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PREPARED BY:

UNG LUYNA, PROJECT COORDINATOR (SNEC)

JEAN-MARIE BRUN, PROJECT MANAGEMENT ADVISOR (IRAM)

Contacts:

SUPPORT TO THE COMMERCIALIZATION OF CAMBODIAN RICE PROJECT

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

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

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

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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	*Agence Française de Développement* / French Agency for Development
AFDI	*Agriculteurs Français et Développement International*
AFO	Accounting and Finance Officer (in SCCRP project management team)
AFTA	ASEAN Free Trade Agreement
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	*Accompagnement du Risque de financement de l'Investissement privé en Zone d'intervention de l'AFD*
AROS	Asia Regional Organic Standard
ARPEC	Alliance of Rice Producers & Exporters of Cambodia
ASDF	Agriculture Support and Development Fund (same as ADF)
ASEAN	Association of South-East Asian Nations
ASIrri	*Projet d'Appui aux Irrigants et aux Services aux Irrigants*
ASPIRE	Agriculture Services Program for Innovation, Resilience and Extension (IFAD project)
ASYCUDA	Automated System for Customs Data
AusAID	Australian Agency for International Development
AVSF	*Agronomes et Vétérinaires Sans Frontières*
BFS ExCo	Banking and Finance Solutions Executive Committee (of CRF)
BRC	British Retail Consortium
BritCham	British Cambodian Chamber of Commerce
C2A	*Commission Agriculture et Alimentation de Coordination Sud (French development NGO platform)*
CAC	*Crédit Agricole Consultants*
CACA	Cambodian Agricultural Cooperative Alliance
CAMFEBA	Cambodia Federation of Employers and Business Associations
CAVAC	Cambodia Agriculture Value Chain Program (AusAID)
CARD	Council for Agriculture and Rural Development
CARDI	Cambodian Agriculture Research and Development Institute
CB	Certification Body
CBAPC	Contract Based Agriculture Promotion Committee

CC	Commune Councils
CCA	Climate Change Adaptation
CCC	Chamber of Commerce of Cambodia
CCD	Cambodian Certification Department
CCFC	*Chambre de Commerce Franco-Cambodgienne* / Franco-Cambodian Chamber of Commerce
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Resource Institute
CEDAC	*Centre d'Etude et de Développement Agricole du Cambodge*
CEDEP	Cambodia Export Development and Expansion Program
CEFP	Committee for Economic and Financial Policy
CEO	Chief Executive Officer
CF	Contract Farming
CFAP	Cambodian Farmers' Association Federation of Agricultural Producers
CIDA	Canadian International Development Agency
CIRAD	*Centre International de Recherche Agronomique pour le Développement*
CIRD	Cambodian Institute for Research and Rural Development
CO	Certificate of Origin
CoC	Code of Conduct
COrAA	Cambodian Organic Agriculture Association
COSTEA	*Comité Scientifique et Technique de l'Eau Agricole*
CREA	Cambodia Rice Exports Association
CRX	Cambodia Rice Exporter Meeting (facilitated by IFC)
CSR	Corporate Social Responsibility
DACP	Department of Agricultural Cooperatives Promotion
DAE	Department of Agricultural Extension
DAI	Department of Agro-Industry
DAL	Department of Agriculture Legislation
DANIDA	Danish International Development Agency
DDM	Demand Driven Model
DFID	Department for International Development (UK)
DGRV	*Deutscher Genossenschafts- und Raiffeisenverband e. V. (German Cooperative* & *Raiffeisen Confederation)*
Dis.	District
DMC	Direct-seeding Mulch-based Cropping system
DP	Development Partners
DPM	Deputy Prime Minister
DPS	Department of Planning and Statistics (of MAFF)
DRC	Department of Rice Crops
EA	Executing Agency
EBA	Everything but Arms
EC	European Commission
EC	Executive Committee
ED	Executive Director
EIF	Enhanced Integrated Framework
EoI	Expression of Interest
EPWG	Export Promotion Working Group (informal group of rice exporters supported by IFC)
ESP	Environmental and Social Policy
ESR	*Equitable, Solidaire, Responsable* (Fairness, Solidarity, Responsibility) – Ecocert owned standard
EU	European Union
ExCo	Executive Committee

FAEC	Federation of farmer associations promoting family Agriculture Enterprises in Cambodia
FAO	Food and Agriculture Organization of the United Nations
FASMEC	Federation of Association for Small and Medium Enterprises of Cambodia
FCFD	Federation of Cambodian Farmer Organizations for Development
FCRE	Federation of Cambodian Rice Exporters
FCRMA	Federation of Cambodian Rice Millers Associations
FFS	Farmer Field School
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	*Deutsche Gesellschaft für Internationale Zusammenarbeit* / German Development Cooperation
GMP	Good Manufacturing Practice
GMP ExCo	Global Market Promotion Executive Committee (of CRF)
GMS	Greater Mekong Subregion
G-PSF	Government – Private Sector Forum
GRET	Groupe de Recherche et d'Echanges Technologiques
GS	General Secretary
HACCP	Hazard Analysis and Critical Control Points
HARVEST	Helping Address Rural Vulnerability and Ecosystem Stability (USAID project)
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	*Institut de Recherche et d'Application des Méthodes de Développement*
IRRI	International Rice Research Institute
ISC	Institute of Standards of Cambodia
ISC	Irrigation Service Center
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	*Programme d'Appui au Développement de l'Agriculture au Cambodge*
PADEE	Project for Agriculture Development and Economic Empowerment (IFAD/FAO project)
PBA	Program Based Approach
PC	Project Coordinator (in SCCRP project management team)
PDA	Provincial Department of Agriculture
PDOWRAM	Provincial Department of Water Resources and Meteorology
PDRD	Provincial Department of Rural Development
PIMD	Participatory Irrigation Management Development
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
PTP	Paddy Trading Platform
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
SCM	Supply Chain Management
SEA	South East Asia
SIAL	*Salon International de l'Agroalimentaire* (Paris)
SME	Small and Medium Enterprise
SMP	*Sansom Mlup Prey* NGO
SNEC	Supreme National Economic Council
SOWS-REF	Secretariat of the One-Window Service for Rice Export Formality
SPS	Sanitary and Phyto-Sanitary
SRP	Sustainable Rice Platform
SWAp	Sector Wide Approach
TA	Technical Assistance
TBT	Technical Barriers to Trade
TDSP	Trade Development Support Program
TFP	Total Factor Productivity
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
VSO	Volunteer Services Overseas
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 AND SUMMARY

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). Its implementation period is from January 2013 to December 2017.

This report is the 15th Quarterly Executive Report of the project. It covers the period from July 1st to September 30, 2016.

During this period, CRF has proceeded with the election of its new Board for the second mandate. After that, compositions of Executive Committees in CRF have been reshuffled in some case creating a disruption in the activities. No progress was made regarding the development and registration of CRF's certification mark. Actually even previous decisions (notably regarding the name of the brand *"Angkor Malis"*) have been questioned again during this quarter. The only progress of this quarter regarding the branding program comes from the Ministry of Commerce which has issued the Prakas regarding the registration of Certification Marks, allowing CRF to move forward with the registration.

Besides, in this quarter, a MoU was signed with CRF to propose a (limited) budget support for the organization of training on global food standards, as an encouragement to CRF to develop such trainings as a service to their members.

The conditions of further support to the project to FO Federations (notably FAEC, FCFD, FWN) have been finalized. New technical officers were recruited by FAEC and FCFD. Provincial trainings on paddy production data collection method were implemented by FO Federations, who have also disseminated RDB's new credit offer to FOs, and supported the application of 5 applications for loans from cooperatives to RDB (but no reply was received yet from RDB). A new service of Paddy Trading Platform is under preparation, allowing Farmer Organization to announce their harvest and capacity to supply paddy and convey the message automatically to several potential buyers (millers/exporters). A workshop was organized with FOs, millers and IT experts on 21st of September to discuss the features of this possible tool. It is expected that the system will be developed and operational in the next quarter, for the up-coming harvest of jasmine rice.

Farmer Water Net has also started to mobilize 4 FWUCs to test or scale the "Paddy Selling Group" model. But only two FWUCs have actually implemented it in this quarter, with only 134 tons of paddy sold, which is far below the objective proposed by FWN for this quarter. Yet it has to be acknowledged that the Cambodian rice sector is going through a crisis and purchase of paddy by Cambodian millers seemed to be relatively low during the period.

Regarding Contract Farming model, significant steps were made in the process of consolidation of the organic paddy supply chain in Preah Vihear: Preah Vihear Mean Chey Union of Agricultural Cooperatives (PMUAC) has been officially registered as the first Union of Agricultural Cooperative in Cambodia on July 19, 2016. Four new cooperatives were integrated in the Contract Farming scheme with AMRU, as well as new farmers, with a scheme that now involve 12 ACs and 1,656 farmers. Contract Farming agreements (for season 2016) were signed between AMRU Rice and those 12 cooperatives, for a total volume of more than 8,600 tons of paddy. Internal Control system continued to be consolidated, and the external inspection was implemented by the international Certification body in September, giving satisfactory results.

A second organic paddy supply chain started to be developed, in Preah Vihear also, involving 7 other Agricultural Cooperatives which have signed contracts with Signature of Asia for nearly 880 tons of paddy for 2016 harvest.

Some progresses have been made on the drafting of the Manual on Contract Farming in Cambodia, but yet the draft is not yet completed. The project of Manual and its content was presented during the 1st meeting of the now formally established Task Force on Contract Farming which took place in MAFF on 19th of September.

SCCRP project has also supported a technical training on the standards of the Sustainable Rice Platform. The training took place in Siem Reap on 14th and 15th of July and gathered representatives of FOs, millers/exporters, and support organizations including MAFF.

The implementation of reforms in the Rural Development Bank has been continuously pursued during this quarter with significant progresses made. The elaboration of RDB strategic plan progressed with notably a reflection on the mix of policy driven loans and commercial lending and a review of RDB funding strategy. Besides, the assessment of agricultural sector financing needs and potential for RDB development, implemented by MSP and BD-Links for selected value chains, also contributes to RDB's strategic orientations. Additionally, the full set of HR policies has now been completed and improved tools for credit management have been developed. As stated above, the new credit mechanism dedicated to Farmer Organization has been disseminated to a number of FOs (mainly via FAEC and FCFD) and first application for loans were sent but not yet replied by RDB which has been strongly mobilized by the allocation of an emergency fund of 27 million USD to address urgent needs of the rice sector.

The review of the Rice Policy 2010-2015 has been completed by SCCRP's consultant, and a consultation workshop took place on 15th of July to present the main findings and enrich the content. Next steps will focus on the renewal of the rice policy. In parallel, Mr Frédéric Lançon has started the implementation of the rice value chain analysis, with a focus on the modelization of stakeholders budgets and analysis of value chain distribution in the Cambodian rice value chain(s)[1]. Survey team was mobilized and all field surveys have been implemented. Preliminary analysis will be presented and verified in the next quarter. This analysis of added-value distribution is also expected to bring useful elements to contribute to the elaboration of a next phase of rice policy.

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

[1] Specific "sub-value chains" such as Jasmine rice, Fragrant non-photosensitive or white rice are analyzed separately.

