

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



Supreme National Economic Council (SNEC)

SUPPORT TO THE COMMERCIALIZATION OF CAMBODIAN RICE PROJECT

QUARTERLY EXECUTIVE REPORT #14

APRIL JUNE 2016

17 August 2016

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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
ACTAE	Towards Agroecology Transition in the Mekong Region Project
ADB	Asian Development Bank
ADC	Agricultural Development Communities
ADF	Agriculture Development Fund (= ASDF)
ADG	Aide au Développement - Gembloux
AEA	Agro-Ecosystem Analysis
AEC	ASEAN Economic Community
AFD	<i>Agence Française de Développement</i> / French Agency for Development
AFDI	<i>Agriculteurs Français et Développement International</i>
AFO	Accounting and Finance Officer (in SCCRP project management team)
AFTA	ASEAN Free Trade Agreement
AIMS	Accelerating Inclusive Markets for Smallholders Project (IFAD project)
ALCO	Asset Liability Committee (banking)
ALiSEA	Agroecology Learning Alliance in South East Asia
AMIS	Agriculture Market Information System
AMK	Angkor Mikroheranhvatho (Kampuchea)
AML/CFT	Anti-Money Laundering / Combatting the Financing of Terrorism procedures (banking)
AMO	Agriculture Marketing Office
AQIP	Agriculture Quality Improvement Project
ARIZ	<i>Accompagnement du Risque de financement de l'Investissement privé en Zone d'intervention de l'AFD</i>
AROS	Asia Regional Organic Standard
ARPEC	Alliance of Rice Producers & Exporters of Cambodia
ASDF	Agriculture Support and Development Fund (same as ADF)
ASEAN	Association of South-East Asian Nations
ASIrri	<i>Projet d'Appui aux Irrigants et aux Services aux Irrigants</i>
ASPIRE	Agriculture Services Program for Innovation, Resilience and Extension (IFAD project)
ASYCUDA	Automated System for Customs Data
AusAID	Australian Agency for International Development
AVSF	<i>Agronomes et Vétérinaires Sans Frontières</i>
BFS ExCo	Banking and Finance Solutions Executive Committee (of CRF)
BRC	British Retail Consortium
BritCham	British Cambodian Chamber of Commerce
C2A	<i>Commission Agriculture et Alimentation de Coordination Sud (French development NGO platform)</i>
CAC	<i>Crédit Agricole Consultants</i>
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

CB
CBAPC
CC
CCA
CCC
CCD
CCFC
CDC

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
FI	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	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> / 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)
HH	Household
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
IP	Intellectual Property
IPD	Intellectual Property Department of the Ministry of Commerce
IPM	Integrated Pest Management
IRAM	<i>Institut de Recherche et d'Application des Méthodes de Développement</i>
ISC	Institute of Standards of Cambodia
ISF	Irrigation Service Fee
IT	Information Technologies
IVY	International Volunteers of Yamagata
IWRM	Integrated Water Resources Management
JCC	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)
LGWR	Long Grain White Rice
LRI	Live Rice Index
MAFF	Ministry of Agriculture, Forestry and Fisheries
MEF	Ministry of Economy and Finance
MFI	Micro-Finance Institution
MIH	Ministry of Industry and Handicraft
MIME	Ministry of Industry, Mines and Energy
MLMUPC	Ministry of Land Management Urban Planning and Construction
MOC	Ministry of Commerce
MOWRAM	Ministry of Water Resources and Meteorology
MPWT	Ministry of Public Works and Transport
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)
OA	Organic Agriculture
OACP	Office of Agricultural Cooperatives Promotion
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	<i>Programme d'Appui au Développement de l'Agriculture au Cambodge</i>
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
PIP	Public Investment Program
PM	Prime Minister
PMA	Project Management Advisor (in SCCRP project management team)
PMUAC	Preah Vihear Meanchey Union of Agricultural Cooperatives
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
RDB	Rural Development Bank
RGC	Royal Government of Cambodia
Rice-SDP	Climate Resilient Rice Commercialization Sector Development Program (ADB)
RMA	Rice Millers Associations
RS	Rectangular Strategy
RUA-CD	Royal University of Agriculture – Chamcar Daung
SAP	Sihanoukville Autonomous Port
SAW	Strategy on Agriculture and Water
SCCRP	Support to the Commercialization of Cambodian Rice Project
SCF	Strategic Climate Fund
SCM	Scoring Criteria Method
SEA	South East Asia
SIAL	<i>Salon International de l'Agroalimentaire</i> (Paris)
SME	Small and Medium Enterprise
SMP	<i>Sansom Mluh Prey</i> 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
WIPO	World Intellectual Property Organization
WRC	World Rice Conference
WRMSDP	Water Resource Management Sector Development Program (ADB)
WTO	World Trade Organization
WVI	World Vision International

UNITS AND MEASURES

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

INTRODUCTION

The Support to the Commercialization of Cambodian Rice Project (SCCRP) is coordinated by the Supreme National Economic Council and funded by the *Agence Française de Développement* (AFD – French Agency for Development) for an initial period of 3 years (January 2013 to December 2015), now extended until 31st December 2017.

This report is the 14th Quarterly Executive Report of the project. It covers the period from April 1st to June 30, 2016, for technical components 1 to 4.

During this period, FO Federations have elected their representatives in CRF Board following the procedure they have defined, and with endorsement of DACP and MoC. A workshop on possible roles of CRF and FO Federation in Contract Farming development and other improvement for paddy commercialization was organized on the 4th of May 2016, and has confirmed the interest of buyers for a “paddy selling platform”.

Rules to be attached with the application for the registration of CRF’s Certification Mark (« Angkor Malis ») have been drafted, and preliminary communications to stakeholders have been made.

The 8 cooperatives producing organic paddy in Preah Vihear had the founding General Assembly to formally establish the Union now named “Preah Vihear Meanchey Union of Agricultural Cooperatives (PMUAC)”. They have also started the negotiation with AMRU for Contract Farming for this year, together with 4 new ACs supported by IVY. Besides, 7 other cooperatives of Preah Vihear have been selected for another partnership for organic paddy production with Signature of Asia. The Manual for Contract Farming in Cambodia has also progressed, in particular with inputs from the Henri Capitant Association in Cambodia.

GRET has implemented the feasibility study on FO investments in drying and storage facilities.

A major achievement of this quarter is the endorsement by RDB of the new credit policy dedicated to Farmer Organizations, allowing them to access loans with much lower interest rate than any other existing option available for FOs. Significant progresses have also been made in reforms of RDB, notably with the reform of the organization chart and the establishment of the Risk Department.

Last, the Rice Policy Review working group was formally established by SNEC and the consultants have implemented the review and will present findings in July 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	<ul style="list-style-type: none"> ▪ Election of FO Federations representatives in CRF Board. ▪ Validation of CRF election process (under the authority of MoC). 	<ul style="list-style-type: none"> ▪ CRF General Assembly and elections of the Board (2nd mandate). ▪ Training workshop on SRP rice standards – Siem Reap. ▪ Design workshop on paddy selling platform. 	<ul style="list-style-type: none"> ▪ Intervention of MoC in CCRF election process is not always aligned with CRF statutes. ▪ Difficulties of AVSF to finalize partnership with FO Federations.
C#2	<ul style="list-style-type: none"> ▪ Dissemination of information on CRF certification mark to stakeholders. ▪ Draft rules of use to be annexed with the application for Certification Mark registration. 	<ul style="list-style-type: none"> ▪ Finalize rules and application for registration of Certification Mark. ▪ Up-date work plan for next steps. 	<ul style="list-style-type: none"> ▪ Pace of meetings of GMP ExCo still low. Very low reactivity of GMP ExCo members and insufficient pro-activity of CRF officer. ▪ Missing <i>Prakas</i> obstacle the registration of Certification Mark in Cambodia.
C#3	<ul style="list-style-type: none"> ▪ Update quality grade description in contracts with AMRU. ▪ Identify 7 ACs for organic paddy supply to Signature of Asia. ▪ Workshop with CRF and FO on Contract Farming and paddy selling. 	<ul style="list-style-type: none"> ▪ Signature of Contract Farming Agreement between AMRU and Cooperatives in Preah Vihear. ▪ Start implementation of support to CF for organic paddy with Signature of Asia. 	<ul style="list-style-type: none"> ▪ Significant amount of time was lost due to hesitations of Signature of Asia.
C#4	<ul style="list-style-type: none"> ▪ Validation of RDB's new policy of credit to Agricultural Cooperatives. ▪ Start dissemination of new credit offer to ACs members of FAEC and FCFD. ▪ Meeting in MEF with RDB and CRF on preparation of financial mechanisms to support Cambodian rice sector. 	<ul style="list-style-type: none"> ▪ Dissemination of RDB's new credit offer to FOs + start the identification of loan requests. ▪ (Depending on FOs): first application for loans from FOs to RDB based on new credit offer. ▪ Support to new Risk Department of RDB. ▪ Completion of RDB strategy and business plan. 	<ul style="list-style-type: none"> ▪ Attention has to be paid in order to avoid that new financial tools developed in relation with CRF do not contradict the reform of RDB toward better banking practices.
C#5	<ul style="list-style-type: none"> ▪ Implementation of Rice Policy Review by consultants. ▪ Official creation of the Rice Policy Review working group. ▪ Preparation of 1st mission on analysis of added value distribution in Cambodian rice sector. 	<ul style="list-style-type: none"> ▪ 1st workshop on findings of Rice Policy Review. ▪ Drafting on new phase of Rice policy + Workshop. ▪ 1st mission on analysis of added value distribution in rice sector. 	

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

1.1.1.1. WORK WITH THE GMP EXCO ON THE BRANDING INITIATIVE

The support to the “branding” process, led by the Global Market Promotion Executive Committee of CRF is still the main operational support of SCCRP project to CRF. Progresses on this matter are developed in the section 2 of this report, pages 11 to 15. Decisions have been made regarding most of the last pending questions regarding the requirements for the use of CRF’s certification mark. Yet the ExCo has not been very reactive to get ready for the next steps, and CR coordinator has not been very proactive also. Only one GMP ExCo meeting took place during this quarter, in April, whereas a lot of work still has to be done.

1.1.1.2. WORK WITH THE FMP EXCO ON IMPROVED INTERFACE BETWEEN FOS AND MILLERS / EXPORTERS

Whereas in our previous quarterly report, we underlined that CRF’s Farming and Milling Productivity Executive Committee had resumed its work after a long period of passiveness, we observe that no meeting of the FMP ExCo has been convened during this quarter.

Nevertheless, an important workshop (following up on the FMP ExCo meeting of March – but largely initiated by SCCRP project) was organized in Phnom Penh on the 4th of May 2016. The workshop was focused on possible actions to improve the commercial connection between Farmer Organizations (as paddy producers) and Millers/Exporters as buyers. More details are provided on this workshop in this report in § 3.5. pages 23-24.

A follow-up meeting took place on 25th of May 2016 with Mr Uch Chanthol and Mr Phang Phalla (CRF), in particular about further steps on “paddy selling platform” development.

1.1.1.3. PROPOSED SUPPORT ON ORGANIZATION OF TRAINING ON GLOBAL FOOD STANDARDS

Following-up on demands expressed by Cambodian rice exporters to the project, SCCRP has offered a support to Cambodian Rice Federation to organize training on food safety international standards for Cambodian millers and exporters. Conditions for project support were first informally sent by e-mail to Cambodian Rice Federation on 23rd of March¹. On 22nd of April 2016, Mr Moul Sarith, Secretary General of CRF, has e-mailed to project’s PMA to express the interest of CRF, but still subject to further confirmation. In order to formalize the proposed conditions, a draft Memorandum of Understanding² was prepared by SCCRP and sent to CRF on 29 April. CRF has confirmed its approval on this draft MoU on 31st of May. The draft MoU was then sent to AFD on the 2nd of June to request non-objection. The reply was still pending at the end of this quarter.

