and discuss with each of them about price and quality requirement. Before selling, the PSG had disseminated information about its paddy availability to more than 10 potential buyers. As a result, the group had explored more choices before taking the decision to sell its paddy.

In 2015, two approaches were implemented by Stung Chinit Paddy Selling Group:

- A so-called "market driven approach" corresponding to the one implemented by the group of producers who have used better quality seeds, trying to improve quality to reach market requirements (and thereof be in position to negotiate higher prices),
- A "producer driven approach" consisting only in trying to market better together the paddy producers are already producing in the usual way, without any significant change in the production method but only in the management of the commercialization.

3.5.1.5. Perspectives of scaling up with FWN

According to the Irrigation Service Center, the achievements of this year in Stung Chinit are in the continuation of the previous years of establishment and support to the PSG in 2013 and 2014. The ISC has underlined the usefulness of the connection between FWN and CRF (which link as contributed to a better connection with potential buyers/millers and have led to fruitful results) and the potential of scaling up at the level of FWN and in relation with the CRF.

3.6. Preparation of New Potential Pilot actions

3.6.1. PREPARATION OF A FEASIBILITY STUDY ON SCENARIOS FOR FOS INVOLVEMENT IN USE OF PADDY DRYING AND STORAGE FACILITIES FOR IMPROVED COMMERCIALIZATION OF PADDY

Further to the sending of a Request for Proposal to shortlisted consultants on 21st August 2015 for the study on Private investments and FO involvement in drying and storage facilities at local level³¹, two offers have been submitted by the deadline of 1st October 2015, respectively by GRET and by Agrifood Consulting International.

The Project's Procurement Committee had a meeting and scored the offers on 5th October. Results of the selection process were sent to AFD for non-objection, then have been revised two times following two

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3.7.2.3. Current progress of the writing to date

The Table 10 (opposite) shows progress of Manual writing as of 31st December.

3.6.2.4. NEXT STEPS

Drafting of the manual will be continued in the next quarter. SNEC project coordinator also intend to have a meeting with MAFF Secretary of State (initially planned for this quarter but that had to be postponed) in order to formalize the objectives of the partnership and the statute of the Taskforce on Contract Farming.

Table 10: Progress of the writing of the Manual on Contract Farming

Sections	Subs	ectior	ıs				
Forewords							
Intoduction: Purpose and Scope							
#1 - Overview of Contract Farming	1.1.	1.2.	1.3.				
#2 - Context of CF in Cambodia	2.1.	2.2.	2.3.				
#3 - Procedures for facilitation and negotiation	3.1.	3.2.	3.3.	3.4.			
#4 - Contract content and advices for writing		4.2.	4.3.	4.4.	4.5.	4.6.	4.7.
	4.8.	4.9.	4.10.	4.11.	4.12.	4.13	4.14
#5 - Monitoring during implementation		5.2.	5.3.				
#6 - Conflict resolution		6.2.	6.3.	6.4.			
#7 - Fos / ACs in Contract Farming		7.2.	7.3.	7.4.	7.5.		
Bibliography							
Glossary							
Index							
ुँ = Not started			= Im	prove	ed Dra	ıft	
= Not started = Parts only = 1 st Draft			= Submitted to Taskforce				
$= 1^{st} Draft$			= Final				

3.8. GENERAL COORDINATION OF THE COMPONENT #3

3.8.1. Monthly coordination meetings

Only one coordination meeting for Component #3 took place during this quarter, on 1st December 2015, facilitated by Mr Sok Sarang.

3.8.2. No activity of CRF's FMP ExCo

Whereas CRF's Farming and Milling Productivity ExCo is now seen by the project team as a relevant place to discuss issues and propose actions to improve the connection between Farmer Organizations and rice millers, this important ExCo of CRF has been inactive since the middle of 2015. SCCRP team in charge of Component #3 should take some initiatives in the next quarter, in relation with CRF staff and FO Federations, to initiate some meetings and explore new partnerships based on an analysis of recent initiatives taken by FOs (such as the booklet on paddy production by members of FCFD, FAEC and FWN – see § 1.2.2.1. page 5 in this report – or Stung Chinit FWUC initiative to disseminate their offer of 500 tons of quality paddy – see § 3.5.1. pages 28-29 in this report).

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

4.1. Up-grading RDB: RDB reforms and implementation of KPMG RECOMMENDATIONS

4.1.1. IMPLEMENTATION OF REFORMS BY RDB IN THIS QUARTER³⁴

4.1.1.1. HUMAN RESOURCES

The HR department drafted a staff performance appraisal method that involves setting key performance indicators (KPIs) for staff and scoring performance that will be used as input for staff salary raises, promotions and rewards. However, there remain significant challenges to its implementation, such as: further formulation of appropriate KPIs for staff of different departments is still needed, job descriptions for each staff still need to be finalized, and the culture of using staff in areas not under their responsibility needs to be rectified.