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	▪ CRF General Assembly and elections of the Board (2nd mandate). ▪ Training workshop on SRP rice standards in Siem Reap. ▪ Workshop on development of the "Paddy Trading Platform". ▪ Modalities of budget support to FO Federations clarified by AVSF and endorsed. ▪ MoU with CRF on support to training on food safety standards signed.	▪ Test implementation of a new system of information on FOs' paddy supplying capacities ("Paddy Trading Platform"). ▪ Validate (or cancel?) proposed support to CRF on institutional aspects (governance). ▪ CRF shall start implementation of training on food safety standards.	▪ Un-expected changes in the composition of CRF's ExCo (notably GMP ExCo) after CRF's new Board is elected. ▪ Crisis in Cambodian rice sector modifies the agenda and priorities of CRF. ▪ No reply from CRF on the proposal for institutional support.
C#2	▪ Additional review of rules and application for registration of CRF's Certification Mark. ▪ Prakas on the registration and management of Certification Marks issued by MoC.	▪ CRF final decision on brand name. ▪ CRF introduces the application for the registration of its Certification Mark to MoC. ▪ Dissemination of information on CRF certification mark to stakeholders. ▪ List accredited Certification Bodies.	▪ Questioning of the choice of *"Angkor Malis"* name for CRF's certification mark. ▪ GMP ExCo re-shuffling slows the branding process: new members not briefed on what was done so far.
C#3	▪ PMUAC registered as the first Union of ACs in Cambodia. ▪ Signature of Contract Farming agreements between AMRU and Cooperatives in Preah Vihear. ▪ Decision made on support to CF for organic paddy with Signature of Asia. ▪ Signature of Contract Farming agreements between SoA and 7 cooperatives in Preah Vihear. ▪ Report of feasibility study on FO investments on dryer and storage provided / comments sent. ▪ Meeting of Taskforce on CF. ▪ FWN support new paddy selling groups in FWUCs but only 134 tons sold by two FWUCs in this quarter.	▪ Implementation of contracts farming with AMRU and SoA in Preah Vihear. ▪ Final version of report of feasibility study on FO investments on dryer and storage. ▪ Complete draft of Manual on Contract Farming + submit to Taskforce.	▪ Crisis in rice sector: lower level of purchase reported by millers for Cambodian paddy, and difficulties reported for farmers to get a fair price for Sen Kraob paddy is not the best context to develop successful paddy selling activities such as PSG or Paddy Trading Platform.
C#4	▪ Dissemination of new credit offer to ACs members of FAEC and FCFD + start the identification of loan requests. ▪ 5 FOs applied for loan with RDB. ▪ Approval of the principle of possible project guarantee for loans to FOs, when needed.	▪ Decision of RDB on requests for loans. ▪ Mobilization of guarantee if needed.	▪ Late validation of new credit offer to FO has limited the number of applications. ▪ Delays in RDB assessment of credit applications by FOs.
C#5	▪ 1st workshop on findings of Rice Policy Review. ▪ Final report on Rice Policy (2011-2015) assessment. ▪ 1st mission on analysis of added value distribution in rice sector.	▪ Drafting on new phase of Rice policy + Consultation Workshop. ▪ 2nd phase of mission on analysis of added value distribution in rice sector (validate models).	

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

From an operational point of view, there are now three on-going supports to CRF's activities and services to its members, as follows:

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 a major operational support of SCCRP project to CRF. Progresses on this matter are developed in the section 2 of this report, pages 12 and 13.

Yet it can already be mentioned here that there has been no major progress during this quarter, and rather some steps backward, notably:

- The name of the certification mark is questioned again.
- The Composition of the GMP ExCo has been reshuffled after CRF's new Board of Directors was elected (see § 1.1.3. page 6) in quite a top-down way (by authority of the President and General Secretary). The result of this move is that the new ExCo members have limited understanding of what has been done to date regarding the branding process + this has created a certain frustration for former members of the ExCo who have been excluded (some of whom were quite involved).

Also the recurrent discussion on the brand name is somehow contradicting a point of the early agreement with CRF when the branding process was initiated, which was that the GMP ExCo would be the sole decision maker[2]. Thus the name (previously decided by the ExCo) is now disputed again due to external comments and feedback.

1.1.1.2. Work with the P&S ExCo (part of former FMP ExCo) on improved interface between FOs and millers / exporters

A second operational support to CRF activities is a participation in the 'Production and Seeds Executive Committee" [3], and in particular the support to the development of an information service to link Farmer Organizations as potential suppliers of paddy, with millers as potential buyers ("Paddy Trading Platform"). The concept and progress in developing this service is detailed in section 3.5. in this report, pages 26-27: it is seen as a support to FO Federations, as well as (potentially) to CRF if CRF wishes to host this new service in the future.

For this quarter, one meeting of P&S ExCo took place on 2nd September 2016, with the participation of Mr Phat Sophany and Mr Min Sophoan for SCCRP project team. The ExCo has notably validated the principle and date of the workshop on the ("Paddy Trading Platform"). Workshop took place on 21st of September – See § 3.5. in this report, page 26.

[2] See "Cambodian Rice Federation Strategy and Action Plan for the Branding of Premium Cambodian Rice", Endorsed by CRF's Global Market Promotion ExCo on 7 April 2015 and signed by CRF President on 9 April 2015.

[3] The former "Farming and Milling Productivity ExCo" has been split in a "Production and Seeds ExCo" and a "Milling ExCo". Representatives of FO Federations who were accepted as members of the former "FMP ExCo" (See Quarterly Executive Report #13, § 1.2.4.2. page 12) are now all in the new "S&P ExCo".

1.1.1.3. Agreed support on organization of training on global food standards

The proposed Memorandum of Understanding with CRF regarding SCCRP financial support to the organization by CRF of training sessions on Food safety standards has received AFD non-objection on the 13th of July 2016. The MoU (No CKH-1077-CRF-2016-01) was then signed by project director and CRF president on the 21st of July 2016.

According to the MoU, the SCCRP project can sponsor up to 50 % of trainer fees for trainers mobilized by CRF for training on Food Standards, following demands expressed by CRF members[4].

Further to the signature of this MoU and up to now, the CRF did not yet start to implement such trainings, but informally reported that they have made contacts with potential trainers.

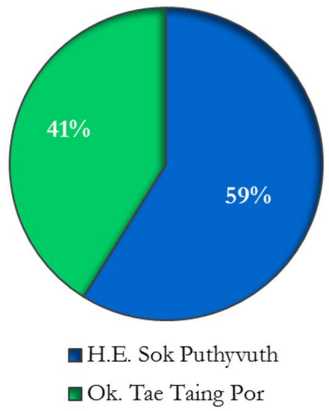
1.1.2. Institutional

of CRF to consider some revisions of its governance principles and statutes, and/or to welcome external supports or inputs on this.

1.1.3. CRF ELECTIONS 2016: RENEWAL OF THE BOARD

1.1.3.1. CRF GENERAL ASSEMBLY AND ELECTION

Figure 1: Result of vote for election of CRF President



CRF's new Board was elected by members on 2nd of July 2016. The process of election was chaired by H.E. Mao Thora, Secretary of State of the Ministry of Commerce[6].

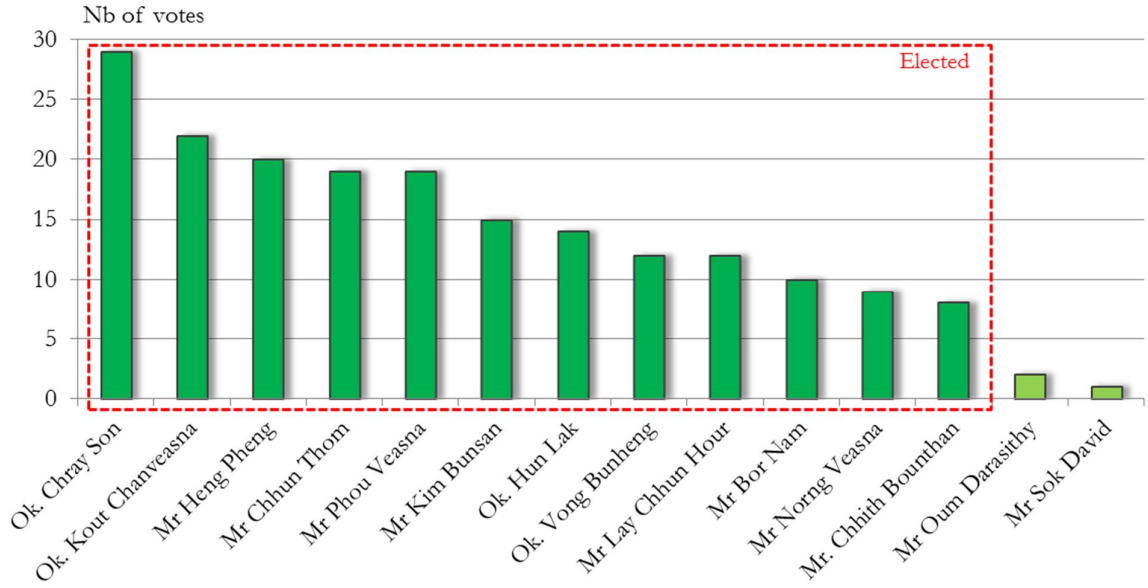
According to the minutes of the elections produced by MoC: 192 members of CRF took part in the vote (out of a total number of 215 registered voters).

The vote was organized in two sessions: first phase to elect CRF President, then second phase to elect 12 other members of the Board.

For the position of President of CRF, two candidates only were competing: H.E. Sok Puthyvuth, the outgoing President, has been re-elected with 113 voices against 79 voices for Ok. Tae Taing Por.

14 candidates were in competitions for the 12 other available seats. Results are shown in the graph below.

Figure 2: Results of the election of 12 members of CRF Board



(Note: according to rules defined, each CRF member votes only for one representative and not for 12 candidates according to the number of seats available. It is noted that this limits the legitimacy of elected members as only a small number of votes is sufficient to be elected.)

As a result, the new CRF Board is composed of the re-elected President, the 12 members elected on the 2nd of July, the three representatives of FO Federations elected in June, and Mr Chan Sokthy representative of

[6] As decided according to MoC Prakas on the setting of a working group on CRF elections – See Quarterly Executive Report # 14, § 1.1.4.1. pages 4-5.

Green Trade who is automatically a member by previous decision of the Ministry of Commerce. Full composition of the Board is shown in Annex 2 of the present report.

1.1.3.2. New Board takes office

The newly elected Board of CRF held its first meeting on 12th of July 2016.

Four Vice-Presidents were appointed, each of them with a responsibility on a particular ExCo, as follows:

- Mr. Hun Lak, leads the ExCo on Credit and Finance;
- Mr. Seu Rany, will chair the Production and Seeds Executive Committee;
- Mr. Norng Veasna, will chair the Milling Executive Committee;
- Mr. Vong Bunheng, lead the ExCo on price competitiveness;
- Mr. Heng Pheng, is responsible for the Morality and Discipline.

Besides, H.E. Sok Puthyvuth, CRF President, also takes the leadership of the GMP ExCo.

The CRF Board of Director will meet regularly every two months.

In its first meeting on 12th of July, the newly elected Board took the decision that the mandate duration of this Board will be 4 years (whereas in the latest version of the statutes we have in hands, the duration of the mandate of the Board is 3 years).

1.1.4. Participation of CRF in Rice Policy review and Rice Value Chain Observatory

1.1.4.1. Rice policy review

CRF has been associated in the organization of the Workshop on Rice Policy Review that took place on 15th of July (See § 5.1.1. page 37 in this report). In particular CRF had the opportunity to invite some of its members and representatives to take part in this consultation.

1.1.4.2. Discussion on possible involvement of CRF in setting up a rice value chain observatory

On 11th of July 2016, CRF (Mr Horn Theara) took part in the kick-off meeting of the mission of Mr Frédéric Lançon on analysis of Cambodian Rice Value Chain and on the possible establishment of an Economic O(L)13696(#)23.17(76 126 304.32m(v)5.58766(a)-11.0711(t)-9.21803(o)23.417(r)9.61136.3579 0 0 10(o)23.417(f)-29.4

- Ms. Chay Vuthy, recruited as part-time financial assistant for FCFD.