1.1.2. INSTITUTIONAL SUPPORT / GOVERNANCE

As stated in the previous quarterly report³, an institutional support to CRF will be re-discussed after election of the new Board of the Federation, scheduled in July 2016. Nevertheless, CAVAC project is also starting to

¹ Cf. Quarterly Executive Report #13, § 1.1.1.3., pages 4-5.

² (based on the same conditions as previously sent by e-mail to CRF, in March, summarized in the previous Quarterly Report.

³ Cf. Quarterly Executive Report #13, § 1.1.2. page 5.

provide an organizational support to CRF, and has appointed Mrs Sheila Scapis as advisor for CRF organizational management. In order to coordinate support and ensure synergies among the different interventions, a meeting took place on 17th May 2016 in CAVAC office with CRF and the management advisor appointed by CAVAC to support CRF. ToR of CAVAC advisor were reviewed and possible synergies discussed. The support of CAVAC is quite operational and focuses on management issues, with CRF's General Secretary as the primary counterpart of CAVAC advisor. It seems quite complementary to SCCRP considered support which will focus more on the statutes, governance and balanced representativeness in the rice Federation.

1.1.3. PARTICIPATION OF CRF IN RICE POLICY REVIEW AND RICE VALUE CHAIN OBSERVATORY

1.1.3.1. RICE POLICY REVIEW

CRF is associated in the process of rice policy review: On 18 April 2016, Mr Srey Chanthy (consultant on rice policy review) had a meeting with CRF management to present the proposed process of rice policy review. From project side, Jean-Marie Brun and Bun Hay also took part in that meeting. Mr Srey Chanthy had additional meeting with CRF team in the following days: with Mr Phang Phalla and team focused on production on 21st of April, with Mr Moul Sarith on 25th of April.

Later on, SNEC has officially sent a letter to CRF (among others) to appoint a representative to take part in a small working group to coordinate and supervise the process of rice policy review. CRF has replied and appointed H.E. Sok Puthyvuth and Mr Horn Theara to take part in this group.

1.1.3.2. DISCUSSION ON POSSIBLE INVOLVEMENT OF CRF IN SETTING UP A RICE VALUE CHAIN OBSERVATORY

As part of the discussion on rice policy review, on the 18th of April, the project management advisor has introduced the idea of setting up a permanent economic observatory of Cambodian rice sector, and of associating CRF in this project. Mr Srey Chanthy has also advocated for this idea, underlining the lack of regular monitoring mechanism in the past few years to follow-up the implementation and the effects of the rice policy implementation.

1.1.4. PREPARATION OF CRF ELECTIONS 2016

1.1.4.1. COORDINATION BY MINISTRY OF COMMERCE

MEETING ON 26TH OF MAY IN MoC

On the invitation of CRF, M. Jean-Marie Brun, SCCRP Project Management Advisor, Mr Phat Sophany, national consultant in charge of support to FO Federations and Mr Bun Hay, member of SNEC, took part in a meeting organized on 26th of May in the Ministry of Commerce about the preparation of CRF General Assembly and election of CRF Board of Directors for the second mandate. The meeting was chaired by H.E. Mao Thora, Secretary of State of the Ministry of Commerce, and attended by other senior officers of MoC and numerous members of CRF Board, including CRF President H.E. Sok Puthyvuth and Vice-Presidents.

H.E. Mao Thora has presented a draft *Prakas* about to be issued by the Ministry of Commerce about the creation of a working group in charge of the organization of CRF elections. The proposed working group will be chaired by H.E. Mao Thora and is mainly composed of MoC senior officers, except for one seat for the Secretary General of CRF. Suggestions to include the Ministry of Industry were made during the meeting.

After the draft *Prakas*, a draft directive prepared by MoC has been reviewed by the meeting. MoC has required the automatic allocation of one seat in CRF's Board of Director for Green Trade Company (public owned). H.E. Mao Thora has verbally suggested that this position could replace one of the 3 positions reserved for Farmers' representatives, but this was objected and it was recalled by Mr Samath Veasna (the only representative of farmers in CRF Board for the first mandate) that the decision to reserve three seats to Farmer representatives was approved by the General Assembly of CRF in 2015 and that it should be respected. The principle to have a representative of Green Trade in the Board was not objected, but it was agreed that it would not be to the detriment of farmers' representation.

SCCRP project representatives have provided information to the meeting about the process already engaged to define the procedure for designation of FO representatives, and notably that all 5 FO Federations already identified had commonly defined and agreed on a process since 1st of March 2016, in presence of a representative of the Department of Agriculture Cooperative Promotion of MAFF. Yet, MoC still expect MAFF to designate or validate the designation of FO representatives in CRF Board. After the meeting, SCCR project and CRF have managed contacts with MAFF/DACP to ensure their participation and endorsement of results.

As part of the discussion on the proposed Directive, the calendar for the registration of candidate, verification of electoral lists and date of vote was discussed. The date of 2nd July was agreed for the organization of CRF General Assembly and elections. After this meeting, it was also decided that the process of election of FO Federations representatives should take place before the General Assembly of 2nd July.

1.1.4.2. PROCESS FOR REPRESENTATION OF FO FEDERATIONS DELEGATES IN CRF BOARD

PREPARATION OF THE ELECTIONS

Following-up on the development and endorsement of procedures for the election of FO Federations representatives in CRF Board on 1st of March 2016⁴, the process of implementation of these election was implemented as follows.

In April, the criteria for eligibility of FO Federations were verified and submitted to CRF. On 22 April, CRF General Secretary, Mr Moul Sarith, has confirmed by e-mail to SNEC project team the eligibility of FAEC, FCFD, FNN, FWN and CFAP to appoint candidates to take part in the election of FO representatives for CRF Board election.

IMPLEMENTATION

The election of FO Federations representatives in CRF Board was organized on 16th of June 2016 in CJCC. It was organized and sponsored by SCCR project.

An election committee was set up, composed as follows:

- President: Sok Puthyvuth, President of CRF;
- Vice President: Mr Chea Saintdona, Director of the Department of Agricultural Cooperative Promotion (MAFF);
- Mrs Mao Chhay Heang, representative of MoC;
- Mr Bun Hay, representative of SNEC;
- Mr Min Sophoan, representative of SCCR project.

⁴ See Quarterly Executive Report #13, § 1.2.4.1. Representation of farmers in CRF Board, pages 11-12.

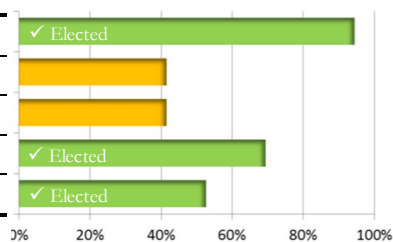


△ Candidates and members of the Election committee for the election of FO Federations' representatives in CRF Board, on 16 June 2016. From left to right: Mr Kong Moeun (FAEC), Mrs Rom Saroeun (FWN), Mrs An Saron (CFAP), Mrs Mao Chhay Heang (MoC), Ok. Vong Bunheng (CRF), H.E. Sok Pathyruth (CRF), Mr Samath Veasna (FCFD), Mr Seu Rany (FNN), Mr Min Sophoan (AVSF/SCCRP), Mr Chea Saintdona (DACP) and Mr Bun Hay (SNEC).

Five candidates were presented, appointed by each of the five FO Federations involved. Besides, each FO Federation has appointed 5 delegates to take part in the vote (including their candidate + 4 delegates). In addition, the Agricultural Cooperatives which are directly registered as members of CRF (since the first General Assembly and elections in 2014) were also entitled to a part of the vote. In total, there were 36 voters⁵. Each voter is entitled to tick three names on the ballot papers (Total of $36 \times 3 = 108$ voices). Results of the vote are presented below.

Table 2: Result of elections of FO Federation representatives in CRF Board

No	Name of Candidate	Federation	Nb of vote	% of vote
1	Mr Samath Veasna	FCFD	34	<u>94 %</u>
2	Mr Kong Moeun	FAEC	15	42 %
3	Mrs Rom Saroeun	FWN	15	42 %
4	Mr Seu Rany	FNN	25	<u>69 %</u>
5	Mrs An Saron	CFAP	19	<u>53 %</u>
Null / void ballot papers			0	0 %
Total			108	



The three representatives of FO Federations in CRF Board are Mr Samath Veasna (FCFD), Mr Seu Rany (FNN) and Mrs An Saron (CFAP).



△ A voter during the election of FO Federations representatives in CRF Board.



△ The three elected representatives, from left to right: Mr Samath Veasna (FCFD), Mr Seu Rany (FNN), Mrs An Saron (CFAP).

⁵ 25 from FO Federations, and only 11 from ACs directly registered because of overlapping names with Federations delegates.

1.1.5. COORDINATION BETWEEN CRF AND DEVELOPMENT PARTNERS

On 15 of June afternoon, CRF has convened and hosted a meeting with development partners to discuss on the creation of an advisory committee to CRF composed of Development Partners, in order to provide advices but also ensure a better coordination / harmonization of development projects in the rice sector.

Box 1: Proposed roles of Advisory Committee, as proposed by CRF

On 15 June, CRF has proposed the following mandate and activities to be undertaken by CRF's Advisory Committee:

Mandate:

➔ To support CRF's decision making and implementation process by providing strategic and technical inputs.

Activities:

- Review the feasibility of the CRF's vision and mission.
- Strengthen the implementation of the Strategic Plan and monitor/evaluate the implementation of CRF action plan.
- Provide recommendations on strategy, policy, trade development.
- Moderate dialogue with stakeholders and advise on outreach strategies.
- Make recommendations on revenue generating activities.
- Promote approaches concerned with resilience of the rice sector.
- Contribute to CRF's communication strategy.

SCCRP's Project Management Advisor took part in this meeting and raised the three following points:

1. Informed participant about the on-going process of rice policy review, the expected outcome (a renewed policy) being also an element of harmonization and alignment of further interventions in the sector.
2. The necessity to clarify the decision making process within CRF, in particular regarding Strategic Plan and advocacy position, to ensure the support and ownership of all the segment of the value chain. A balanced representativeness shall be a condition for CRF to actually be in position to be the representatives of the whole rice value chain⁶. CRF strategic plan can be a major element of alignment of intervention in the rice sector only if it has been clearly endorsed by all the different segments of the value chain, i.e. at least farmers, millers and exporters⁷.
3. Last, he encouraged CRF to also consider quick-impact and achievable activities / services that CRF can propose to its members (such as for instance organization of training on food safety standards as SCCRP has proposed to support), because such useful services are important to build the trust of members and consolidate the credibility of the Cambodian Rice Federation.

Besides, the representative of USAid has also recalled about the existence of other spaces for coordination such as the Technical Working Group on Agriculture and Water...

⁶ Reference was made to the system of electoral colleges which is a mandatory requirement in France or in EU country for an inter-professional or branch organization to be formally acknowledged and empowered as representative of the sector.

⁷ It seems farmers' representatives have not been much associated to the preparation of CRF's Strategic plan of CRF (that was presented during the Cambodian Rice Forum in January), despite important sections of this plans are directly focused on the paddy production segment.

1.2. SUPPORT TO FEDERATIONS / NETWORKS OF FARMER ORGANIZATIONS

1.2.1. INSTITUTIONAL SUPPORT AND CONSOLIDATION OF FO FEDERATIONS

AVSF-CIRD-ADG team has been working since the beginning of this year to develop the strategy and modalities to support FO Federations in 2016-2017, for FO Federations to contribute to improve insertion of their members in Cambodian Rice value chain. Three main objectives have been identified, as follows:

- To improve service provision to FO Fed's members on paddy production, processing and commercialization.
- To improve the representativeness/role of FO Fed at national level on rice sectors.
- To strengthen FO Federations institutional.