4.1.1.2. CREDIT DEPARTMENT AND LOAN MONITORING ACTIVITIES

The credit department now has a separate unit that specializes in monitoring loans to improve efficiency of loan monitoring.

4.1.2. RECRUITMENT OF FURTHER TECHNICAL ASSISTANCE TO SUPPORT TO IMPLEMENTATION OF REFORMS

Further to the Request for Proposal sent on 21st September, the two shortlisted companies (Mekong Strategic Partners (MSP) in association with BD-LINK., and SOFRECO in association with Positive Planet) have send their full proposal before the deadline of 21st October. The opening of offers received took place on 21st October (in presence of a representative of Sofreco).

The Procurement Committee met on 28 October and proceeded to the scoring of Technical Offers. Results of the scoring were sent to AFD on 30 October to request non-objection. Non-objection on technical offer scoring was granted by AFD³⁵ on 10 November 2015.

Financial offers were opened on 16 November 2015 by the procurement committee. Both offers were under the ceiling budget of 300,000.00 € and consistent with the experts inputs as described in the Technical Proposal. Since Mekong Strategic Partners associated with BD-Link has obtained the highest Technical Score, the procurement committee has concluded that they shall be selected to perform the service (subject to non-objection of AFD on the result of the financial opening and conclusion of the Procurement Committee).

Further to the opening of financial offer, a Request for non-objection on the conclusion was sent by SNEC to AFD on 18 November 2015, and the non-objection was granted by AFD on 1st December. The negotiation of a contract has started with MSP afterward and is expected to be finalized in January 2016, for a foreseen start of the service in early February 2016.

³⁴ Based on inputs from Mr Sam Vongsy, Deputy CEO of RDB.

 $^{^{35}}$ AFD letter No L 608/15.

4.2. DEVELOPMENT OF A CREDIT MECHANISM DEDICATED TO FARMER ORGANIZATIONS

4.2.1. MEETING BETWEEN SCCRP PROJECT, RDB AND FO FEDERATIONS

On 1st of October, a meeting took place in SNEC with the Project Management Advisor and the Assistant to Coordination and Management, RDB (represented by its Deputy CEO) and representatives of FAEC and FCFD (including technical assistant of AVSF team). Lessons learnt from the failure of previous requests for loans introduced by FAEC and FCFD were discussed, and explanation provided on the main reasons for this situation. Deputy CEO has notably indicated that the new credit policy to FOs was not yet approved by the Board and that the old policy was thereof still applied (with notably higher collateral requirement than foreseen in the new credit policy for FOs). Also the human resources and procedures were not fully in place on RDB side, and the guarantee mechanisms that had been discussed was not effective.

This meeting was useful and important to rebuild the trust with FO Federations after the failure of the requests for loans.

It was discussed and agreed that, before new requests are introduced, every elements should be in place, notably the new policy for Credit to FOs should have been endorsed by RDB Board of Directors, Credit officers should have been trained (as well as interlocutors within FO Federations to support FOs in the development of their requests for loans). In the case FOs have not sufficient collateral, the requests for loans should also wait for the guarantee scheme to be in place and efficient in order to lower the collateral requirement. The following time frame has been discussed and agreed as a conclusion of this meeting.

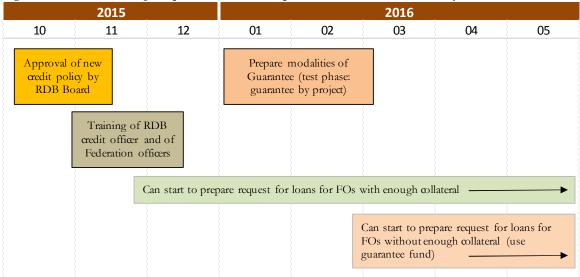


Figure 3: Timeframe of steps required before next requests for loans are introduced by FO Federations

Source: Output of the meeting between RDB, FO Federation and SCCRP project on 1st October 2015.

4.2.2. PROCESS OF DEVELOPMENT OF RDB'S NEW CREDIT POLICY FOR FOS

4.2.2.1. SHARING OF NEW DRAFT CREDIT POLICY FOR FOS AND GATHERING COMMENTS

After the meeting of 1st October, the Deputy CEO of RDB has shared the draft of the new credit policy to FOs to FAEC and FCFD. FAEC has formulated some comments sent by e-mail to RDB on 19 October (with some correction re-sent on 20 October), notably proposing to increase the ceiling amount of loans (in

absolute value and in proportion of the FO own capital), reducing the collateral requirements and interest rates, etc.

4.2.2.2. Process of endorsement of New Credit Policy for FOs

The new credit policy for FOs is expected to be submitted to RDB Board of Director for approval. Project management team has provided some background elements to project director, H.E. Ros Seilava on this matter. Initially expected to take place in November or December 2015, the Board meeting is now foreseen to take place in the first quarter of 2016.