SCCRP consultant in charge of support to FO Federation helped FO Federations management to revise staff contract and to explain to newly recruited staff about FO federations' statute, internal rule, policies, allowance payment, financial management and services provision to members, etc.

Briefing was also made regarding the preparation of monthly and quarterly work plan and preparation of meetings.

1.2.2. Implementation of FO Federations' services to members for paddy commercialization

1.2.2.1. Role of FO Federations in establishment of the Paddy Trading Platform

FO Federations (FAEC, FCFD, CFAP, FWN and FNN) have all mobilize some of their members and representatives to take part in the Consultation workshop on Paddy Trading Platform organized on the 21st of September (See § 3.5. page 26 in this report).

FO Federations have a central role to play in the proposed system of Paddy Trading Platform in order to provide support to their members for the gathering of information on foreseen crops and planning of harvest, in order to feed the platform with paddy availability information.

During this quarter, provincial trainings on "paddy production data collection method" were implemented with the support of the SCCRP project. The trainings have been organized between 23rd and 27th of September in 7 provinces: Svay Rieng, Prey Veng, Takeo, Kampong Speu, Kampong Thom, Siem Reap and Battambang. Training were organized by FCFD (in Kampong Thom, Siem Reap and Battambang) and by FAEC (in Kampong Speu, Takeo, Prey Veng and Svay Rieng), but were targeting FOs members of not only FAEC and FCFD but also members of FWN, FNN and CFAP and FOs involved in a VSO project[9] on rice value chain in Battambang. The objectives of the training are to build capacities of FO leaders on how to collect data on paddy production for paddy trading platform.

Three types of information can be collected, corresponding to different timing:

- FO profile (including general potential for paddy production).
- Pre-harvest announcement: with sharp estimation of volumes that the FO will be able to gather from its members in the following days or weeks of harvest time.
- Post-harvest announcement (for FOs with capacities to dry and store the paddy): announcement of batches of paddy already collected and available for sale (with possibly more detailed technical specifications for each batch).

In total 72 FOs have participated in the training, 20 representatives from FAEC's members, 45 representatives from FCFD's members, 6 representatives from FWN's members and 1 representative from FNN[10].

[9] Mr Giovanni Villafuerte, VSO's Business and Marketing Advisor, took part in the workshop on 21st of September. Some of the cooperatives working with VSO project are also member of FAEC. Mrs Dem Sreylim, vice-president of FAEC, is also the deputy chair of the committee set by VSO in Battambang.

[10] Mr. Seu Rany, FNN board of director told that more FNN's members were informed, but only one member participated in the training in Takeo, because (according to Mr Seu Rany) FNN' members were willing to take part in the training only if allowances were provided. For CFAP Mrs An Sarun had informed CFAP's Executive Director, but was not sure if the message was properly conveyed to CFAP members.

Table 2: Number of FOs which have attended the trainings on data collection for Paddy Training Platform, per province.

Date	Province	Organizer	Number of FOs which attended
23rd September 2016	Svay Rieng	FAEC	7
26 September 2016	Takeo	FAEC	21
26 September 2016	Kampong thom	FCFD	11
27 September 2016	Siem Reap	FCFD	9
27 September 2016	Kampong Speu	FAEC	4
28 September 2016	Battambang	FCFD	11
28 September 2016	Prey Veng	FAEC	9
Total			**72**

The paddy production data collection form was distributed to all participants at the end of the training. The representatives of each FO are responsible to collect data from their members and send it to FO Federations' provincial representatives.

1.2.3. Support the creation of Agricultural Cooperatives Unions

Since 2015, FO Federations and SCCRP already discussed with potential paddy production ACs in order to assess the possibility to establish Agricultural Cooperatives Unions. 6 Pre-Agricultural Cooperative Union were identified and informally established in 4 provinces (Battambang, Kampong Thom, Prey Veng and Takeo). Yet the registration was not yet done to date, because the Department of Agricultural Cooperatives Promotion and the Provincial Department of Agriculture were not yet associated in all the steps of establishment and the Prakas on model by-laws and internal rule of ACUs was not issued until February 2016 [11].

Under the new MoU (No CKH-1077 – C#3 – MAFF 2016) signed with MAFF in June, a support is expected from DACP to pursue the process and register at least 3 of these new ACUs. DACP and relevant PDAs are starting to conduct quick assessments with the 6 Pre-ACUs identified by FO Federations (FAEC and FCFD) since 2015. In September 2016 the assessment has been conducted with 1 Pre-ACU in Battambang (Sangke-Banan ACU, grouping two ACs named Chamroeun Phal Rang Kesey and Ponleu Thmey Kdey Sangkhem Ney Kasekor in Sangke and Banan districts). The remaining assessments will be conducted in the next quarter by DACP/PDA in the province of Takeo, Prey Veng and Kampong Thom.

1.2.4. Representation of Farmers in Cambodian Rice Federation

1.2.4.1. Representation of Farmers in CRF Board

The 3 representatives of FO Federations (Mr Samarh Veasna, Mrs An Sarun and Mr Seu Rany), elected in last June[12], have attended the two meeting of CRF Board during this quarter, on the 12th of July and on 20th of September 2016.

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

[12] Cf. Quarterly Executive Report #14, § 1.1.4.2., pages 5-6.

1.2.4.2. Extension of participation of farmers in FMP ExCo

The former "Farming and Milling Productivity ExCo" has been split in a "Production and Seeds ExCo" and a "Milling ExCo". Representatives of FO Federations who were accepted as members of the former "FMP ExCo" (See Quarterly Executive Report #13, § 1.2.4.2. page 12) are now all in the new "S&P ExCo".

Mr. Seu Rany (representative of FNN) has been appointed has the leader of the "Production and Seeds Executive Committee" (See also § 1.1.1.2. page 4 in this report).

1.2.4.3. Participation of FO representatives in CRF press conference

3 FO Federations' representatives (from FCFD, FNN and CFAP) participated in the press conference organized by CRF on 19 Aug 2106 at Phnom Penh Hotel, in order to present information on rice exports. The participants in the event are from CRF Board Members, MAFF's representatives, Ministry of Commerce's representatives, Rice exporters, Millers.

1.2.5. Other advocacy role of FO Federations

1.2.5.1. Participation in the training on Sustainable Rice Platform

5 FO representatives (4 from FAEC and 1 form FCFD) form the province of Battambang, Kampong Thom and Takeo are participated in the training on Sustainable Rice Platform (SRP), organized by SRP Secretariat and SCCRP project[13] in Siem Reap province on 14-15 July 2016.

1.2.5.2. Participation in the Rice Policy review workshop

5 FO Federations' representatives (from FAEC, FCFD, FWN, FNN and CFAP) participated in Cambodian Rice Policy reviewing workshop[14], organized by SCCRP on 15 Jul 2016.

FO representatives have notably raised the challenges and concerns of farmers related to their rice production as follows:

- Lack of water source and irrigation system;
- Lack of production capital and accessing loan with high interest rate;
- Lack of technique and good quality seeds for rice production;
- High price of agricultural inputs with unguaranteed quality;
- The proportion of rice price on market with production cost is not acceptable by farmers.

[13] See § 3.4.1., page 25 in this report.

[14] See § 5.1.1. page 37 in this report.

2. Component #2: Improvement, Standardization and Certification of the Cambodian Rice Quality

2.1. Quality label / Cambodian rice branding: Development of a Collective Trademark for Cambodian Premium Jasmine Rice

2.1.1. Overall management of the branding process

2.1.1.1. Reshuffle of GMP ExCo…

Further to the election of CRF's new Board of Directors in early July (Cf. § 1.1.3. page 6 in this report), some reshuffles were made to the composition of CRF's Executive Committees. The composition of CRF's GMP ExCo was modified, and the first meeting of this ExCo in CRF's second mandate took place on the 9th of August 2016. During that meeting, the new composition of the ExCo and its mandate were endorsed.

2.1.1.2. … but still lack of proactivity to move toward CRF's branding implementation

In the previous Quarterly Executive Report[15], the absence of decision (and lack of proactive behavior) of CRF regarding the planning and implementation of further steps of the branding process was deplored. The first meeting of the new GMP ExCo took place on 9th of August, but despite suggestions sent to its coordinator by SCCRP's PMA, the subjects related to the registration and implementation of *"Angkor Malis"* certification mark were not covered by the agenda and by the discussion during that meeting.

On the following GMP ExCo meeting on 6th of September, only the name of the certification mark was re-discussed again (despite it was previously validated by GMP ExCo and even after a broader consultation with CRF members) – See § 2.1.2. below.

Other subjects related to the branding process, notably setting brand user fees for the first year, listing authorized Certification bodies, and developing an up-dated action plan (including registration and promotion actions) were not discussed yet.

Moreover, during that meeting of 6th September, discussions showed that the new members of the ExCo were not really aware of all the previous results and decision of the GMP ExCo, and were not sure if the proposed brand was only for premium jasmine varieties or for all fragrant rice or even for all rice from Cambodian origin…

This proves at which point the huge ExCo membership re-shuffling has been disruptive in the process.

2.1.2. Brand communication: *"Angkor Malis"* name questioned again

As stated above, the name of CRF's brand *"Angkor Malis"*, which has been adopted by the GMP ExCo after panel surveys and testing of different names and logo in key target markets (USA, EU and China) by *ad'communication* team, was still disputed (notably via media articles[16]) by some officials from the Government, notably from MAFF.

Because of this negative feedback, CRF has decided to put the name of its brand on the agenda of a new discussion of GMP ExCo in September 2016, and to confirm or change the chosen name.

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[15] Cf. Quarterly Executive Report #14, § 2.1.1., pages 11-12.

[16] See notably articles: *"Romduol, Chansensor now rice brands"*, Khmer Times, 18 July 2016, and *"Rice brand has yet to stick"*, Phnom Penh Post, 21 July 2016.

According to CRF President, the word "Malis", in particular, was disputed by MAFF, and other options were discussed. CRF President proposed "Angkor Rice", but PMA noted that this is already a trademark name registered in Cambodia by Angkor Kasekam Roongroeung Co., Ltd. "Cambodian Rice" was also proposed in discussion, but it is far too generic, not distinctive, and probably cannot be registered because of this lack of distinctiveness. Ad' communication and SCCRP PMA have insisted on the fact that the name was decided previously based on testing and validation with consumer panels in different target markets[17], and the ability to register it was confirmed by IP lawyer[18].

From the point of view expressed by ad' communication and by SCCRP project representative, *"Angkor Malis"* should be kept as the "plan A" option, or possibly as a last resort if CRF really wants to change it, a "plan B" could be "Angkor Jasmine".

No clear decision was finally made by this ExCo meeting. CRF President, who is now also chairing the GMP ExCo, said he would meet MAFF again to review the issue.

Project coordinator has indicated that after more informal discussions with MAFF in September (apart of a meeting on other subjects between MEF and MAFF), he perceived that MAFF willingness to accept *Angkor Malis* name could be finally more open. This feedback was informally provided to CRF for consideration.

Overall, this U-turn of CRF on the decision previously made on the name is seen has a step backward and is raising serious concern from the project team point of view.

2.1.4. Brand registration process

2.1.4.1. Preparation of rules to attach with application for Certification Mark registration

Following-up on the work done in June[19] with Mr Fabrice Mattei, IP lawyer, a meeting was organized on 8 July 2016 with SCCRP's PMA, TÜV representative and Mr Poeuv Bunrith for CRF to proceed with additional revisions of the rules for brand use and elaborate the final draft that could be used with the application for the registration as a certification mark.

Attention was drawn to CRF representatives to make sure that all documents referred to in the rules for the use of the certification mark are made available in their last up-dates at all time, using always the same title and document reference as mentioned in the rules.