1.2.1.1. PLANS WITH FAEC AND FCFD

The project team has worked with FAEC and FCFD to develop potential activities that could be implemented from early July 2016. This notably includes:

- The facilitation of the access to credit for member FO to develop their business and get involved in services to their members for rice production (input supplies) and/or paddy commercialization.
- The facilitation of contacts with potential buyers or partners for contract farming.
- Capacity building and support to members to gather information from their members and elaborate a planning of paddy delivering capacities at each FO level.
- Capacity building and support to FOs to assess quality of paddy and to take measures to improve it, including support to develop paddy seed production, SRP standard and Post-harvest technology.
- Facilitate contacts and negotiation with suppliers (inputs) and service providers (plowing / harvesting / transportation...).
- Reinforce the FO's representativeness and advocacies works.

Adjustments are still being made in FAEC and FCFD plans in order to adjust to budget constraints. Quarterly objective indicators are also been developed.

1.2.1.2. PLANS WITH FARMER WATER NET (FWN)

On 7th of June 2016, Mr Seng Sophak from the Irrigation Service Center has communicated to SCCRP's PMA a draft proposal⁸ for actions to be undertaken by the Farmer Water Net and ISC in 2016-2017 in support to FWUCs for paddy commercialization activities (+ in some cases side services of seeds production and input supplies). Comments were sent by PMA on 13 June, with questions and request for some clarification in the proposal. On 30 June, a revised version was still expected from FWN/ISC.

Once the proposal will be finalized and agreed, it will serve as the basis for a specific contract with Farmer and Water Net⁹, which will encompass the support to the proposed activities and services to FWUC to support paddy commercialization, as well as Farmer Water Net representation roles, notably in CRF.

⁸ Several recalls were previously sent to the ISC director about this proposal, which was expected to be provided to the project since February/March 2016.

⁹ Note: it is planned that this contract will be funded under the Component #3 of SCCRP project, since it is mainly focused on pilot actions of FWUCs in paddy commercialization.

1.2.1.3. CFAP AND FNN

CFAP and FNN are not developing specific services to their members for paddy commercialization. Only few members of CFAP could be involved in paddy commercialization, according to AVSF-CIRD-ADG team, but they are also member of FCFD and can therefore get support through this Federation.

Nevertheless, CFAP and FNN will be supported in their function of representation and in particular in their involvement with Cambodian Rice Federation bodies (Board and Farming and Milling Productivity ExCo). But the amount of budget support will be much lower than for the three other FO Federations.

1.2.2. FO FEDERATIONS SERVICES TO MEMBERS FOR INPUT SUPPLY

1.2.2.1. FERTILIZER SUPPLY: PARTNERSHIP BETWEEN FO FEDERATIONS AND BAYON HERITAGE

SIGNATURE OF MOU

Results of previous negotiations¹⁰ between FAEC, FCFD and Bayon Heritage Holding Group Co., Ltd. have been consolidated by the signature of a Memorandum of Understanding between the FOs and the fertilizer supplier. The meeting and signature of MoU took place on 4th of April 2016 at Tonle Bassac II restaurant. The conditions of the MoU are similar to the one agreed in March and already described in the previous Quarterly Executive Report¹¹.

IMPLEMENTATION AND BENEFITS FOR FEDERATIONS

During 3 months (April-June 2016) the extension meeting has been organized and purchase orders of fertilizer made:

- by FCFD in 5 provinces: 4,772 bags equal to 238.6 metric tons of fertilizer were ordered by FOs. Based on the agreement with Bayon Heritage, this operation has generated an income of 2,386 USD for FCFD and 2,386 USD income to FCFD member organizations
- by FAEC also in 5 provinces, 3,030 bags equal to 152 metric tons of fertilizer ordered by FOs, 1,515 USD will profit for FAEC and 1,515 USD will profit for members.

Table 3: Results of partnership on fertilizer supply between Bayon Heritage and FAEC + FCFD

Name of FO Federations	Quantity of Fertilizer Ordered/bought by FO		Total commissions generated (\$)	Sharing of commissions generated by the sales of fertilizers		Additional operational costs paid by Company to FO Federations	
	bag	ton		Federations	FO Members	Paid	Still due
FCFD	4,772	238.6	4,772 \$	2,386 \$	2,386 \$	1,000 \$	500 \$
FAEC	3,030	152	3,030 \$	1,515 \$	1,515 \$	1,000 \$	500 \$
Total	7,802	390.6	7,802 \$	3,901 \$	3,901 \$	2,000 \$	1,000 \$

¹⁰ Meeting hold on 28th of March 2016, Cf. Quarterly Executive Report #13, § 1.2.3.1. pages 10-11.

¹¹ Cf. Quarterly Executive Report #13, § 1.2.3.1. pages 10-11.

1.2.3. ROLES OF FO FEDERATION FOR ACCESS TO CREDIT FOR FOS

1.2.3.1. BRIEFING BY RDB TO FO FEDERATIONS ON NEW CREDIT POLICY

After RDB has endorsed its new credit offer dedicated to Farmer Organizations, a meeting was organized in RDB office in order to present in detail the conditions of RDB loan offer, for FO Federations to be in position to disseminate this offer and to support their members to prepare business plans and loan applications. Details about this meeting in RDB are provided in § 4.2.3. in this report, page 31.

1.2.3.2. ORGANIZATION OF THE DISSEMINATION BY FAEC AND FCFD TO THEIR MEMBERS

After received the new credit policy for agriculture cooperative from Rural Development Bank (RDB), FAEC and FCFD prepared internally (with SCCRP support) how to implement dissemination of information on the new credit availability to their members and developed a planning of provincial workshops for this dissemination, and prepared support documents. FAEC and FCFD have agreed to apply the same rules and documents in providing service for coordinate this activity and to co-organize the provincial workshops in provinces where the two Federations have members (Takeo, Prey Veng, Kampong Thom and Battambang).

A first provincial workshop was organized in Prey Veng province, in PDA Office on 30th of June 2016. 11 AC representatives participated (4 from FAEC and 7 from FCFD members). Participants understand clearly on the new credit policy for AC of RDB and the rule/service of FO Federations in facilitation for this activity. Tentatively 5 ACs (3 FCFD and 2 FAEC members) will consider to submit an application for loan, for a total approximate amount of 25,000 to 30,000 USD, for fertilizer, fuel trade and agriculture loan to members.

1.2.4. REPRESENTATION OF FARMERS IN CAMBODIAN RICE FEDERATION

1.2.4.1. REPRESENTATION OF FARMERS IN CRF BOARD

On 16th of June, the election of the three representatives of FO Federations in the Board of the Cambodian Rice Federation took place in CJCC. Details on the process of organization and implementation of election of FO representatives are provided in the § 1.1.4.2. in the present report, pages 5-6. The three elected representatives are: Mr Samath Veasna (FCFD), Mr Seu Rany (FNN), Mrs An Saron (CFAP).

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

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

2.1.1. OVERALL MANAGEMENT OF THE BRANDING PROCESS

On the 4th of April 2016, in order to support the coordinating officer in charge in CRF in his role of stimulation of the process of branding, SCCR Project Management Advisor has drafted and sent a tentative up-dated roadmap of the branding process to GMP ExCo members and partners involved. The proposed timeframe was very indicative, but the main purpose was to highlight all the numerous remaining tasks that were still pending to pursue and complete the development and use of CRF's certification mark. The proposed plan was covering the topics of brand development, registration (in Cambodia and abroad), certification mark operational use and management, and promotion – See Table 4 below:

Table 4: Topics and tasks still to be undertaken as part of the branding process, as in April 2016

I. Brand development	III. Brand use and management	IV. Brand promotion
I.1. Final validation of brand name and logo	III.1. Accreditation of Certification Bodies	IV.1. Explore interest of distributors
I.2. Final validation of all requirements	III.1.a. Communication of requirement to CB	IV.1.a. Briefing of exporters on how to involve distributors
I.3. Validation of control / certification process	III.1.b. Information session for CBs	IV.1.b. Exporters explore interest of their clients
I.4. Draft and endorse fees for brand users	III.1.c. Interested CBs apply	
	III.1.d. CRF ExCo review CBs applications	
	III.1.e. CBs receive their accreditation	
	III.1.f. A list of accredited CBs is published	
II. Brand registration	III.2. Information of potential brand users	IV.2. Brand promotion material
II.1. Registration in Cambodia	III.2.a. Draft a information notice	IV.3. Brand website
II.1.a. Transfer all document to WIPO expert	III.2.b. Send information notice to exporters...	IV.3.a. Develop web-site or section of CRF page
II.1.b. WIPO expert prepare application	III.2.c. 1st info/training session in Ph. Penh	IV.3.b. Up-load / up date list of accredited CBs
II.1.c. CRF submit application to MoC/DoIP	III.2.d. 2nd info/training session in province	IV.3.c. Up-load / up date list of authorized brand users
II.1.d. MoC/DoIP issue receipt of application	III.2.e. 3rd info/training session in province	
II.1.e. MoC/DoIP proceed with application	III.2.f. More sessions if needed	
II.1.f. Certification mark registred by MoC	III.2.g. CRF receive applications from potential users	
II.2. Registration in other target markets	III.3. Implementation of controls	IV.4. Brand launching campaign
II.2.a. Select target markets (EU? USA? China...)	III.3.a. First check of managerial / legal compliance	IV.4.a. Social media campaign
II.2.b. Explore procedures and requirements	III.3.b. CB reporting and grant first brand user certicate	IV.4.b. National launching event
II.2.c. Select IP law office / agent	III.3.c. CB start to verify product quality (shipments)	IV.4.c. International launching event
II.2.d. Assess costs and mobilize resources	III.4. Organization of brand management within CRF	IV.5. Promotion in international events
II.2.e. Contract IP law office / agent	III.4.a. Lists tasks to be done by CRF	
II.2.f. Proceed with registration process	III.4.b. Develop job-descriptions	
II.2.g. Certification mark registred in target country	III.4.c. Persons in charge are appointed	
	III.4.d. Capacity building / training	

A GMP ExCo meeting took place on 26 April 2016, in which final legal requirements and quality management requirements for brand users have been endorsed. But the planning of implementation of further tasks was not discussed during this meeting, and there was no other GMP ExCo meeting convened later on during this quarter.

On 2nd of June, SCCRP Project Management Advisor had a meeting with Mr Poeuv Bunrith (CRF) to discuss again the next steps on branding and action required, but it did not yet lead to a more proactive attitude of CRF officer and management.

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

A GMP ExCo meeting took place on 26 April 2016, in which final legal requirements and quality management requirements for brand users have been endorsed, based on a check list prepared by TÜV Rheinland.

In that meeting, the question “what do we plan to make sure the benefit of the brand also somehow reach farmers”, previously raised by SCCRP project (and recalled by e-mail on 4th of April), was discussed again. Two ideas had been previously proposed: a) to impose that a certain proportion of the branded rice is produced from paddy bought from Farmer Organizations; or b) to feed a farmer development fund with a part of the brand users’ fee). The GMP ExCo has agreed on the principle of the second option, with (tentatively) an amount of 20% of the brand-users’ fee to be channeled to feed a development fund for Farmer Organizations.

The principle of brand user fees itself is agreed as well. But the amount is still in discussion. The fact that the brand will not immediately generate additional value is considered, and it is acknowledged that in the first few months or years of brand use, the amount of brand user fee shall be kept low in order to encourage exporters to use the brand and thereof contribute to build its notoriety.

Last, on that session, the GMP ExCo has also confirmed the principle of authorization of re-packaging of branded rice outside of Cambodia, but with some conditions and verifications to be developed. TÜV Rheinland was asked to propose concrete measures for this purpose.