2.1.4.2. Issue of mission Prakas for the registration of Certification Mark in Cambodia

As mentioned in the previous Quarterly Report, a Prakas is still missing for MoC / Department of Intellectual Property rights to be able to register certification mark. This issue has been raised by CRF. In August 2016, a working group was formally established by a Prakas[20] of MoC to improve collaboration and coordination between CRF and MoC. The issue of registration of the certification mark was raised during meetings between CRF and MoC (in August), and MoC ensured that the pending Prakas for Certification Mark registration would be issued within a month[21].

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[17] Cf. Quarterly Executive Report #13, § 2.1.2. page 14.

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

[19] Cf. Quarterly Executive Report #14, § 2.1.4.1., pages 13-14.

[20] Prakas No 278278 ព.ណ.អម.អ. ប្រ.ក, dated 12 August 2016.

[21] According to elements informally reported by e-mail by Mr Poeuv Bunrith (CRF) to SCCRP project team. This is unofficial information.

3. Component #3: Promotion of Contract Farming and Enhancement of the Involvement of Farmer Organizations in Paddy Collecting and Processing

3.1. Consolidation of the sustainability of Organic Paddy supply chain in Preah Vihear with AMRU Rice

3.1.1. Support to Creation and Management of the Union of Cooperatives

3.1.1.1. Formal registration of "Preah Vihear Mean Chey Union of Agricultural Cooperatives" (PMUAC)

The Union of the 8 cooperatives of Preah Vihear involved in contract farming for organic supply to AMRU rice with the support of SCCRP project has been formally registered by the General Directorate of Agriculture (GDA/MAFF) on 19 July 2016, under the number 001 GDA/UAC/P and the name "Preah Vihear Mean Chey Union of Agricultural Cooperatives (PMUAC)". Copy of the registration certificate is shown in Annex 3 to this report.

PMUAC is the first Union of Agricultural Cooperatives ever registered in Cambodia, since the new law on Agricultural Cooperatives issued in 2013 has established the principle of Cooperative Unions.

3.1.1.3. Capacity building and follow-up of the Union

PMUAC salaried team evaluation

The 4 ICS managers of PMUAC have been evaluated by SCCRP consultants since the second quarter of 2016. They have gained experience and skills during first year of working for PMUAC. They are all interested in continuing to work as ICS manager in the long run. For PMUAC general manager, as his planning is so tight during the field mission in Preah Vihear, SCCRP consultant team could not interview him for evaluation in the previous quarter. SCCRP team created a self-assessment tool and asks him to fill information and send to SCCRP consultants to have a look in advance. The interview for yearly appraisal between PMUAC manager and SCCRP consultant team was done on 23 September at PMUAC office with participation from PMUAC treasurer (PMUAC president and Vice-President were not available). The results of appraisal will be presented to PMUAC board for next board meeting for conclusion and decision. From the project team point of view, PMUAC General Manager's performances are not satisfactory.

Support PMUAC General Manager to prepare quarterly narrative and financial report

Among main weaknesses, PMUAC manager has been very inefficient on the preparation of both narrative and financial reports. Despite several reminders from the project team, there has been little improvement. For instance the first draft of narrative report of the second quarter was submitted only in mid-September and was yet not satisfactory, with a lot of missing information. Financial reports were also not comprehensive and did not follow the required templates.

On 23 September, SCCRP team organize a full day meeting with PMUAC manager with participation from PMUAC treasurer to explain again the update template for report writing and to check expenses realized from April to August 2016. PMUAC manager accepted to use the update template for narrative report recommended by SCCRP consultant team. For financial expenses, SCCRP consultant's team and PMUAC treasurer verify the expenses one by one from April to August. All the expenses are eligible but some support documents were missing.

Until the end of this quarter, SCCRP team didn't get the final version of second quarter of narrative and financial report of PMUAC. PMUAC manager promises to finalize the both report at the beginning of October.

CASHIER NOMINATION

Since July 2015, PMUAC manager manage all administrative and financial aspect of the union. SCCRP consultant's team validates the expenses of PMUAC at the end of each quarter. For the sake of good management and also in order to comply with General Directorate of Agriculture (GDA) principles for ACUs, the roles of cashier and financial manager should be segregated. For this purpose, on 27 September, PMUAC Board has appointed Mr. Hud Ramo to undertake the role of cashier (in addition of his role as ICS manager). From this October, a part from SCCRP consultant's team, all expenses of PMUAC will be verified and control at least from two peoples of PMUAC. In the long run, when PMUAC have enough resources, PMUAC might recruit a professional accountant so they will have three persons to verify and validate accounting.

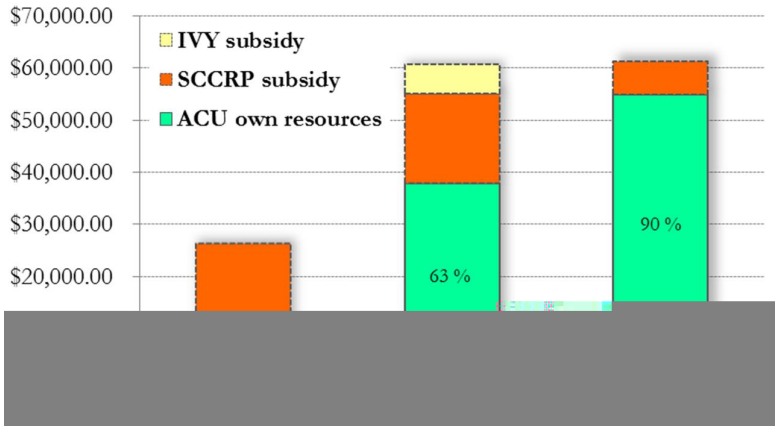
3.1.1.3. FURTHER FINANCIAL AND TECHNICAL SUPPORT TO PMUAC

After a relatively long discussion process between project team, ACU management and ACs, a final English version of the MoU between SNEC/SCCRP and PMUAC was approved. On 12 of August, AFD has given its non-objection for the signature of this MoU. It was then translated to Khmer and sent to PMUAC and 8 ACs concerned for signatures. Yet at the end of the Quarter the MoU was not yet signed by all parties. The MoU will be signed (in both English and Khmer versions) by mid-October.

According to this MoU, for year 2016, the SCCRP project can subsidize an amount of up to 17,200 USD of PMUAC regular operation costs + take in charge additional costs for outsourced trainings / capacity building services for a maximum of 11,000 USD (in addition to direct support and backstopping provided by SCCRP project team). For 2017, the MoU has planned a last budgetary support of 6,450 USD to balance operation costs of the Union (in the first quarter of 2017) and a provision is made for a ceiling of 7,000 USD for additional support if needed (which could help the Union to integrate new members for instance) for the rest of 2017. The Figure 3 below shows an up-dated estimation of PMUAC capacity to cover its own costs from 2015 to 2017.

If we consider only recurrent operation costs and investments in equipment (paid by ACU with its own resources from 2016) and not out-sourced investments in capacity building (training foreseen for 2016), an up-dated estimation of PMUAC capacity to finance itself with its own resources now reaches nearly 2/3 of their budget for 2016 and approximately 90% for 2017. (See Figure 3 opposite).

Figure 3: Foreseen evolution of PMUAC financial autonomy



Note: budget 2017 is a rough estimation as PMUAC did not yet prepared it.

Yet, it has to be considered that if paddy harvested and sold to AMRU reach the total volumes committed by contract for this year (Cf. § 3.1.2. next page) and if the level of fees charged by PMUAC in proportion of organic paddy sold remains the same the financial capacity of the Union will increase in a very significant

way in 2017 and subsidy might not be needed in 2017, or they could be justified only to support possible integration of additional cooperatives to continue to scale up and consolidate the Union.

3.1.2. Negotiation and signature of (MoU and) Contract Farming agreements for 2016

The different quality of paddy rice and premium price for each category had already been negotiated and approved[22] between AMRU and 12 ACs representatives since the end of second quarter of 2016. Within this quarter, SCCRP team supports 12 ACs to finalize the negotiation of the MoU with AMRU (consolidating the partnership over a period of 2 to 3 years) and the Contract Farming agreements for the campaign of 2016. The MoU and Contract have been draft by AMRU team and send to PMUAC for comment. PMUAC send their last update version to SCCRP consultant team for comment and reviewing. The MoU and the contract farming agreements have been signed between AMRU and 12 ACs representatives on 11 July 2016. Director of PDA Preah Vihear is the witness for this signature.

For this season 2016, AMRU signed contract with 12 ACs to buy 8,641 tons of organic paddy (4,830 tons of jasmine rice and 3,810 tons of white rice) from 1,656 farmers (779 farmers are new members – See Annex 4 on the number of members involved in each of the 12 ACs). The detailed information on volumes committed for each AC is shown in Table 3 below.

Table 3: Volumes of organic paddy that the 12 ACs committed to deliver to AMRU for harvest 2016

Code	Name of Coop.	Fragrant rice		White rice		Total land size (ha)	Total Expected Sale 2016 (kg)
		Total land size (ha)	Expected sale 2016 (kg)	Total land size (ha)	Expected sale 2016 (kg)		
AC01	Krobao Prum Teb coop.	195.25	259,500	152.70	207,900	347.95	467,400
AC02	Livelihood Improvement coop.	218.05	242,500	223.60	374,500	441.65	617,000
AC03	Rohas Samaki Mean Chey Coop.	188.25	477,971	15.90	9,500	204.15	487,471
AC04	Leukompos Satrey Coop.	556.50	849,500	627.30	898,000	1,183.80	1,747,500
AC05	Romdoul Malu prey Cheay Den coop.	328.03	619,900	197.32	512,300	525.35	1,132,200
AC06	Satrey Ratanak coop.	1,020.50	1,570,800	393.82	734,000	1,414.32	2,304,800
AC07	Torsou Sen Chey coop.	329.00	697,400	109.20	190,500	438.20	887,900
AC08	Romtom Samaki Mean Chey coop.	132.50	112,900	212.30	333,000	344.80	445,900
AC09	Bro Mei Sen Chey	-	0	35.00	60,000	35.00	60,000
AC10	Choam Khsan Cheay Den Meanchey	-	0	214.00	258,100	214.00	258,100
AC11	Rumdoh Srae Samaky	-	0	65.75	115,500	65.75	115,500
AC12	Toek Kraham Kelam Or Chivapheap	-	0	101.00	117,400	101.00	117,400
Total	**12 ACs**	**2,968**	**4,830,471**	**2,348**	**3,810,700**	**5,316**	**8,641,171**

The increase of volumes committed compared to previous years is very important (even if we consider that there are four new cooperatives on board): 8,641 tons represented 2.5 times more than the quantities committed in last year contract, and 3.5 times the volumes that were actually delivered in 2015. It is acknowledged that these are very ambitious objectives, and to reach them will be challenging not only in term of production, but also in term of logistic of the paddy collection, and for the organic certification.

[22] Cf. Quarterly Executive Report # 14, § 3.2.5. pages 19-21.

3.1.3. Organic Certification

3.1.3.1. Support to ICS managers to conduct pre-audit before external inspection by the Certification Body

PMUAC now has four Internal Control System Managers, among whom two were trained by COrAA last year and already have experience (Mr. Oeur SamAth and Mr. Hud Ramo) while the other two are new (Ms. Horn Sovanchenda has started to work for PMUAC after the resignation of Mr. Oum Sarith since November 2015 and Ms. Vut Vichara has just started as the fourth ISC manager supported by IVY in order to accompany the 4 new ACs joining the Union).