In May 2016, TÜV Rheinland has provided an updated version of all deliverables D1 to D7:

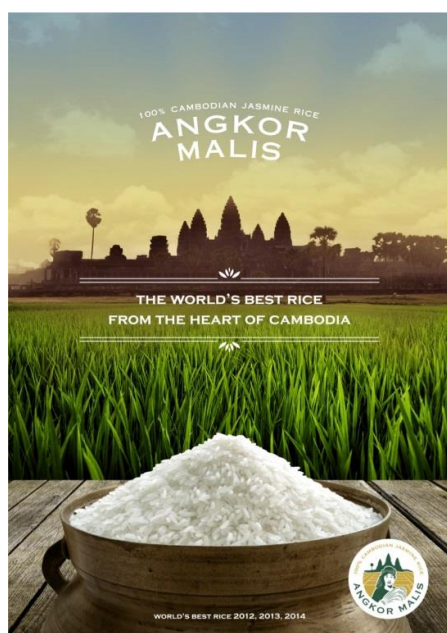
- D1 – Overall summarized description of the control and certification system proposed
- D2 – Detailed procedures, control methods and tools for verification of compliance with management process requirements
- D3 – Detailed procedures, control methods and tools for verification of compliance with product specifications
- D4 – Catalogue of measures / sanctions to be decided in case of non-compliance with Product or Process requirements
- D5 – Guidelines for Brand users
- D6 – Guidelines for Certification Bodies
- D7 – Guideline for CRF Brand Management Officer

2.1.3. PROGRESSES ON COMMUNICATION AND MARKETING ASPECTS OF THE BRANDING

2.1.3.1. BRAND BOOK

As indicated in the previous quarterly report¹², *ad' communication* (contracted by IFC) has finalized the development of the logo and slogan for certification mark and the name “*Angkor Malis*” was endorsed. *Ad' communication* has also prepared detailed guidelines regarding the use of the “*Angkor Malis*” logo, compiled in a “brand book”. This contains the versions of the logo (color and monochrome), the color codes (pantone references), fonts, protection areas to be respected around the logo, minimum size, etc.

Angkor Malis logo ▷



2.1.3.2. PROMOTION MATERIAL AND PRESENTATION OF THE BRAND

« Angkor Malis » brand was presented to an audience mainly composed of Cambodian rice sector stakeholders in the workshop co-organized on 18 May 2016 by the IFC and CRF (See below). As part of the presentation of the brand, *ad' communication* has shown preliminary version of posters designed for the brand promotion.

◁ First poster for « Angkor Malis » promotion, developed by *ad' communication*.

2.1.4. REGISTRATION PROCESS

2.1.4.1. PREPARATION OF RULES TO ATTACH WITH APPLICATION FOR CERTIFICATION MARK REGISTRATION

As indicated previously¹³, Mr Fabrice Mattei, an Intellectual Property lawyer based in Bangkok, is mobilized via the World Intellectual Property Organization to contribute to the process of registration of CRF's certification mark.

SCCRP project has provided him all the documents prepared by TÜV Rheinland regarding the certification mark requirements and the use of the logo, and Mr Fabrice Mattei has helped to reformulate a comprehensive rule for the use of « *Angkor Malis* » certification mark, to be attached with the application for the registration of the mark in Cambodia as well as in other countries.

¹² Cf. Quarterly Executive Report #13, § 2.1.2. page 14.

¹³ Cf. Quarterly Executive Report #13, § 2.1.3. page 15.

On 14th of June 2016, SCCRP Project Management Advisor had a meeting with the IP lawyer and with Mr Poeuv Bunrith in CRF to review rules of use of the Certification mark. Some amendments were made during this session, and additional revisions will be needed with some inputs expected from TÜV Rheinland. This will be finalized in July 2017.

2.1.4.2. ISSUE OF MISSING PRAKAS FOR REGISTRATION OF CERTIFICATION MARK IN CAMBODIA

In the end of 2015, the Department of Intellectual Property of the Ministry of Commerce has indicated that MoC would soon be ready to register Certification Marks¹⁴. But during the workshop co-organized by IFC and CRF on 18th of May, Mr Op Rady, recently appointed Director of the Department of Intellectual Property of MoC, has indicated that an element of regulation (a Prakas) is still missing for MoC to proceed with such registrations.

This could delay the process of the registration of « Angkor Malis » in Cambodia¹⁵.

2.1.5. BUILDING AWARENESS ON THE BRAND AMONG CRF S MEMBERS

2.1.5.1. CRF-IFC WORKSHOP ON 18 MAY 2016

The IFC and CRF have jointly organized a workshop in which activities and outcomes of the IFC project on rice sector have been presented, as this project was reaching its end. During the afternoon, a session was dedicated to present the concept of « Angkor Malis » certification mark, with presentations made by CRF, by the Department of Intellectual Property of MoC, by ad' communication and by TÜV Rheinland.

The name and logo of « Angkor Malis » certification mark were displayed publicly¹⁶ for the first time during that event.

2.1.5.2. MoC-WIPO WORKSHOPS

SCCRP's Project Management Advisor has played a coordination role between CRF, WIPO and the Department of Intellectual Property of the Ministry of Commerce to plan workshops of MoC and WIPO in connection with the process of development of CRF's Certification Mark (« Angkor Malis »). PMA had phone meetings with WIPO, then held a meeting with DIP and CRF to elaborate in the main lines the content of two workshops: one to be held in Battambang, focused on CRF certification mark, and the second in Phnom Penh with a broader scope on collective IP rights in agricultural value chain.

The two workshops took place in mid-June 2016, with participation of Mrs Francesca Toso who was coming from WIPO Geneva for the occasion, and for the second workshop, with the participation of Fabrice Mattei, IP lawyer based in Bangkok and commissioned by WIPO. SCCRP was not considered as an organizer or sponsor of these events, but contributed to the initial preparation and coordination, and financed the participation and inputs from TÜV Rheinland, present in the two workshops.

MoC – WIPO – CRF WORKSHOP ON « ANGKOR MALIS » CERTIFICATION MARK IN BATTAMBANG

The workshop in Battambang, was held on 13 June 2016 and was focused on CRF « Angkor Malis » Certification Mark and was primarily targeting rice sector stakeholders in Battambang and North-West region to provide information on the principle and use of the future Certification Mark.

¹⁴ Cf. Quarterly Executive Report #12, § 2.1.1., Box 1 and footnote 12, page 9.

¹⁵ It could be possible for CRF to register the Certification Mark in third countries first, as prior registration in the country of origin is not a mandatory requirement for Certification Mark. But it is not seen as desirable, unless if the process of issuing the missing Prakas takes too long.

¹⁶ Despite some reserved expressed regarding public disclosure of the logo before its registration...

MOC – WIPO WORKSHOP ON COLLECTIVE IP RIGHTS IN AGRICULTURAL VALUE CHAINS ON 15 JUNE 2016

The workshop in Phnom Penh was held on 15 June 2016. It was co-chaired by Mr. Op Rady, Director of DIP and by Mrs Francesca Toso from WIPO. An overview of collective IP tools (in particular in agricultural value chains and handicraft sector) was presented by Mr Op Rady. Mrs Francesca Toso has highlighted the progress realized since one year over the preparation of CRF's Certification Mark, which is now nearly ready to apply for registration. Mr Fabrice Mattei has provided elements regarding key factors for success (or failure) of collective IP rights, based on his various experiences. Two cases were presented as illustrations: Kampot Pepper (Geographical Indication) and (up-coming) CRF's Certification Mark « Angkor Malis ». For this last one, Mr Peouv Bunrith (CRF) presented the overall concept, and process for inspection and certification of compliance was presented by Mrs Alexandra Herbel (TÜV Rheinland).

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

3.1. GOLDEN RICE: REGISTRATION OF PHKA KRAVAN VARIETY

Since August 2015, when MAFF has sent the letter¹⁷ to Golden Rice in which it acknowledges the request for registration of Phka Kravan variety, no progress has been made or reported in the process of registration.

3.2. CONSOLIDATION OF THE SUSTAINABILITY OF ORGANIC PADDY SUPPLY CHAIN IN PREAH VIHEAR (8+4 ACS WITH AMRU RICE)

3.2.1. SUPPORT TO CREATION AND MANAGEMENT OF THE UNION OF COOPERATIVES

3.2.1.1. PROCESS OF REGISTRATION OF THE AGRICULTURAL COOPERATIVES UNION

The process of registration of the Union of the 8 Agricultural Cooperatives involved in organic paddy supply with AMRU has been pursued during this quarter, further to the issuance by MAFF of the Prakas on Unions of Agricultural Cooperatives in last February¹⁸.

The founding General Assembly was organized during this quarter. Final version of the statute have been endorsed, with the official name of the union being: “Preah Vihear Meanchey Union of Agricultural Cooperatives (PMUAC)”.

After the General Assembly, the documentation for the registration has started to be processed with local authorities and support of PDA. The official registration is expected to be finalized in July 2016.

3.2.1.2. SUPPORT AND BACKSTOPPING OF ACU MANAGER

Since the first quarter of 2016, PMUAC manager takes one day every month to prepare monthly planning with ISC team without participation from SCCRP team. They sent their planning to SCCRP team for comment and additional advice later on. SCCRP team takes time every month to comment planning of all PMUAC team to ensure work quality and efficiency.

SCCRP team in charge of Component #3 (AVSF-CIRD-ADG) estimate that the performances of the ACU manager are not fully satisfactory and progresses are slow. Recommendations provided by project team are not always taken into account.

Monitoring of further progresses of ACU manager (and other employees of ACU as well) is required, and the situation enhance the need to develop evaluation tools / performance indicators and to build the capacities of the Board of the ACU. As the ACU will soon be officially registered the Board of the ACU will gain legitimacy and will be in a stronger position (and responsibility) to undertake this role.

¹⁷ Cf. Quarterly Executive Report #11, § 3.2.1. page 15.

¹⁸ Cf. Quarterly Executive Report #13, § 3.3.1.1. page 18.

3.2.1.3. SUPPORT PMUAC BOARD TO ORGANIZE FIRST MEETING AFTER ITS ESTABLISHMENT

A full day meeting has been organized at PMUAC office on 13 May 2016 with participation of 2 officers from the OACP, 8 Board members of PMUAC and SCCRP team members to discuss the functioning of PMUAC after its creation. The results of the meeting are summaries as follows:

- The following activities are identified as priorities for 2016-2017:
 - Support the production and collection of organic paddy to sell to AMRU;
 - Commercialization of organic fertilizer (in case we can identify fertilizers compatible with EU and USA organic standards;
 - Support the production and distribution of quality organic paddy seeds.
- PMUAC empower PMUAC salaried team to continue their support and management on organic paddy production and internal control system and to get involved in paddy seed production and supply to members. Activity of fertilizer commercialization is not yet initiated, as prior validation of fertilizer has to be done by the certification body.
- Decision was made on the number of shares that each member of PMUAC agree to buy for the initial period. The value of each share is 1,000,000 KHR. Krabao Prum Tep AC intends to purchase 10 shares, Torsu Senchey 2 shares and other 6 ACs one share each.

Besides, following strategic orientations /key points have been reviewed and agreed:

- SCCRP and PDA are currently the main partners of PMUAC in the long run. PMUAC will identify others partners such as VWI, IVY, etc.
- AMRU is the main buyer for union for this 2016.
- The union will keep the existing staff to continue their work, but will try to identify other candidates living in Preah Vihear as a potential pool to scale up or replace existing team, when there are needs.
- PMUAC will reserve at least 20% of their yearly benefit for reserve fund.
- Office building: PMUAC will try to identify partners or donors that can support to build office for PMUAC.
- Land for construction: PMUAC may request land from PDA or from governor of province in case there are some donors who can help them to construct their office. PMUAC board will see the possibility to buy land for construction of PMUAC office if they have the opportunity.