Consolidation of ICS manager's capacity is still required and particularly necessary to take up the challenge of the increasing number of farmers and surface of rice fields in the organic program with AMRU. The following supports have been provided by SCCRP project team to improve the knowledge of ICS managers and make sure the organic certification can be maintained:

- Iimproving ICS managers' knowledge of EOS/EU and NOP organic standards: SCCRP proj8.72519(.)ect

to AMRU Rice to improve their facilities and implementation to be compliant with the requirements of EOS/EU and NOP organic standards at this level.

3.1.3.3. External Inspections by the Certification Body

The annual external inspection of Ecocert has been conducted from 1st to 17th of September 2016. The external inspector mission started by a meeting at PMUAC office in Preah Vihear and was closed by a debriefing on 17th of September 2016 at AMRU-Rice office in Phnom Penh.

The scope of inspection by Ecocert under their contract with AMRU was including: 12 cooperatives (8 in the scheme last year + 4 new ones supported by IVY), 1,587 farmers[23] (including 710 new farmers) members of these twelve cooperatives and engaged in the organic paddy production program, and AMRU processing and storage facilities. Ecocert inspector has selected and inspected 135 farmers in total (among whom 85 are new in the organic program).

◁ *Field inspection by Ecocert in September 2016.*

The ICS system of PMUAC and ACs has been evaluated as solid by Ecocert, The following strengths were enhanced by Ecocert:

- Potential risks were identified;
- Non-compliant farmers were removed from the organic producer list;
- General map of every cooperative (showing the identified organic areas) was developed;
- Field and farms visits were effectively implemented;
- Good knowledge of ICS managers;
- Proper internal control records and documents.

Some points of non-compliance were also detected, that should be addressed by corrective measures:

- 7 points of non-compliance in reference to EOS/EU standard, out of which 3 at the processing unit level. At farm levels, some improvements are required regarding traceability system and documentations of the growers group.
- 6 points of non-compliance in reference to USA's NOP standard, mainly related to application forms, traceability system and documentations of the growers group.

Corrective measures to be implemented were decided (with deadlines) during the debriefing meeting of the CB mission. By the end of September, 100% of the corrective actions required at ACs and PMUAC level had been implemented, and report of their implementation was provided to AMR, who sent it to Ecocert. The Certification Body will then send back the results of the evaluation on those corrective actions in October 2016. No major obstacle to renewal of the organic certification is foreseen, and Certificate shall be issued before the up-coming harvest.

[23] This figure is different from the number of farmers engaged in the Contract Farming as stated in § 3.1.2. page 16 and in Annex 4, because 69 farmers were excluded for non-compliance with organic standards (use of chemical fertilizers or pesticides) before external inspection.

3.2. Development of a new Contract Farming partnership for Organic Paddy supply with Signature of Asia

3.2.1. Creation of a position of ICS manager, recruitment and capacity building

After the validation of the project of development of a new organic paddy supply chain in Preah Vihear with & Agricultural Cooperatives and Signature of Asia[24], the agreement discussed on the principal for this partnership has been made operational. As for the cooperatives involved with AMRU Rice, the need to have at least one Internal Control System Manager was identified. It has been agreed that the project would temporarily recruit and manage the ICS manager[25], which position could then been taken over by the cooperatives (possibly via the creation of a second Union of Cooperative or by an aggregation of the 7 new ACs within PMUAC).

ICS manager was thereof recruited by the consultant team of Component #3 (AVSF-CIRD-ADG): 25 candidates have applied, 9 were shortlisted for test and interviews, and finally Mr Chum Sinet, has been recruited for this position on 5th of August 2016. Mr. Chhum Sinet is Agronomist from Kamchay Mear University. He took office on the 8th of August 2016. He is directly involved in carrying out the field activities supporting the contracted members of the 7 AC's in producing organic paddy rice according to the EOS and NOP standards for exports.

Mr. Chhum Sinet has received direct capacity building from Mr. Sok Sarang on EOS and NOP standard since the first day of his work for project[26]. He also received support from ICS manager of PMUAC on how to provide training to farmers on organic standard. PMUAC manager provided all tools needed to Mr. Chhum Sinet to support 7 ACs to produce organic rice for SOA.

3.2.2. Contract farming negotiation and signature

With the support of the SCCRP team and Provincial Department of Agriculture (PDA) in Preah Vihear, one meeting was hosted on 3rd of August 2016 at the meeting room of PDA-Preah Vihear in order to finalize the negotiation and sign the Contract Farming agreement on producing and supplying organic paddy between Signatures of Asia and the 7 AC's. The event was chaired by Mr. Poeung Tryda, Director of the PDA. As a result, the Contract Farming agreements were signed by the two parties (Signatures of Asia as a buyer and each of the 7 AC's as a seller), and witnessed by PDA Director.

△ *Signature of contracts for organic paddy supply between ACs and Signature of Asia, on 03/08/2016.*

Regarding the agreement, the 487 contracted members of the 7 ACs will produce and deliver to SoA a total of 879.7 tons of organic paddy (673.2 t of white rice varieties and 206.5 t of jasmine varieties). See details in Table 4 next page.

The term and condition of the contract shall be effective for 7 months commencing from 3rd of August 2016 and until the 28th of February 2017. The supply and collection of paddy shall be completed by 31st of January 2017.

[24] Cf. Quarterly Executive Report #14, § 3.3. pages 20-21.

[25] Via AVSF-CIRD-ADG contract, under budget line: "3.4. Budgetary support to FO Federations".

[26] Cf. § 3.2.3.3. page 21 in this report.

Table 4: Surface and volumes of organic paddy to be supplied by 7 ACs in Preah Vihear to Signature of Asia as per Contract Farming agreements signed on 3rd of August 2016

No	Name of AC	Total Land Surface (ha)			Nb. of HH producing		Estimated Production to sell (ton)		
		White	Jasmine	Total	White	Jasmine	White	Jasmine	Total
1	Rumduol Samaki Meanchey Mlop Prey Py	45.4	9.5	54.9	24	5	36.9	16	52.9
2	Aphiwat Samaki Sangkae Py	73.9	12.5	86.4	89	8	160.5	33.5	194
3	Sangkae Samaki Meanchey	54.9	6.7	61.6	30	6	55	17	72
4	Samaki Sovankiri Chhaeb	56.25	8.5	64.75	35	6	51	11.5	62.5
5	Khyorng Saing Samaki	84	24	108	39	10	91	52.5	143.5
6	Chrach Salavoan Samaky Meanchey	105.6	21.5	127.1	143	8	106.5	59.5	166
7	Puthrea Samaki Vathanak Meanchey	131	8.5	139.5	102	5	172.3	16.5	188.8
TOTAL		**551.05**	**91.2**	**642.25**	**462**	**48**	**673.2**	**206.5**	**879.7**

The description of paddy quality specifications was the subject of long discussion during the negotiation of the contracts until an agreement was sealed under the Clause 6 of the contracts signed on 3rd of August. The Table 5 below detailed agreed specifications for each grade of quality.

Table 5: Classification of quality grades for organic paddy agreed between SoA and 7ACs

Grades	Damaged Grain (%)	Moisture content (%)	Foreign Matters (%)	Varietal Purity (%)	Broken Rate (%)	Shrunken grains (%)
A	≤ 2	≤ 15	≤ 0.50	≥ 95	≤ 10	≤ 0.5
B	≤ 3	≤ 15	≤ 0.50	90 - < 95	> 10-15	> 0.5-1
C	≤ 4	≤ 15	≤ 0.50	85 - < 90	> 15-25	> 1-2
D	≤ 5	≤ 15	> 0.50-1	85 - < 90	> 25-35	> 2-3
E	≤ 6	≤ 15	> 0.50-1	85 - < 90	> 35-45	> 3-4

3.2.3. Organic certification

3.2.3.1. Structure of ICS system

At the level of the 7 ACs, an Internal Control System team has been set up, composed of 31 Internal Inspectors (recruited among the committee members of the 7 cooperatives) + 1 ICS manager supported by the SCCRP project (See § 3.2.1. page 19). ICS team is accountable to inspect all contracted farmers at least two times per year (first time during land preparation and transplanting, and second time starting 10 days before harvesting). Furthermore, they are also responsible for providing information and support to the producers about EOS and NOP organic standards, sanction level, rice field mapping etc.

3.2.3.2. ICS documents preparation

A number of ICS documents formats have been developed to support AC's internal control. Most of them are based on the formats used by Preah Vihear Meanchey Union of Agricultural Cooperative (which will ease harmonization and possibly integration of the 7 ACs in PMUAC later on). Documents prepared include:

- Registration membership form;
- Farmers' recording book;
- Farmer commitment on respect of organic production rules;
- Criteria for organic rice producer for Agricultural Cooperative;
- Attestation form;
- Grower Group organizational chart and detailed flow chart;
- General organization chart of the ICSIQS team and executive (decision-making) staff;
- Organic rice production flow chart;
- Traceability/Code for organic production system management;
- Sanction recording book;
- List of all potential risks in relation to organic compliance;
- First internal inspection report;
- ICS database.

3.2.3.3. Building Capacity of ICS Management Team

On August 8, 2016, one-day internal training on EOS and NOP organic standards was delivered by Mr. Sok Sarang to a new recruited employee, field officer in charge of Internal Control System, and to SCCRP team at the meeting room of SNEC. The content of the training focused on rules for organic conversion, seeds and seedling, fertility, plant protection, mixity organic/non organic and prohibited practices according the organic standards of EOS and NOP. Each step of organic standard principles and requirements were presented and explained. Additionally, the deviation comparison of the EOS organic standard and NOP organic standard was also highlighted during the session. After this training it was assessed that the newly recruited ICS manager would have sufficient capacities to delivered training on organic standards to internal inspectors and farmers involved in the contracts with SoA.

3.2.3.4. Building Capacity of Internal Inspectors

One-day training on organic rice standards and internal control system was delivered by field officer and SoA team on August 23, 2016 and another refresher training on 12 September 2016, with 39 participants (5 women) in attendance. The attendees were the 31 internal inspectors, 2 chiefs of District Office of Agriculture in Chaeb and Cheysen, 3 representatives of SoA, 1 PMUAC staff and 2 persons from SCCRP team. The purpose of the refresher is to review and upgrade the knowledge and skills of internal inspectors before starting the first internal inspection. The topics of training included:

- Organic rice standards of EOS and NOP
- Internal control system
- Farmers' recording book
- Sanction book
- 1st internal inspection
- Mapping

According to the results of observation and the training evaluation, more than 75% of the trainees have gained knowledge of and understood the requirements of the organic rice standards related with organic rice production—seed application, conversion period, pest and disease management, soil and water management, buffer zone and so on. Moreover, they were able to fill up the information/data of the farmers' recording book and to draw rice field maps.

Yet, to address the difficulty to start implementation of inspections, the trainer team conducted field-follow-up and coached internal inspectors individually on how to implement the first round of Internal Control inspections.

At the end of the refresher session, the work plans for the first round of internal inspection was developed. All internal inspectors and ICS manager have agreed to start conducting audit from 17th to 25th of September, 2016.

3.2.3.5. Capacity Building of Contracted Rice Producers

16 trainings on organic rice production standards were delivered to 479 out of 487 contracted farmers from 19 villages in 7 communes of the 2 districts of Chhaeb and Cheysen. The training started were implemented from the 24th to the 28th of the August 2016. The training session covered the following subjects: i) organic rice production standards, ii) how to fill up information in farmers' recording book and iii) how to draw the map of rice field. During the 1st round of internal control, it was observed that most of farmers were able to fill up their farmers' recording books and draw their rice field ma. Even though all information was not complete or not correct, it was still a fairly good result for a first year of organic production, especially given the short time between the training and first inspections.

3.2.3.6. Data Collection and Internal Inspections

To verify and update the data of total land surface, estimated production to sell and number of contracted rice producers per AC, the ICS manager and SoA team conducted field follow-up and gathered those information from the committee members of each AC, with support by SCCRP team. Hence, the results show that total land surface is declined by 43.10 hectares, if compared with the total acreage of the contract (642.25 hectares), while 8.10 tons of estimated production to sell is increased, if compared with the data written in the agreement (879.70 metric tons). But the number of organic rice producers is not changed and is remaining the same numbers stated in the contract (487 farmer households).

First internal inspection was just conducted on the third week of September 2016 by internal inspectors[27]. Internal Inspection Reports are expected to be completed on October 4, 2016.

3.3. Support the involvement of FWUCs in paddy commercialization and development of FWN supporting capacities

During this Quarter, Farmer Water Net has started the implementation (with the support of the Irrigation Service Center) of the "Support the involvement of Farmer Water User Communities in paddy commercialization and development of Farmer Water Net supporting capacities"[28], supported by SCCRP project.

3.3.1. Paddy Selling Groups

3.3.1.1. Training and mobilization of Paddy Selling Groups

Training and coaching on Paddy Selling Group model have been implemented through direct facilitation of FWN/ISC agriculture and marketing staffs, for the four FWUCs of Angkau, Barai, Ping Pong, and Porpiderm. The trainings were delivered to representatives and board committee members of each FWUCs. They were focused on the following topics and issues:

[27] The timing of these first inspections was late due to the delays in finalizing the contracts with SoA and recruiting + training ICS inspectors.

[28] The support to this activity is defined in the MoU No: CKH-1077-C#3-S-16-01 signed between SNEC and FWN. The MoU was formally signed only on 31st of August 2016, but with a retroactive effect as the implementation period has actually started since 1st of July 2016.

- Members mobilizing strategy,
- Getting support from local authority,
- Paddy quality check,
- Marketing research on price and rice millers/companies,
- Relevant documents for PSG operations

Training on paddy quality control in Apsara rice company ▷

In the four FWUCs a total of 513 farmer members have been gathered in the Paddy Selling Groups.

3.3.1.2. Assessment of PSG results

During this three months period (July to September), only 134 tons of wet paddy have been sold in group in two FWUCs:

- 58 tons in FWUC Barai,

and

- 76 tons in FWUC Porpiderm .

These volumes are far below the expected (and maybe optimistic) target of 1,000 tons for this period, set in the MoU between SCCRP project and FWN. Both internal and external factors can partly explain these results: i) Internally: for FWN and the support team of ISC, new facilitators had to be mobilized in a relatively short time and the concept of PSG was still quite new to them, as well as for FWUC's members. ii) Externally: the context of low prices and limited paddy purchase by Cambodian millers in the period was also not very favorable.

△ *Paddy selling activity in FWUC Barai on 20 September 2016.*

Still, the encouraging point is that farmers who actually sold the paddy through PSG were actually able to get slightly higher prices, between +10 and +30 KHR/kg according to FWN report). Small fees were also generated for both FWUC and Farmer Water Net in order to contribute to sustain the activity. But the amount collected was relatively limited given the limited volumes sold.

In Angkau FWUC, efforts were made to approach rice millers in order to find a market and suitable price for paddy of IR varieties in order to further sell through PSG model.

3.3.2. Collective Buying Group for input supply

Farmer Water Net (with the support of the Irrigation Service Center) has also supported the creation and training of Collective Buying Group within FWUC, in order to manage grouped orders of fertilizers. This has been implemented in the FWUCs of Stung Chinit, Spean Sreng and Prey Nub.

FWN has facilitated introductions meeting between Fertilizer Company and FWUCs in order to discuss directly about recommendations for fertilizer use and negotiate supplying conditions.

△ *Training on collective purchase of fertilizer, organized in Stung Chinit FWUC office.*

FWN has cooperated with Bayon Heritage Company to supply FWN members with fertilizers. The company not only provides good quality inputs at suitable price (according to FWN), but also provide another extra benefit for FWUCs and FWN itself (2,000 KHR/bag).

In total, 46.1 tons of fertilizers were supplied via grouped orders of FWUCs (see Table 6 below).

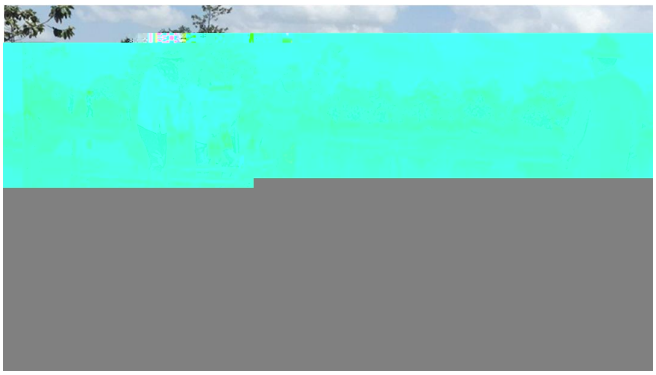
Table 6: Results of collective buying groups (fertilizer supply) in Stung Chinit, Spean Sreng and Prey Nub.

Name of FWUC	Nb of members in buying groups	Number of villages	Quantity of fertilizer bought by groups
Stung Chinit	189	15	20.7 tons
Spean Sreng	19	1	2.4 tons
Prey Nub	63	11	23.0 tons
Total	**271**	**27**	**46.1 tons**

3.3.3. Other technical activities on paddy production by Farmer Water Net

Some other technical activities related to rice production were implemented at FWUC level with the support of Farmer Water Net and the Irrigation Service Center, notably:

- Pilot seed production,
- Fertilizer demonstration
- Seeder machines testing (in both wet and dry conditions).



△ *Testing different models of seeders for dry conditions (left) and wet conditions (right).*

3.4. Support to pilot implementation and possibly contract farming for "SRP" rice production

3.4.1. Implementation of the Training on Sustainable Rice Platform Standards

As it has been proposed and agreed in June 2016 [29], the SCCRP project has sponsored and supported with logistic organization the implementation of the first Capacity Building Workshop on SRP rice standards in Cambodia, which took place in Siem Reap on 14th and 15th of July 2016 and was attended by a total of 36 participants, including MAFF services (DAI, DACP, PDA Officers), CRF, Farmer Organizations / FO Federations (FAEC, FCFD, and other FOs), Millers/Exporters (AMRU, BRICo, Signature of Asia) , certification bodies (Control Union…), NGO, projects or support agencies (SCCRP, IFC, ADG, WCS, Grow Asia…).

The workshop was officially opened by H.E. Ty Sokhun, Secretary of State of MAFF. It was led by Dr Joel Janiya (IRRI) and Dr Wyn Ellis (SRP Secretariat) who have provided participants with technical orientations, have guided practical exercises in the use of SRP standards, and worked on data collection tools for the monitoring of SRP practices.

△ *Group photo of the Capacity Building Workshop on SRP rice standards in Cambodia, Siem Reap, 14th and 15th of July 2015.*

3.4.2. Participation in further meeting of Cambodian SRP working group

Members of SCCRP C#3 team (Mr Min Sophoan and Mr Meang Savoeun) took part in the Cambodia SRP National Working Group Meeting on 22nd of September. The meeting has notably gone through implementation progresses (or intentions to implement) of stakeholders involved, as detailed in the Box 1 next page.

[29] Cf. Quarterly Executive Report #14, § 3.4.3., page 22.

Box 1: On-

- The technical solutions envisaged for millers to access data and sort or filter data applying criteria on key data fields, with three main groups of options preliminary identified as follows:
  - → Options 1: An excel spreadsheet updated in real-time and shared via tools such as DropBox or other services (such as) allowing to edit online and share access to users (millers) to consult and sort/filter data. This option is the most basic, not very user friendly, but was proposed to possibly be implemented for the up-coming harvest of jasmine varieties in case other more elaborated solutions cannot be developed on time.
  - → Options 2: Use of existing platform (such as e-commerce or social media platforms) to post paddy offers, with possibly development of only additional "plug-in" options to adapt the tools to our specific needs.
  - → Options 3: Development of a specific ad-hoc software / system, tailored to the needs of FOs and millers.

The workshop has been very fruitful. It helped to clarify the objectives and functionalities of the "Paddy Trading Platform" but also to focus on important preliminary question regarding the process to collect and input the information in the system, and expected modalities for users on the buyer side. Notably if millers can only get information by connecting to the platform and searching for posts relevant to them (as it was preliminarily foreseen), a risk of low use was identified (i.e. low number of millers connecting themselves, and/or low frequency of connections). A "push" strategy was identified as probably more efficient to get information reach millers, with for instance e-mail or SMS notifications sent to them (yet with still the possibility to access the full database at any time and search offers when they need).

3.5.2. Next steps foreseen

The dialog with IT experts will continue after the workshop. Sample tables of data to be provided and made available have been provided to Proact IT who offered to prepare a very preliminary prototype of what could be a tailored software and platform designed for CRF and FO Federations.

Decision will be finalized in October on the option to choose for a first trial run expected to be ready for the up-coming jasmine season, i.e. by early November.

In parallel of this process, on FO side, FO Federations are already supporting their members for them to be able to gather data from farmers and feed the system with paddy availabilities and harvest plans at FO level (See § 1.2.2.1. page 9 in this report).

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

Further to the implementation, in June 2016, of its field mission as part of the feasibility study, GRET has delivered its draft report of the « Feasibility study for a pilot project on investments by Farmer Organizations on paddy drying and paddy storage centers in Cambodia » on July 11, 2016, together with an Excel file developed to ease economic simulation.

On 15th July, the draft report was shared with all project team, AFD and interested stakeholders (at least the ones who took part in the restitution meeting of the study in June, and other project teams such as Rice-SDP and IFC), in order to gather comments.

Comments of SCCRP project team[33] were sent to the Consultant on 5th of September, asking for several corrections or reviews. GRET started to react on 15 September by sending first a revised version of the Excel tool for economic simulations, taking into account comments made by the Project Management Advisor. After validation of the adjustments on the calculation tool, Mr Rodolphe Carlier was able to revise the economic analysis showcased in the report. A final draft has been sent by GRET on 29th of September. It still requires minor editing, and the Final report will be available by mid-October.

Box 2: In summary: pessimistic results of GRET feasibility study on investments by Farmer Organizations on paddy drying and storage facilities

1. Investing in modern system of drying has no comparative advantage with traditional drying system (sun-drying) if this investment is not dedicated to store paddy and allow its selling after few months of storage, betting on increasing of dried paddy price.

2. Large volumes are required to reach economy of scale (between 2,000 and 3,000 tons per year). The capacity of cooperatives or FO to mix photo-sensitive and non-photo-sensitive varieties is quite the only way to obtain these economies of scale, in order to be able to use dryers for more days in a year.

3. The profitability totally depends on the realisation of the hypothesis of increase of prices after few months of storage. According to GRET study calculation, a minimum variation of +20 % of dry paddy price 4 to 5 months after harvest is required to reach break-even. This is quite an optimistic hypothesis and it would be very risky to speculate on such an anticipated increase of prices.

4. Fixed and variable costs have quite the same influence in the determination of costs so that the achievement of break-even point is difficult to reach.

5. The cost of working capital requirement in case of storage (interest costs) has a huge impact on the total cost and the main financial stake is the need of cash for financing this working capital requirement before selling. In particular, given the minimum volumes required to reach economies of scale (as mentioned in point 2. above), a FO or group of FOs would have to access loans to pre-finance 2,000 to 3,000 tons of paddy. This represents a financial need that could be around 500,000 to 750,000 USD, and it is very unlikely that FOs or groups of FOs would access loans for such amounts, especially given the high uncertainty of evolutions of price during storage, and hence the high economical risk of the activity.