3.2.1.4. PMUAC STAFF AND CAPACITY BUILDING

NEW STAFF SUPPORTED BY IVY

Ms Vuth Vicheara has been recruited with the support of IVY¹⁹ to work with the ACU, in order to help to absorb the additional work load with the foreseen integration of the 4 new cooperatives supported by the Japanese NGO. It was initially considered that she could allocate a part of her time to undertake accounting tasks (in addition to ISC inspector supervision), but finally it was estimated by IVY that she would not have sufficient skill for this.

TRAINING ON ACCOUNTING

PMUAC uses Excel program for accounting and financial reporting.

¹⁹ Her salary for this year is sponsored by IVY, then will be taken over by the ACU next year, while the new cooperatives will have paid their contribution to PMUAC costs.

In May, IVY has provided 2 days of training to all PMUAC staffs Quickbook software. Yet more support would be required for PMUAC to be able to switch to the use of Quickbook.

3.2.2. IMPROVEMENT OF MANAGEMENT AT COOPERATIVES LEVEL

Various practices of remuneration of management committees of Agricultural Cooperatives involved in the organic paddy supply to AMRU were observed last year, with in some cases excessive remuneration captured by ACs' committees, to the detriment of ACs' members²⁰.

In order to address this issue and to harmonize practices of ACs involved in the organic paddy value chain, a workshop has been organized with the Office of Agricultural Cooperatives Promotion of the PDA of Preah Vihear and in collaboration with WVI on the 29th of April 2016. 47 participants from 8 ACs took part in this meeting, during which the following issues were clarified:

- Necessity to comply with ACs statutes and regulations, which provide some benchmark on application of incentives for ACs representatives / committees.
- AC Union and ACs engage costs to ensure organic certification (including ICS and ICS supervision) and manage the commercialization of paddy. A fair amount of premium can be kept at these two levels in order to cover these costs, including a reasonable remuneration of committees. But as far as possible, a major part of the premium price for organic paddy should reach producers. Clear and transparent modalities for the calculation of the costs at each level should be established²¹.
- A part of the premium price received for organic paddy can be reserved to be re-invested in actions for quality improvement.

Among the results of this workshop, AC leaders have agreed to apply a daily remuneration of 30,000 KHR/day (increased to 40,000 KHR/day if they have to work overtime, at night) during the campaign of paddy collection, and an incentive of 20% of final yearly benefit of the cooperatives. Fuel consumption and communication costs will be reimbursed separately.

3.2.3. PREPARATION FOR ORGANIC CERTIFICATION 2016

Improvements have been made on farmers recording books, submitted by COrAA and then finalized by PMUAC with support of SCCRP project team.

COrAA has proposed a plan of activities to provide some (light) follow-up support to PMUAC and ACs in 2016, consisting in training and monitoring and evaluation of the Internal Control System. If the support is confirmed, COrAA will be directly contracted by PMUAC for this year.

3.2.4. INTEGRATION OF NEW MEMBERS IN THE ORGANIC PROGRAM

Given the success of the last 2 years of collaboration with AMRU, more farmers have expressed interest to join the plan for organic paddy production of their ACs, while AMRU has also confirmed an intention to increase volumes of organic paddy they could purchase (mainly increasing white rice varieties rather than jasmine).

²⁰ Cf. Quarterly Executive Report #13, § 3.3.4. page 19.

²¹ This is already the case for the fees paid to the Union of Cooperatives, which level is based on budget of the Union and on expected volumes marketed after a phase of growth of volumes (based on projections developed in 2015). Cf. Quarterly Executive Report #11, § 3.3.1.1., pages 15-16, and Annex 1 of the same report.

The integration of new members in the program will generate additional certification costs, more than in proportion of the growth, because the inspector from the international certification body will have to inspect a larger proportion of new members than the regular sampling ratio for old members. Integration of new members can therefore be considered as an investment which is not amortized on one year only. AMRU has requested ACs (or project) to contribute to cover part of the extra-costs²² generated by the integration of new members, for a proposed amount of 7,500 USD.

Contributions on ACs side will be covered by an “entry fee” charged to new member only.

3.2.5. NEGOTIATION OF MOU AND CONTRACTS FOR SEASON 2016 WITH AMRU

3.2.5.1. 1ST STEP OF NEGOTIATION OF 2016 CONTRACTS

For new cycle of rice production (this wet season 2016), AMRU took the initiative to organize a first meeting with the 8 ACs member of PMUAC + 4 ACs supported by IVY. The meeting took place on the 5th of April 2016 at PDA office and was attended by representatives of each ACs involved, PDA, OACP, SCCR, IVY and AMRU. A quick statement of last year results was made during the meeting, highlighting good results of the partnership, but also difficulties and room for improvement, notably regarding the quality of paddy (high broken rate). ACs representative also reported the constraints and difficulties met in paddy production last year, such as drought during production period, rains at harvest time, lack of good seed, lack of labor force for harvesting, no road to access to rice field to harvest and to dry on time and lack of service of combined-harvesters in the target area. ACs representative highlight also the problem of different conclusion of quality check by ACs representatives and AMRU staff and the late payment of AMRU especially at the end of the campaign. Company accepts to analyse 3 times paddy quality in case farmers don't agree with the results of quality testing. AMRU also apologized for late payment during December 2015 and explained also the constraint of late payment by his clients abroad in the last days of December due to holidays in Europe at that time of the year.

The commitment of the 4 new ACs to join the Union was also confirmed, and AMRU expressed its will to develop mid-term MoU with the cooperatives to ensure a better visibility of the partnership.

Costs at AC committee level were also discussed during the meeting and AMRU encouraged cooperatives to review their internal rules and practices in that matter, with the support of the SCCR project and of PDA (which was done later on in April – See § 3.2.2., previous page). Issue of extra certification costs due to massive entrance of new members was also addressed (See § 3.2.4. above).

For this season, at the time of this first meeting, AMRU's CEO has indicated that AMRU could buy approximately 3,000 to 3,500 tons of organic jasmine paddy from the 8 cooperatives of PMUAC, and all the organic white-rice paddy that ACs would be able to supply.

3.2.5.2. REVISION OF QUALITY GRADES CLASSIFICATION

In further steps of the negotiation, classification and specification of the different grade of quality was renegotiated in order to take into account the experience of previous years. This process took a significant amount of time and several steps in the negotiation, and was concluded on 26th of June during a meeting at PMUAC office with participation of 20 people from 12 ACs representatives, AMRU team, IVY staff, PMUAC staff, PDA representative and SCCR team. The following specifications for each grade of quality were agreed during that meeting:

²² These extra-costs are finally lower than previously thought, because it was first thought that 100% of new members would have to be inspected, which is finally not the case.

Table 5: Description of quality grade for organic paddy agreed between AMRU and ACs in June 2016

Categories	Purity (%)	Moisture (%)	Broken Rate (%)	Premium price in 2016	Notes	Comments
A1	90%-100%	13%-14.9%	1%-24%	270	Dry Paddy	Previous category of A1 and A2 merge together
A2	90%-100%	13%-14.9%	25%-32%	180		
A3	90%-100%	13%-14.9%	33%-36%	130		
A4	90%-100%	13%-14.9%	40%-52%	50		
B1	90%-100%	15%-19.4%	1%-24%	210	Mid-wet and dry	Previous category of B1 and B2 merge together
B2	90%-100%	15%-19.4%	25%-36%	180		
B3	90%-100%	15%-19.4%	37%-40%	130		
C1	90%-100%	19.5%-30%	N/A	50	Wet Paddy	
D1	90%-100%	13%-16%	1%-16%	230	White Rice	
D2	90%-100%	13%-16%	17%-24%	190		
D3	82%-89%	13%-16%	1%-24%	130		

Note: The percentage highlights in bold are the new definition for this 2016.

3.3. EXPLORE POSSIBLE OPPORTUNITIES OF CONTRACT FARMING FOR ORGANIC PADDY SUPPLY WITH SIGNATURE OF ASIA

Identification of suitable area and cooperatives to develop organic paddy production has been pursued in collaboration with Signature of Asia during this quarter. After visits in Siem Reap and Oddar Meanchey in March²³, the project team has explored other possible locations in Koh Kong, Kampong Speu, Pursat and Preah Vihear.

Some areas in Koh Kong and Oddar Meanchey could be suitable for organic paddy production, but with a limited potential in term of volumes. So ultimately Signature of Asia has decided to focus the development of organic paddy sourcing in Preah Vihear province only where the potential is higher.

Project team and staff of Signature of Asia have met 7 cooperatives with 846 members and 2,493.4 ha of rice production land.

Table 6: Number of interested households and villages in the 7 new ACs identified for organic paddy production in Preah Vihear

No	Name of AC	# HH volunteer	# of villages
1	Sangke Samaki Meanchey	85	2
2	Samaki Sovankiri Cheb	36	1
3	Puthrea Vathanak Meanchey	149	3
4	Rumduol Samaki Mlobprey Py Cheb	111	2
5	Khyornng Saing Sendey	100	3
6	Chradh Salavoan Samaki Meanchey	158	5
7	Sangke Py	207	3
Total		846	19

The capacity to produce and sell for this year 2016 is estimated to approximately 3,942 tons of organic paddy (3,351 tons of Jasmine rice and 591 tons of white rice). The detail information per ACs is shown in the Table 7, next page.

²³ Cf. Quarterly Executive Report #13, § 3.5.2. page 20.

Table 7: Potential of production of organic paddy in the 7 new ACs identified in Preah Vihear

No	Name of AC	Total land surface (ha)			Nb HH producing		Estimated production for 2016 (tons)		Estimated production to sell (tons)		
		Jasmine	White	Total	Jasmine	White	Jasmine	White	Jasmine	White	Total
1	Sangke Samaki Meanchey	117.0	67.0	184.0	66	64	290.0	136.7	153.5	75.0	228.5
2	Samaki Sovankiri Cheb	34.0	59.0	93.0	16	25	37.0	40.0	17.0	11.0	28.0
3	Puthrea Vathanak Meanchey	224.8	228.0	452.8	68	80	360.0	417.0	265.0	138.0	403.0
4	Rumduol Samaki Mlobprey Py Cheb	302.8	239.9	542.7	103	99	597.2	394.5	496.7	122.0	618.7
5	Khyomg Saing Sendey	234.9	17.3	252.2	97	26	678.7	79.3	534.9	31.5	566.4
6	Chradh Salavoan Samaki Meanchey	331.3	9.3	340.6	144	42	733.0	29.0	604.0	12.5	616.5
7	Sangke Py	505.0	123.1	628.1	197	87	1,437.0	352.9	1,280.0	201.0	1,481.0
Total		1,749.8	743.6	2,493.4	691	423	4,132.9	1,449.4	3,351.1	591.0	3,942.1

Whereas Signature of Asia has initially indicated that they would be interested for both organic jasmine and organic white rice varieties, the company has finally informed that they will be able to purchase only white rice varieties this year as they found client only for this category of rice. So for this year the organic production would concern only 423 households in these 7 cooperatives.

The model proposed for the development of this organic paddy supply chain (at least for this first year) is quite similar to the one previously developed with AMRU: Signature of Asia and the seven cooperatives will negotiate and sign a Contract Farming agreement. ACs should have their own ICS inspectors (and cover the related costs), and the buyer will hire the certification body. A staff will be recruited to supervise the ICS inspectors: as we did for the 8 ACs involved with AMRU, the project will cover the costs for this position for the first year, but the cooperatives will take the commitment to take over the costs based on a fixed contribution per kilogram of organic paddy sold to Signature of Asia. This contribution will be set at 50 KHR/kg, aligned with PMUAC practice, and possibly allowing an integration of these 7 ACs in PMUAC²⁴ in 2017. A significant difference with the previous case with AMRU is that Signature of Asia is expected to finance and implement the training of farmers on organic standards and the training of ICS inspectors, whereas the SCCRP project had made these investments in 2013 and 2014, via the contracts with COrAA.