3.7. Knowledge Management, Capacity Building, Policy and regulatory issues on Contract Farming

3.7.1. Taskforce on Contract Farming

Further to the formal decision issued by MAFF on the 26th February 2016 regarding the establishment and composition of a new Taskforce on Contract Farming[34], a first meeting of the Taskforce was convened on 19th of September 2016 in MAFF. The meeting was chaired by H.E. Ty Sokhun, Secretary of State.

In addition to members officially listed in the formal decision of MAFF regarding the creation of the Steering Committee, SCCRP project was entitled to invite additional representatives from private sector (such as AMRU Rice or 3C company), other projects (such as the EU funded project on livestock and fisheries in MAFF) and experts (such as representatives of Henri Capitant Association).

[33] The only comments made were prepared by the PMA and shared with the team first in order to get additional inputs and compile and send all comments at one time. But still no additional comment was proposed by the team. Therefore only inputs from the PMA were sent to GRET.

[34] Cf. Quarterly Activity Report No13, § 3.6.1. page 20-21.

3.8. General coordination of the Component #3

3.8.1. Monthly coordination meetings

Two coordination meetings for Component #3 took place during this quarter, on 8th of July and on 2nd of September 2016, facilitated by Mr Sok Sarang.

4. Component #4: Up-Grading the Rural Development Bank

4.1. Up-grading RDB: Implementation of RDB reforms

Mekong Strategic Partners (MSP) has continued its support to the Rural Development Bank during this quarter. Based on the phasing defined in MSP and BD-Link contract, the Phase 1 was achieved during this quarter and Phase 2 started. This section 4.1. provides a statement on the support to RDB and outcomes to date. It is based on MSP report prepared by Mr John McGinley.

4.1.1. Development / Up-dating RDB strategic and business plan

4.1.1.1. Assessment of agricultural sector financing and priority value chain needs

In the previous quarters, MSP has reviewed RDBs past activities and performance and has consulted officers within RDB as well as stakeholders and relevant government officers to understand policy priorities for RDB.

Based on priorities set by RDB, BD Link and MSP have reviewed current market and financing flows for agricultural industry, including analysis of financing needs. RDB management has determined the 5 key commodities they wish to focus their lending on: Rice, Fisheries, Cashew, Pepper and Coffee. Detailed industry analysis for these identified crops/production has been undertaken. In relation to lending sectors within the Agricultural sector, RDB has prioritized supporting Rice millers, traders and warehouse operators and agricultural co-operatives.

4.1.1.2. Reflection on the equilibrium between policy oriented loans and more secured / matured loans portfolio to balance costs

As part of the development of RDB business plan, a reflection has started about the appropriate blending of policy lending alongside commercially orientated lending remains an ongoing challenge for the RDB. The business strategy plan lays forth several options to achieve the ideal mix. RDB have indicated that the preferred mix is 60% policy based loans and 40% commercially focused loans. MSP has recommended that going forward to separately managed portfolios are established with independent balance sheets which will allow for RDB to gain a clearer understanding of the cost of implementing Government policies and the economic gains achieved through commercially focused lending. This separation of the portfolios is planned for Phase 2.

4.1.1.3. Review of RDB funding strategy

MSP has also completed a review of RDB funding strategy. Currently RDB is only able to access funding from the Ministry of Economy & Finance. Several development finance institutions, including recently IFAD, have indicated that they would be prepared to lend to RDB in the near future as the reform initiative continues.

It has to be noted that one of the objective of RDB reform process is to reach required standards to make RDB eligible to receive funding / loans from international financing institutions. The new interest of development partners (such as IFAD) is an encouraging signal.

4.1.1.4. Additional elements for a 3 year strategic and business plan

Additional elements of the strategic plans were prepared during this quarter. They included:

- RDB key value proposition, products and lending strategy and on articulation of organizational vision, values and objectives were internally agreed.

- Credit strategy.
- Appropriate organization structure (agreed internally by RDB) – See § 4.1.2. below.
- Forecasting evolution of HR needs – See § 4.1.3. below.
- Development of a 3 years financial forecast by business segments
- Alignment of strategy and business plan of RDB with agricultural policy priorities

4.1.2. RDB RESTRUCTURING

In May RDB Board had validated the establishment of an independent risk department who maintain responsibility for credit appraisals. This was the first significant reform of RDB organizational structure, which was also including side adjustments such as restructuring credit department[36].

A second phase of the organizational reform was achieved during this quarter, in September, with a significant restructure of people and roles in RDB, which ensured that the business was better positioned to achieve its objectives.

4.1.3. HUMAN RESOURCES MANAGEMENT

In the previous quarter important expected deliverables of MSP and BD-Link inputs regarding HR management were already provided (including notably detailed job descriptions, Key Performance Indicators, reviewed compensation and salary scales, etc.[37]

Now in the end of September, a complete set of 11 policies (see list below) regarding RDB HR management has been developed and submitted to RDB. They still have to be endorsed by RDB Board:

1. HR Planning and Recruitment Policy;
2. Salary & Benefits Policy;
3. Leave Management Policy;
4. Staff Performance Management Policy;
5. Training & Development Policy;
6. Succession Planning Policy;
7. Staff Welfare Policy;
8. Termination and Resignation Policy;
9. Internal Regulations Policy;
10. Disciplinary Procedures Policy;
11. Ethics & Code of Conduct Policy.

In relation with business plan development, MSP and BD Link have worked on evolution of HR needs, notably on determining the requirements (in Full Time Equivalent) to meet objectives of the 3 years business plan.

On September 7th, 2016, RDB undertook a very significant HR organizational restructure, as a part of the current reform program. It resulted in significant re-allocation of staff across a variety of roles and departments. The remaining key roles which require recruiting are as follows:

- Skilled relationship managers/bankers with strong credit experience in the agricultural sector.
- Internal Audit specialist with a financial/accounting background.
- IT manager.

[36] Cf. Quarterly Executive Report #14, § 4.1.1. pages 27-28.

[37] Cf. Quarterly Executive Report #14, § 4.1.2., page 28.

Last inputs regarding HR management: Training agenda has been prepared for all HR and new code of conduct framework was developed.

4.1.4. Credit management (in Support to Credit Department and Risk Department)

Improved formats for credit appraisal reports have been developed in coordination with both Credit Department and Risk Department. AS already indicated before and in relation with the creation of the independent Risk Department, the Credit process flow has been revised since the previous quarter.

Collateral policies and management procedures have been reviewed and up-dated, and effective portfolio monitoring tools and reporting systems for credit and management team have been developed, as well as bad debts recovery management system.

Training materials on Credit Assessment and procedures have been prepared but trainings for credit and risk departments teams have not been delivered yet due to the organizational restructure and significant people changes which occurred in September. Whilst there has been some preliminary training delivered to the credit and risk staff throughout the first phase, it can be expected that the structured roll out of the training program will occur during Phase 2 for both Credit and Risk departments. Training will largely be delivered through hands on working through the Credit Appraisal format and providing clear direction for appraisal of all key elements.

4.1.5. Compliance policy

After an initial review of RDB compliance policy framework gaps were identified which have now been addressed through the development of:

- Anti-Money Laundering / Combatting the Financing of Terrorism procedures in line with NBC requirements;
- Social and Environmental protection policies;
- Procurement and reporting policies.

4.2. Development of a credit mechanism dedicated to Farmer Organizations

4.2.1. Dissemination of RDB's new credit offer to Agricultural Cooperatives

In July 2016, further to approval[38] of RDB new credit offer for FOs, 3 provincial workshops have been organized in the provinces of Takeo, Battambang and Kampong Thom[39] in order to disseminate RBD's new policy[40] for credit to FOs, together with the service proposed by FAEC and FCFD to support the development of business plans, loan applications, and facilitate the relation with RDB.

In total, including the FOs already informed in June in Prey Veng, a total of 61 FOs representatives have participated in these dissemination workshops: 27 from FAEC and 34 from FCFD members.

[38] Cf. Quarterly Executive Report #14, § 4.2.2. pages 29-31.

[39] In the previous quarter, a first dissemination workshop took place in Prey Veng on 30th of June, see Quarterly Executive Report #14, § 1.2.3.2. page 10.

[40] Main features of the new credit offer of RDB were provided in the previous Quarterly Executive Report (#14), in Box 4 page 30.

4.2.2. CREDIT GUARANTEE SYSTEM

4.2.2.1. TEMPORARY GUARANTEE MECHANISM BY THE PROJECT

As part of the development of a new credit mechanism from RDB to Farmer Organizations, it is foreseen to establish a guarantee scheme in order to reduce the collateral requirements (identified as a major pending obstacle for FOs to access finance). For Year 2016, the Guarantee Mechanism for Credit to Farmer Organizations is not yet formally established (not yet institutionalized), yet the principles and main modalities of the guarantee system were already developed by Horus Development Finance.

In order to test the new credit mechanism in its full configuration, it has been proposed by SNEC (and validated by AFD[41]) that the project would temporarily provide a direct guarantee of loans to FOs, at the same conditions as defined by HORUS[42] (and when a guarantee is required, i.e. when the collaterals provided by the FO are not sufficient). A maximum of 130,000 USD can be engaged by SCCRP project for this purpose, to guarantee loans with a maturity not going beyond 10 September 2017. The composition of a guarantee committee entrusted to make guarantee decision for the project has been set up.

Yet up to the end of this Quarter, no request for loan guarantee has been sent by RDB to the project.

4.2.2.2. INSTITUTIONALIZATION OF THE GUARANTEE MECHANISM

The institutional arrangements to sustain the existence of the guarantee mechanism beyond project duration still have to be defined. A Skype meeting was organized on 1st of September with the consultant from HORUS Development Finance, the deputy CEO of RDB, and SCCRP Project Management Advisor to assess options and discuss a possible revision of the Terms of References for the remaining mission in HORUS contract.

One scenario mentioned by HORUS is the creation of a specialized company providing the service of guarantee, as a financial service. But this option seems difficult to implement in the time remaining for the project, because there is no idea on who would set up this company (owner/shareholders) and also because operating a financial service normally requires a licence (and the regulations for financial guarantee company may even not exist yet in Cambodia). Another option is to set a fund under the MEF providing directly the guarantee to the loans. Such a guarantee mechanism was established in MEF in the past to provide guarantees to loans for rice millers. But it was not used and was finally dismantled. Yet according to Mr Sam Vongsy, who supervised the MEF guarantee mechanism, it could still be considered to set up a new one as the conditions proposed for the guarantee of Credit to FOs are easier to comply with, whereas the previous guarantee system was too complex and with very conservative and risk averse conditions explaining, according to RDB deputy CEO, the reason why it was unused.

Mrs Christine Westercamp said that HORUS is open to re-discuss the changes in the ToR of their on-going contract (provided that the revised ToR are negotiated and agreed by both parties and not imposed to Horus).

A possible need, in the case the guarantee fund is set under MEF, would be to develop an Operation Manual for the managers of the fund.

As a conclusion of the Skype meeting of 1st September, it was decided: 1) to wait for the decision of RDB on the current application for loans received from FOs and on the possible mobilization of the temporary guarantee by the project (understanding that if the guarantee mechanism is already mobilized in its

[41] AFD letter 036/16 dated 15 August, 2016.

[42] A maximum of 50% of the loan amount can be covered by the project guarantee.

objective is to stabilize the falling paddy price. Loans could be up to 70% of the value of the paddy/rice. The quality and value of the paddy/rice is declared/confirmed by the warehouse owner. RDB has a mobile team who will frequently visit the warehouses to check that the stocks are still there. However, RDB has no skill in checking the quality. CRF has no role in the program apart from helping to disseminate information about the program among its members.

So far around $1 million has been disbursed for two rice millers. More are in the pipeline but it is not expected to be fully utilized until the upcoming Jasmine harvest season starting in November.