At the end of this June, Signature of Asia has already recruited a staff to be involved in this project.

3.4. SUPPORT TO PILOT IMPLEMENTATION AND POSSIBLY CONTRACT FARMING FOR SRP RICE PRODUCTION

3.4.1. RECALL ABOUT BACKGROUND ON SUSTAINABLE RICE PLATFORM

Sustainable Rice Platform (SRP) is a global platform of stakeholders in rice that has developed the “SRP standard”, aiming at encouraging sustainable farming practices in rice, and valuing the sustainable production. Globally, SRP is still at a very pilot stage, but some Cambodian exporters are willing to pioneer the system with Farmer Organizations. An early engagement in SRP practices could be of strategic interest for Cambodia, considering that major international buyers are aiming at sourcing 100% of sustainable raw material starting from the coming years (notably Mars, with a target of 100% sustainable sourcing by 2020, but also other major buyers such as Ebro Food). Rice suppliers able to comply with these standards will have a competitive advantage against others to supply these major clients.

An informal “SRP working group” has been established in Cambodia, with participation from SRP secretariat from Bangkok. At the moment, the group gather interested exporters (BRICo, Golden Rice, AMRU... some of them already selling rice to Mars), the Department of Rice Crop of GDA/MAFF,

²⁴ It was judge preferable not to integrate in PMUAC these 7 ACs involved in this new partnership with Signature of Asia from this first year in order to avoid to put PMUAC at risk in case of a failure of this new partnership.

Cambodian Rice Federation, and some projects / support organizations or development partners such as SCCRP, IFC, CAVAC or WCS. One Certification bodies (Control Union) is also getting involved with this informal team.

3.4.2. CONTACTS WITH BRICO ABOUT CONTRACT FARMING FOR SRP RICE

Mr Kann Kunthy, CEO of BRICo (Battambang Rice Investment Co., Ltd) has informally contacted SCCRP project team to discuss possible support of the project for the development of Contract Farming for the production of SRP certified paddy.

SCCRP project already had a previous experience of Contract Farming between BRICo and Pet Sat Doembey Akphiwat Kaksekar Association in 2014, which was not very successful due to some issues with the quality of paddy, but also (mainly) because the principal of contracting was not very necessary since it was for the supply of the same paddy as what can be found from middlemen and at market price.

The supply of certified SRP rice would provide a quite different context. As for Organic Rice, the SRP certification requires to document and track production. It thereof creates a need for a consolidated partnership between producers and millers. For this reason, Contract Farming between exporters or millers and Farmer Organization could be relevant for SRP paddy supply. Our project team for component #3 (as well as FO Federations or CRF) can offer services to support linkages between exporters and interested Farmer Organizations, and facilitation of contract farming negotiations.

Preliminary communication was made with some potential FOs via FO Federations, but the insufficient information on SRP standards and requirements in term of documentation / control systems has been an obstacle to go further in exploring possible partnerships until the end of this quarter.

3.4.3. PARTICIPATION IN THE CAMBODIAN SRP WORKING GROUP AND ENVISAGED SUPPORT OF SCCRP PROJECT FOR THE ORGANIZATION OF A TRAINING OF SRP FIELD OFFICERS

SCCRP project took part in the Cambodian SRP coordination working group meeting on 19th of May 2016. The meeting took place in IFC office and was facilitated by Wyn Ellis from the SRP Secretariat (Bangkok). Three exporters were participating and have already expressed their interest to develop partnership with producers to produce SRP rice: BRICo, Golden Rice and AMRU Rice.

To address the need for a detailed understanding of requirements, the SRP Secretariat is planning to organize a training session in Cambodia, but was requiring additional partnerships to finance the operation. SCCRP representatives took the commitment to validate with SNEC and AFD a proposal for budgetary and logistic support for the organization of this training, which is scheduled to take place in Siem Reap on 14 and 15 of July 2016. This technical training is a needed prerequisite to move forward with pilot implementation of SRP standards. The training (Training of Trainer – ToT) will aim at building the capacities of technical officers/trainers in charge of further implementation.

The SRP secretariat will contribute by covering the costs of trainers (including their travel and accomodation). Trainers are: Mr Joel Janiya, from IRRI (based in the Philippines) and Mr Wyn Ellis, Sustainable Rice Platform Coordinator (based in Bangkok).

SCCRP project team has proposed to cover the costs for the venue (including coffee breaks and lunch), interpretation, reproduction of training documents, and the proposal has been approved by SNEC, then validated by AFD on 30 June 2016.

In addition, SCCRP team is facilitating the logistic, notably the registration of participants, booking of the venue and interpreter, etc.

3.5. WORKSHOP WITH CRF AND FO FEDERATIONS ON CONTRACT FARMING AND PADDY SELLING PLATFORM

3.5.1. PURPOSE AND OBJECTIVES OF THE WORKSHOP

Within this quarter, one workshop on Contract Farming and improvement of commercial interface between FOs and millers/exporters was organized by CRF and SCCRP project on 4th May 2016 at Tonle Bassac II with participation of more than 50 people (from FOs and millers/exporters mainly). The main objectives of the workshop were the following:

- To recall about the concept of Contract Farming, different models, successful cases and lessons learnt from pilots implemented with the support of SCCRP project;
- To define possible roles of CRF in Contract Farming facilitation;
- Possibly to identify interested buyers and producer groups for further business matching and partnership development;
- To introduce the idea of development of a “paddy selling platform” and validate interest of participants.

3.5.2. RESULTS OF THE WORKSHOP

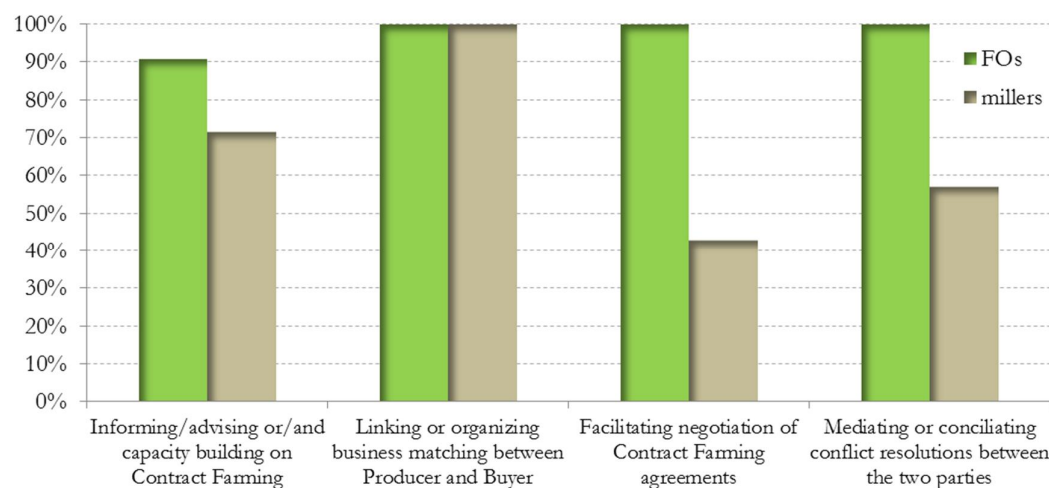
3.5.2.1. POSSIBLE ROLE OF CRF IN CONTRACT FARMING

During the workshop, participants were questioned via a quick survey about possible roles/ support functions that they would expect CRF to do regarding contract farming. Four possible functions were identified, as follows:

- Informing/advising or/and capacity building on Contract Farming
- Linking or organizing business matching between Producer and Buyer
- Facilitating negotiation of Contract Farming agreements
- Mediating or conciliating conflict resolutions between the two parties

Farmers organizations have not been very selective about the possible roles of CRF in this matter and have nearly always ticked all the proposed items. But millers have expressed a more differentiated point of view, expressing that CRF could mainly play a role as a general advisor on the concept of contract farming and (mainly) help potential partners to get in touch (“business matching”), but most of them would not expect CRF to get involved in mediation of conflict, and even less in facilitation of contract farming negotiation.

Figure 1: Result of vote on possible roles of CRF in Contract farming



3.5.2.2. INTEREST FOR INFORMATION TOOLS ON PADDY SELLING / PADDY SUPPLY ABILITIES

All millers/exporters who have filled the quick survey form on paddy selling have confirmed a strong interest for an information platform providing pre-harvest announcement (similar to the type of information provided in pre-harvest announcement issued by Stung Chinit FWUC prior to last harvest – See Quarterly Executive Report #12, pages 28-30).

On the other hand, a model of auctions on paddy batches after harvest was not supported by potential buyers.

3.6. EXPLORATION OF NEW POTENTIAL PILOT ACTIONS

3.6.1. FEASIBILITY STUDY ON SCENARIOS FOR FOS INVOLVEMENT IN THE DEVELOPMENT AND USE OF PADDY DRYING AND STORAGE FACILITIES

3.6.1.1. CONTRACT SIGNATURE

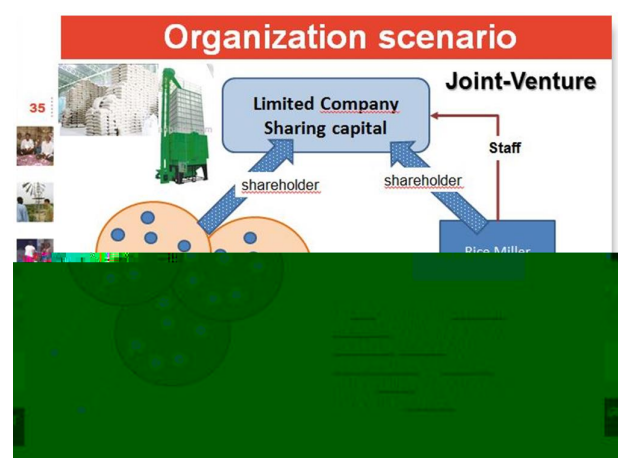
Following AFD non-objection dated 22nd March 2016, the contract with GRET for the « Feasibility study for a pilot project on investments by Farmer Organizations on paddy drying and paddy storage centers in Cambodia » was signed on the 17th of May 2016.

3.6.1.2. IMPLEMENTATION OF THE MISSION

The study was implemented in June by Mr Rodolphe Carlier (GRET) and by Mr Khun Leang Hak. A kick-off meeting of the mission took place in SNEC on 8 June, during which the project management advisor has recalled the objectives and background of the study, and the consultant have presented their approach. These presentations were followed by a discussion on key criteria to take into consideration and identification of potential areas where the field surveys should be focused.

In the following days, the consultants have visited potential sites and Farmer Organizations in Takeo, Kampong Thom and Battambang, have met few millers/exporters and financial institutions such as RDB, Canada Bank, Amret...

Mr Rodolphe Carlier has developed a tool on Excel to simulate scenario based on technical, economic and financial criteria (such as size and performance of dryers, investment costs, share of auto-financing, cost of credit, duration of the period of harvest, variability of price of paddy, etc.



A presentation of preliminary results was made in SNEC on 20 June, with the participation of project team, representative of FAEC, AMRU Rice, Golden Rice and SMCG Rice Co., AFD... The consultants have presented the main results (in particular underlining the respective economic impact of variations on different parameters), the Excel tool they have developed, and four possible scenario of institutional and commercial arrangement between stakeholders.

◁ The “joint venture scenario” as shown in GRET’s presentation during the restitution meeting on 20th June 2016.

The “joint-venture” scenario: association between miller/exporters and Agricultural Cooperatives (to invest and manage the drying and storage facilities) was seen as an interesting option by exporters present. AMRU

Rice has proposed the (interesting) idea of including a third party investor in order to ensure a better balance of shares and decision making power in the joint-venture.

3.6.1.3. FOLLOW-UP AND NEXT STEPS

The consultants still have to provide their report and a finalized version of the Excel simulation tool, which should be received in early July most likely.

During the restitution meeting, a need to pursue the analysis and get more into details was clearly identified. Yet, a continuation of the study on theoretical or hypothetic cases will lead to no-where, and SCCRП management team would rather recommend to mobilize the consultants for a follow-up but based on practical and actual projects of millers/exporters (and or FOs), to help to prepare in detail the concept note, business plans and start up a dialogue with potential financial institutions (including notably AFD/Proparco).

Only two days after the restitution of the study, SMCG Rice Co. has sent (via Mr Khun Leang Hak) a concept note to the project management advisor. The concept note briefly describe the intention of the company to partner with rice millers in Prey Veng to invest in paddy drying and storage facilities and associate Farmer Organizations (48 Agricultural Cooperatives) in a partnership based on Contract Farming. PMA has met with the General Manager of SMCG Rice and Mr Khun Leang Hak on 24 of June to provide comments on this and ask to answer some pending questions that are not addressed in the note. Follow-up support could possibly be considered (to be confirmed by SNEC and AFD) to help to study the project of this company as well as those of Golden Rice or AMRU Rice which have also expressed early interest for partnership model with FOs. Besides, in the shorter term, it could be envisaged to help SMCG Rice to test contract farming partnership with 2-3 cooperatives in Prey Veng (possibly for next dry season rice) for this company to get some practical experience of contract farming which could be usefully taken into account into their more ambitious plans.

3.7. KNOWLEDGE MANAGEMENT, CAPACITY BUILDING, POLICY AND REGULATORY ISSUES ON CONTRACT FARMING

3.7.1. CONTRACT FARMING EXPERIENCE SHARING

On 9th of June, a presentation of a case study on organic paddy contract farming in Preah Vihear has been delivered by Mr Sok Sarang during the AC forum organized by World Vision International in Phnom Penh.

3.7.3. DEVELOPMENT OF A MANUAL / GUIDELINES ON CONTRACT FARMING IN CAMBODIA

3.7.3.1. MOBILIZATION OF THE EXPERTISE OF HENRI CAPITANT ASSOCIATION

The contract with Henri Capitant Association for the writing of sections of the Manual requiring more legal background (notably the dispute resolution part) was signed on the 1st of April 2016. The experts from Henri Capitant Association have then started to draft these parts.

Besides, a meeting with HCA, AFD and SCCRП took place in AFD office on 19 April, during which key issues and challenges regarding contract farming regulations and developments were informally discussed.

During this quarter, Henri Capitant Association has drafted the chapter on conflict resolution (Chapter 6 of the Manual) and relevant sections of chapter 2 and 4.

3.7.3.2. CURRENT PROGRESS OF THE WRITING TO DATE

The Table 8 (opposite) shows progress of Manual writing as of 30 of June.

We are now getting closed to have a complete draft of the Manual, except for section 4.2. and chapter 5 (on which AVSF-CIRD-ADG team is expected to work).

Sections drafted by Henri Capitant Association will be reviewed and improved in the next quarter.

Table 8: Progress of the writing of the Manual on Contract Farming

Sections	Subsections							
Forewords								
Introduction: 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	4.1.	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	5.1.	5.2.	5.3.					
#6 - Conflict resolution	6.1.	6.2.	6.3.					
#7 - FOs / ACs in Contract Farming	7.1.	7.2.	7.3.	7.4.	7.5.			
Bibliography								
Glossary								
Index								

Color codes		= Not started		= Improved Draft
		= Parts only		= Submitted to Taskforce
		= 1 st Draft		= Final

Numbers of subsections in **Red and Bold** characters are the ones revised during this quarter.

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 20th of April 2016, facilitated by Mr Sok Sarang.

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

4.1. UP-GRADING RDB: RDB REFORMS AND IMPLEMENTATION OF KPMG

RECOMMENDATIONS

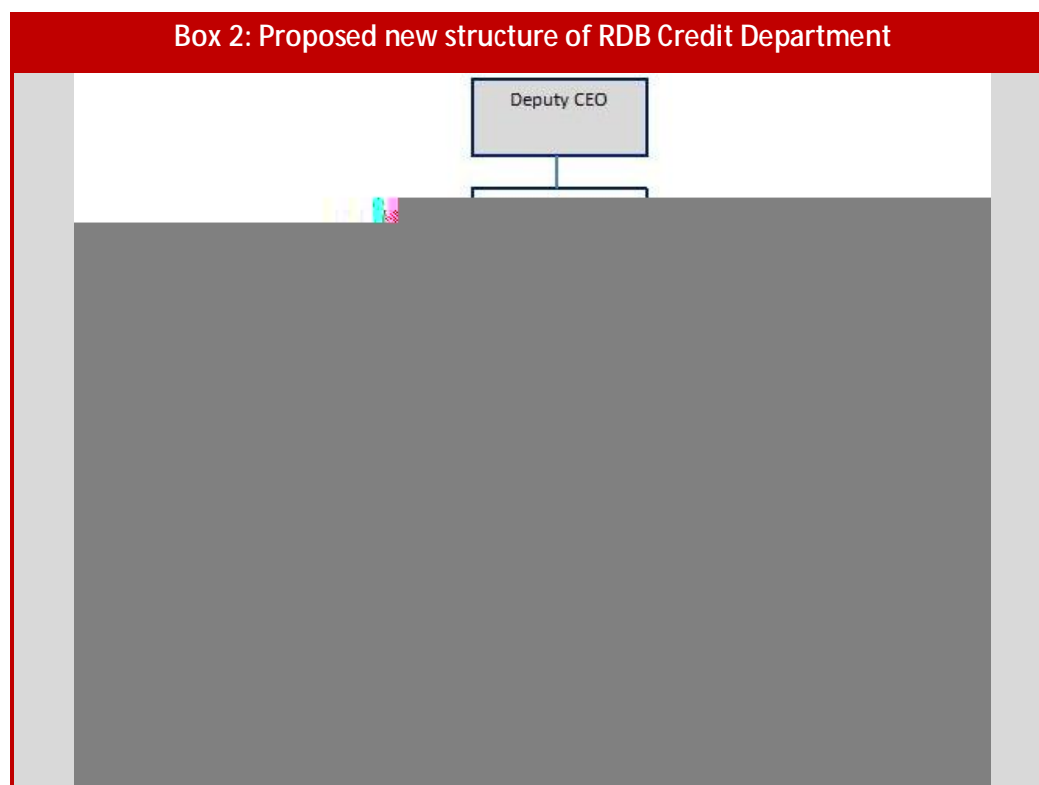
Mekong Strategic Partners and BD-Link have pursued their support to the Rural Development actively during this quarter. Mr John McGinley permanent presence in RDB has allowed to accelerate the approval and implementation of structural reforms of RDB organization, and Mr Chris Harris also had significant inputs regarding risk management. Mr Va Sothy input on potential value chains involvement of RDB has also started in the end of this quarter. Main outcomes of this period for RDB are described below.

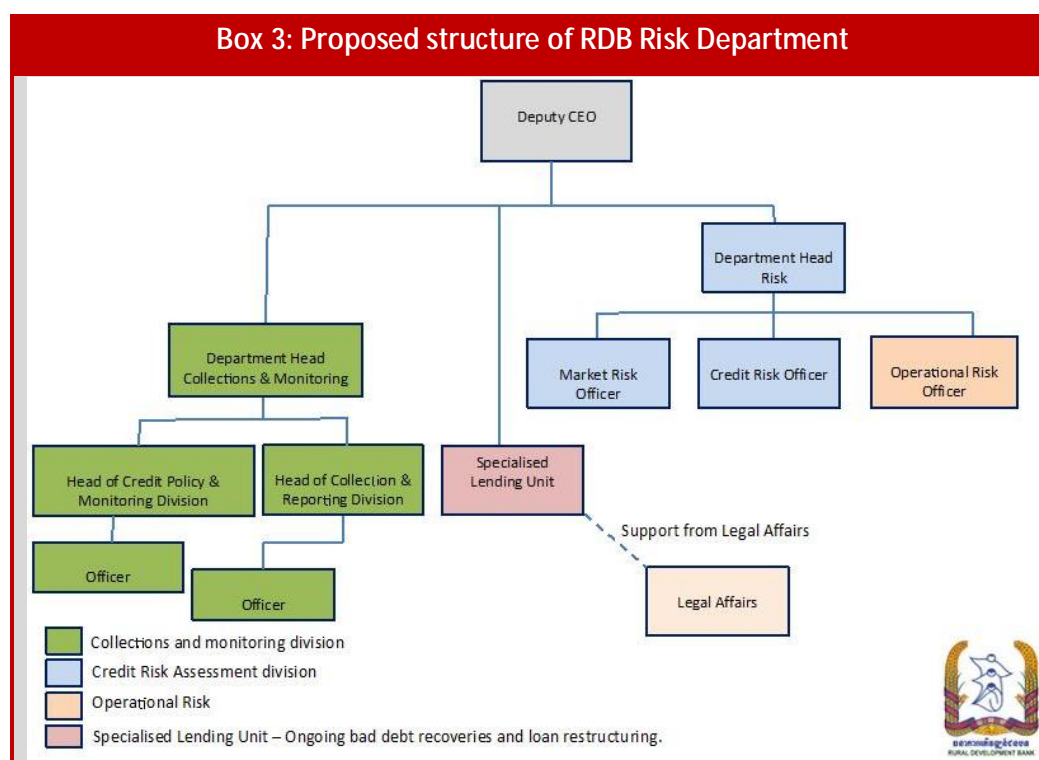
4.1.1. ORGANIZATIONAL RESTRUCTURING

Recommended organizational changes have been prepared and submitted to the CEO and to the Board of Director of the Rural Development Bank and have been approved. Among important changes, one can note:

- An independent Risk Department is created;
- The Department of collections and monitoring moved to the Credit Risk Department.
- The Credit Department structure is reformed.

As noted in MSP report, all these changes will take effect « through a phased process, coinciding with the recruitment of experienced staff for the Risk department, and MSP led training and development for staff ». Implementation of new credit policy to Farmer Organizations (see § 4.2. pages 29-31) will be used to pilot the functioning of the new risk management structure.





Beyond the approval of the structural change by the CEO and Board, a process of communication and explanation of the reforms and of their rationale has started.

4.1.2. HUMAN RESOURCES MANAGEMENT

Several meetings were conducted with each department within RDB, together with the Human Resources Department and the Deputy CEO with functional responsibility, in order to map out each departments staff members function, existing job description and reporting lines. This served as a basis to achieve the following outcomes which were listed among key recommendation of the previous KPMG report regarding HR management:

- Detailed and accurate Job descriptions and Key Performance Indicators have been developed and completed for each RDB department and for each individual staff member within the RDB.
- A detailed organization overview chart has been created which maps out clearly each department and each staff member and their job description and functional role.
- Reviewed Compensation and salary scales have been reviewed to ensure RDB can compete with the MFI and Banking sector to attract and retain high caliber, well trained and competent staff

Besides, MSP has also reviewed and commented on existing HR policies and provided recommendations for prioritizing the upgrading and development of new HR policies.

4.1.3. SUPPORT TO RISK DEPARTMENT: CREATION OF RISK MONITORING AND REPORTING TOOLS

In addition to the creation of the Risk Department (see § 4.1.1., previous page), the following tasks have been conducted by MSP team (after it familiarized itself with existing Credit Policy and Procedures, and workflow of Credit Team) to improve risk management procedures and practices:

- Reviewed structure and recommended changes to include establishment of Risk appraisal undertaken by a separate Risk Team
- Reviewed draft credit rating tool, and after discussions with Risk, modified and suggested additional measures and revised grading system
- Reviewed Risk Management Policy and recommended minor changes
- Developed reports for periodic risk monitoring and reporting through: Watch List, Irregularity Report, and High Risk Reporting
- Developed Workshop Paper to enable presentation of a summary of new proposals to gauge appetite for new lending, thus reducing workload by receiving early input from Risk as to structure and conditions required for acceptable proposals

Review of credit application document is in progress and awaiting additional input from Risk and Credit. Revised simplified document should be finalized by August. Training material under preparation covering: Basics of Credit Analysis, Bad Debt Warning Signs, Collections.

With the revised credit application document in preparation, the risks will be highlighted for comment and mitigation where required, before the proposal will be considered.

4.1.4. SUPPORT TO CREDIT DEPARTMENT

Additional supports were provided to the Credit Department by MSP Technical Assistant, including in particular a review of the current credit guidelines and lending strategy.

Besides, RDB has requested MSP team

- To analyze specific value chains (including rice) and identify credit needs and opportunities for RDB in these sectors (work currently undertaken by Mr Va Sothy).
- To assist RDB with developing the rice sector lending strategy for the Ministry of Economy & Finance. Significant input and discussion occurred in helping to identify and develop an appropriate lending strategy (See § 4.3. page 31).

4.2. DEVELOPMENT OF A CREDIT MECHANISM DEDICATED TO FARMER ORGANIZATIONS

4.2.1. EXCHANGES ON FINAL PREPARATION OF CREDIT OFFER

In order to address the delays in RDB decision making on the development of a credit mechanism to Farmer Organizations, following up on the credit offer and procedure drafted by Horus Development Finance in 2015, SCCRP project coordinator and project management advisor had a meeting with the CEO of RDB on 25th of April 2016. This has helped to revive the question of the approbation of the credit mechanism to FOs and led to the decision of the CEO, communicated in June as seen below.

4.2.2. ENDORSEMENT OF RDB'S NEW CREDIT OFFER TO AGRICULTURAL COOPERATIVES

On 3rd of June 2016, Mr Sam Vongsy has informed the SCCRP project team about the endorsement of RDB's new Credit Offer to Agricultural Cooperatives. With interest rates at 10.5% p.a. for loans in USD, this is probably by far the best credit offer accessible to Agricultural Cooperatives in Cambodia at the moment, and this is a very significant achievement for the SCCRP project. Main features of the credit offer are detailed in the Box 4 next page:

Box 4: Main features of RDB's new credit offer to Agricultural Cooperatives

Objective: Credit to finance commercial activities of cooperatives only.

Minimum criteria:

- properly registered as a cooperative under the relevant law;
- has at least 1 year of experience in the intended commercial activity;
- can provide financial information, including assets, liabilities, capital, income and expenses;
- has collateral (real estate).

Short-term loan criteria

- for working capital needs;
- minimum loan amount of US\$5,000 (per cooperative and no need to have multiple, group loan applications);
- maximum loan amount of US\$50,000;
- final loan amount shall depend on past and projected cashflows of the cooperative, shall not be more than 4 times the capital of the cooperative and shall not be greater than 80% of working capital needs;
- duration not exceeding 12 months;
- interest rate of 10.5% for USD loans and an additional 3% for KHR loans (service fee and guarantee fee are included);
- repayment of principal can be all at maturity or amortised depending on type of business and cash flows; interest is to be paid monthly;
- late repayments of over 15 days may attract double interest penalty.

Long-term/investment loan criteria

- for investment in real estate, machines, equipment to be used for commercial activities;
- minimum loan amount of US\$10,000 (per cooperative and no need to have multiple, group loan applications);
- maximum loan amount of US\$100,000;
- final loan amount shall depend on past and projected cashflows of the cooperative, shall not be more than 4 times the capital of the cooperative and shall not be greater than 80% of planned investment;
- duration 1-5 years, including option of grace period up to a maximum of 1 year;
- interest rate of 10.0% for USD loans and an additional 3% for KHR loans (service fee and guarantee fee are included);
- repayment of principal shall be amortised quarterly or semi-annually depending on type of business and cash flows; interest is to be paid monthly;
- late repayments of over 15 days may attract double interest penalty.

Collateral (for both short- and long-term loans; for both new and old customers)

- collateral can be in the form of real estate, guarantee letter, fixed deposits, gold, equipment and inventory (the latter two are difficult to implement at the moment);
- non-real-estate collateral can be up to a maximum of 30% of required collateral coverage;
- for loans less than US\$10,000 soft title is sufficient;
- the loan-to-collateral-value ratio is 70% for real estate located in cities/provincial capitals that have shopfronts, factories, industrial buildings or residential buildings;
- the loan-to-collateral-value ratio is 60% for real estate located outside cities/provincial capitals but still have shopfronts, factories, industrial buildings or residential buildings;
- the loan-to-collateral-value ratio is 50% for real estate suitable for agricultural purposes;
- a guarantee fund can be used to increase the loan-to-collateral-value ratios above in proportion to the percentage amount of the loan guarantee, e.g. with a 50% guarantee fund coverage, a 50% requirement can be increased to 75%.

4.2.3. DISSEMINATION OF RDB'S NEW CREDIT OFFER TO AGRICULTURAL COOPERATIVES

On 21st of June (morning) some FAEC and FCFD representatives and “specialists” had a preparatory meeting to review elements provided by RDB (by e-mail) on the new credit offer, in order to identify points that require clarification.

Then, on the afternoon of 21st of June, the same representatives and specialists had a working session with RDB (Mr Sam Vongsy and Mr Pich Sany) to review in detail all the conditions of RDB loan offer. Mr Sam Vongsy has presented the conditions and eligibility criteria for the credit scheme. Then the credit application form was presented exhaustively with comments and explanations. Questions for clarification have been addressed.



Meeting of FO Federations with Rural Development Bank, in RDB office, on 21st of June 2016 △

During that meeting, RDB has also indicated that RDB credit officers could be mobilized to take part in information sessions organized by FO Federations to their members in various provinces (subject to their availability and prior notification).

Some clarifications were also provided by the project management advisor on the mechanism of guarantee proposed by the project and in particular on the following limitations:

- Once the guarantee mechanism is institutionalized, it will be a permanent facility. But at present the SCCRP project will temporarily offer the guarantee mechanism. Since SCCRP project has a limit of duration, it means that the guarantee the project can offer has also a limited validity. We cannot guarantee credit which last reimbursement would be due beyond mid-September 2017. DE facto, it means that until the formal guarantee mechanism is established, investment loans (over one year duration) cannot use the project guarantee.
- The amount available from project budget to initiate the guarantee fund is limited to 120,000 €, i.e. a bit more than 130,000 USD (depending on exchange rate). Thereof the amount of cumulated guarantee engaged in a given time cannot exceed this amount. As the guarantee mechanism will cover to the maximum 50 % of the value of the loan, it means that only approximately 260,000 USD of loan value can be allocated with use of guarantee fund. (It is understood that this is very limited, but this is enough to initiate few pilots and once the guarantee mechanism is institutionalized, it can be feed with other funds sources to be scaled up).

4.3. DEVELOPMENT OF A CREDIT MECHANISM FROM RDB TO CRF

Following up on previous requests from the rice industry addressed to the Ministry of Commerce and the Ministry of Economy and Finances, MEF has decided to assess the possibility of developing a mechanism for a loan from RDB to CRF. A meeting chaired by H.E. Senior Minister, Minister of Economy and Finance and in presence of the SCCRP project director, President of RDB Board and Under-Secretary of State H.E. Ros Seilava, and also of our Technical Assistant to RDB and of CRF management took place in MEF on June 27, 2016.

Mekong Strategic Partners have explored different options of financial mechanism to address request for financial support from the rice sector. Three options are presented in MSP's 2nd Quarterly Report. Discussions between the Ministry of Economy and Finance, RDB and CRF are still on-going on this matter.

5. COMPONENT #5: CROSS-CUTTING ISSUES

5.1. RICE POLICY REVIEW

Mr Francesco Goletti and Mr Srey Chanthy have worked extensively on the rice policy review during this quarter. They had bilateral meeting with several stakeholders in both public and private sector, and have started to compile findings of the review.

These findings will be presented and discussed during a workshop to be scheduled in July 2016. Then the focus of the two consultants will be on the drafting of an up-date policy for Cambodian rice sector.

5.2. ANALYSIS OF ADDED VALUE DISTRIBUTION IN CAMBODIAN RICE SECTOR AND SETTING-UP A PERMANENT RICE SECTOR ECONOMIC OBSERVATORY

5.2.1. AGREEMENT ON THE PRINCIPLE OF THE STUDY AND FINALIZATION OF TERMS OF REFERENCE

The idea of a study on the distribution of added value in Cambodian Rice sector and on the possible establishment of a permanent economic observatory of Cambodian rice sector was initially suggested by AFD during the supervision mission. It was discussed again in AFD headquarters during H.E. Ung Luyna visit in France in early March²⁵. A provisional budget for this mission was included in the addendum to IRAM-NIRAS contract, signed on 16 March 2016.

A first version of Terms of Reference were drafted since late March by the Project Management Advisor, which have been the object of exchanges and amendments with SNEC, AFD and the consultant identified to undertake the mission (Mr Frédéric Lançon, CIRAD), until the end of May. As part of this process, on 6th of May a meeting took place with SNEC, AFD and CRF during which the interest of SNEC and CRF for the establishment of a permanent Economic Observatory of Cambodian Rice Sector was discussed and confirmed.

Terms of reference and CV of Mr Frédéric Lançon were sent to AFD to request non-objection on the 26th of May, and AFD non-objection was granted on 15th of June 2016.

5.2.1. PREPARATION OF THE IMPLEMENTATION OF THE STUDY

Some documentation on Cambodian Rice sector (in particular earlier economic analysis of Cambodian value chain) was gathered and send to Mr Frédéric Lançon. The consultant has then started (in June) to prepare the first mission, by reviewing this documentation and estimating the time (nb of man-days) that will be required to undertake the stakeholder surveys. After an exchange on the surveyors profiles, the PMA has prepared the request for the validation of the mobilization of surveyors, and the identification and recruitment of surveyors has started (announcement and gathering of CVs), under the leadership of Mr Bun Hay, newly appointed by SNEC to work with the project. Four surveyors are expected to be mobilized.

The first mission in Cambodia of Mr Lançon will take place in July. Two other missions should follow, tentatively in October 2016 and January 2017.

²⁵ Cf. Quarterly Executive Report #13, § 5.3. page 25.

5.3. PROJECT COMMUNICATION AND COORDINATION WITH OTHER PROJECTS AND STAKEHOLDERS

5.3.1. PARTICIPATION IN IFC-CRF WORKSHOP

Several members of SNEC SCCRP project team took part in the IFC/CRF workshop “Transforming Cambodia’s Rice Industry” which took place in Phnom Penh on the 18th of May 2016. The workshop served as a closing event for IFC project in support to Cambodian Rice Sector. Besides, CRF used the event to provide information to Cambodian stakeholders about the branding process and the foreseen registration of “Angkor Malis” certification mark (See Section #2 of this report pages 11-15). Ad’ communication and TÜV Rheinland took part in this session.

Besides, Mr Jean-Marie Brun (IRAM / SNEC-SCCRP) has represented the project for the last panel discussion session, entitled “Key challenges and way forward”.

5.3.2. PRESENTATION OF CONTRACT FARMING EXPERIENCE IN WORLD VISION WORKSHOP

A case study on Contract Farming between AMRU and Agricultural Cooperatives of Preah Vihear for the supply of organic paddy was presented by Sok Sarang (on behalf of SCCRP project team) in the workshop (“AC Forum”) organized by World Vision International on June 9, 2016 in Phnom Penh.