5. COMPONENT #5: CROSS-CUTTING ISSUES

5.1. RICE POLICY REVIEW

5.1.1. 1ST CONSULTATION WORKSHOP ON THE RICE POLICY REVIEW FINDINGS

Mr Francesco Goletti and Mr Srey Chanthy have completed the review of the implementation of the Rice Policy (2011-2015) and have compiled the findings in a comprehensive Power Point presentation[47].

A consultation workshop has been organized by SCCRP project on 15 July 2016, in Tonlé Basssac II, Phnom Penh, in order to share and discuss the findings of the review.

△ *Pictures of the Rice Policy Review workshop on 15 July 2016.*

About 50 participants took part in this full-day workshop. Unfortunately, the attendance was much lower in the afternoon session, and the agenda has thereof been modified: the group discussions planned in the afternoon session have been replaced by a plenary discussion. Yet the content of the exchanges was of good quality and the workshop has provided useful insights for the consultants.

5.1.2. REVIEW REPORT AND NEXT STEPS

Mr Francesco Goletti and Mr Srey Chanthy have provided a full report of the rice policy review, integrating inputs from the workshop, on September 5, 2016.

On September 7, the two consultants had a meeting with the Project Coordinator and the PMA. Next steps were planned as follows:

We had a discussion yesterday with Luyna, Francesco and Chanthy. I'd like to share the main outcomes of the discussions regarding the roadmap and next steps for policy review:

- Preliminary formulation of the new rice policy will be done by early October.
- These preliminary elements will first be discussed with the formal small committee established by SNEC (with MAFF representative, MoC representative and CRF representative), tentatively in the 2nd week of October.
- After feedback of this committee and confirmation they are on the right track, Franceso Goletti and Srey Chanthy will continue to elaborate and develop the proposed new policy.
- Full draft will then be submitted to a broader workshop tentatively in the first half of November.
- Consultant will then provide a revised version after the workshop.

This revised version will be the final deliverable of the two consultants' assignment, but may not be the final version of the new policy, since it will then enter in the process of former validation by SNEC and by the RGC.

[47] Goletti F., Srey Ch., Review of the Promotion of Paddy Production and Rice Export Policy 2010, IRAM-NIRAS / SCCRP project, Phnom Penh, 15 July 2016.

5.2. Analysis of added value distribution in Cambodian Rice Sector and possible setting-up of a permanent rice sector economic observatory

The analysis of the value chain distribution in the Cambodian rice sector started to be implemented in July

5.2.1.3. Other information collected by the consultant

In addition to surveys, Mr Frédéric Lançon had additional qualitative interviews with millers and exporters about their practices, constraints and strategies. He has also met Mr Meach Yady, the Chief of Agricultural Marketing Office in MAFF and has reviewed a number of recent reports on Cambodian rice sector. HE also attended the workshop organized on the 15th of July on the presentation of the results of the rice policy review[48].

5.2.2. Data verification, analysis and processing

In August and September the consultant has worked[49] on the data provided by the surveyor team. Rice crop system data were keyed in by the surveyor in Phnom Penh on an Excel format developed by the consultant and forwarded by mail to the consultant. Information collected on millers and traders' operation were reported on the guideline forms, scanned and sent to the consultant who then reviewed the information and could have interaction and request clarification with surveyors by e-mail or Skype.

Mr Frédéric Lançon has then processed the data on rice crop system (cleaning, cross tabulation, computation of average input quantity and value per rice systems), analyzed miller and trader data and rice prices information made available by the Agricultural Marketing Office, and developed Excel templates to compute and present budget per operation.

In September, a short note was prepared to be presented as preliminary results on milling to respond to SNEC request.

5.2.3. Rice Sector Observatory

During the debriefing of the mission of July, a first proposal was formulated on the role and function that the projected RSO should fulfill and a log frame developed detailing the various step in the data collection, analysis and dissemination process, the likely entities that will be in charge and the expected output. Preparation of scenarios for the establishment of a Rice Sector Observatory are still at the very early stage but will be more developed in the next phase of the mission.

5.2.4. Next steps

The second in-country mission of Mr Lançon is scheduled in October 2016. The purpose will be to finalize the model and cross-check figures / data with panels of economic stakeholders, to present preliminary results and start to look at their possible implication for the policy dialog, and explore the possible scenarios to establish the Rice Sector Observatory.

5.3. Project communication and Coordination with other projects and stakeholders

5.3.1. Meeting with finance experts of Rice SDP project

The Project Management Advisor had a meeting with the finance experts of the Rice SDP project on the 6th of July 2016. The purpose was to exchange information regarding financing issue of rice sector. SCCRP project shared with Rice SDP experts the GRET presentation of the findings of the feasibility study for FOs investments on dryers and storage.

[48] Cf. § 5.1.1. page 37 in this report.

[49] From his office in Montpellier (France).

5.3.2. Meeting with CEDEP I evaluation team

On 25th of August (morning) PMA had a meeting with the evaluation team of CEDEP I [50], implemented as part of the Enhanced Integrated Framework. CEDEP program had a component on rice sector (implemented by the IFC). The discussion focused mainly on the evolution of Cambodian Rice sector. Some documents were also provided to the evaluation team, such as the Power Point presentation produced by the SCCRP project's consultants as part of the Rice policy review.

5.3.3. Meeting with IFC rice project evaluation team

On 25th of August (afternoon) PMA had a meeting with the evaluation team of IFC's project in rice sector. Evolutions of the rice sector were also discussed, as well as SCCRP project activities and the collaborations we could have with the IFC project.

5.3.4. Comments on CBI project

On 14th of September, Mr Koos van Eyk (CBI-Netherlands[51]) has sent to SCCRP's Project Management Advisor (for the purpose of gathering comments) CBI's "Initial Programme Pitch" proposed for a preliminary intervention in the rice sector. Before to move toward a more ambitious program, this note proposes, as a next step, to undertake what the notes call a "Value Chain analysis", which actually focuses mainly on potential markets and competitiveness for Cambodian Rice. Few comments on this note were sent to CBI by SCCRP's Project Management Advisor on 15th of September.

5.3.5. Meeting with consultant in mission on ASPIRE project

The PMA had a meeting with Mrs Agnès Deshormes, consultant in mission for ASPIRE project, on the evening of September 20, 2016 in order to share information on projects. It was noted that ASPIRE project includes a mechanism to support public private partnerships, that can currently be mobilized in 5 provinces, but which is to date not very much used. To some extent, this mechanism could possibly be used to support initiatives of partnership between the agro-industry (including rice millers) and Agricultural Cooperatives, such as for instance research and/or extension activities implemented as part of Contract Farming agreements. Even if not available at national level yet, this kind of support measure could be mentioned in the Manual on Contract Farming as part of potential support measures from the Government side.

[50] CEDEP: Cambodia Export Development and Expansion Program.

[51] A mission of CBI Netherlands was met by the PMA in February 2016, as presented in the Quarterly Executive Report #13, § 5.4.7. page 27.

ANNEXES

ANNEX 1: NEW COMPOSITION OF CRF'S GLOBAL MARKET PROMOTION EXCO

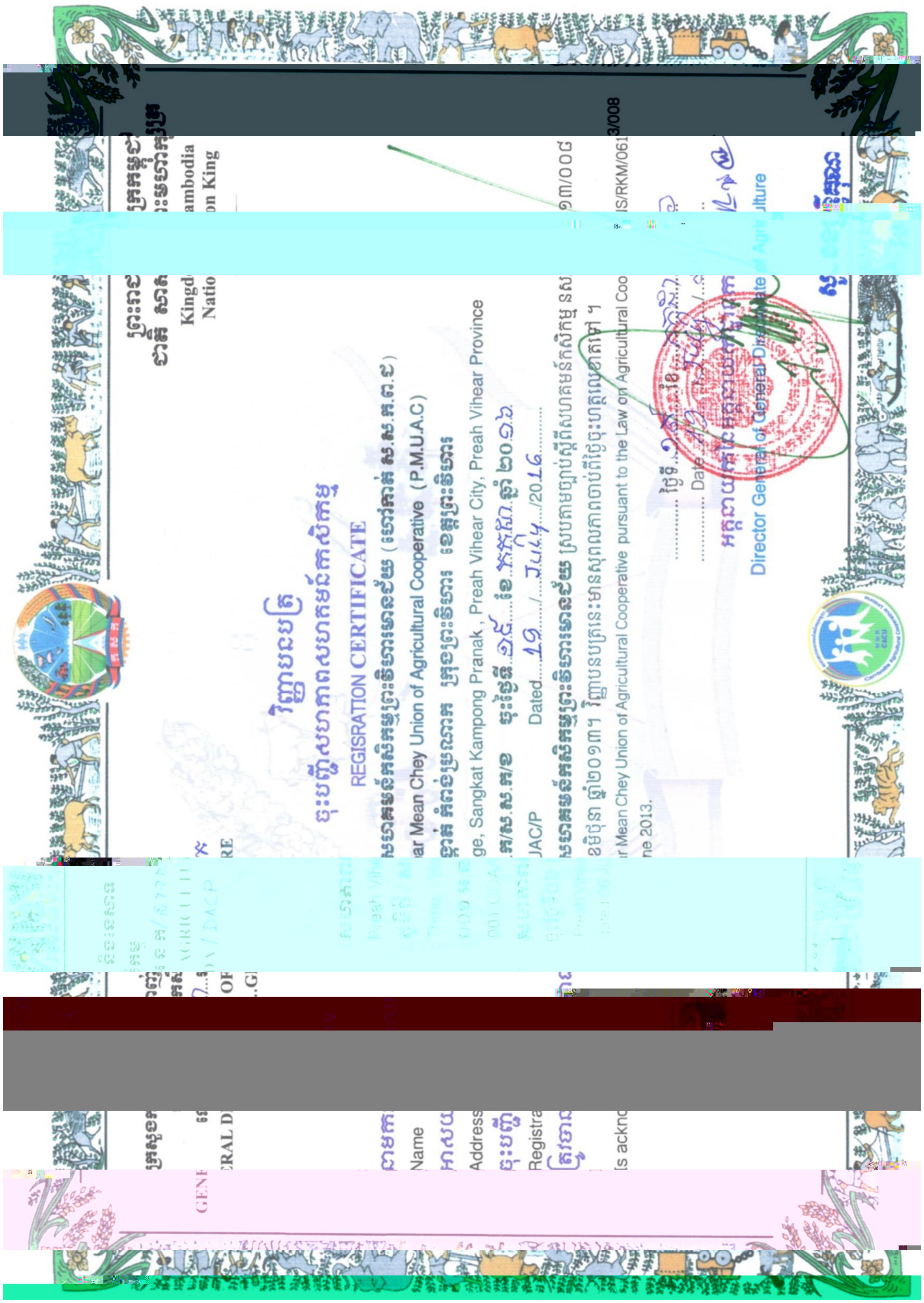
According to the official CRF announcement number 154/16 dated 25th of July 2016, there are 11 members and one coordinator as below:

H.E, Sok Puthyvuth	President of CRF	Head
Oknha. Kout Chan Vesna	Crystal Rice (Kampuchea) Co., Ltd	Deputy Head
Mr. Lay Chhunhour	City Rice Import Export Co., Ltd	[redacted]

ANNEX 2: NEW COMPOSITION OF CRF'S BOARD

PRESIDENT	
Name	**Company**
H.E. Sok Puthyvuth	Soma Group
MEMBERS of the BOARD (General Elections)	
Name	**Company**
Ok. Chray Son	Capital Food Investment
Ok. Kout Chanveasna	Crystal Rice (Cambodia) Co. Ltd.
Mr Heng Pheng	Thmar Khaul Rice
Mr Chhun Thom	Chhun Thom rice mill
Mr Phou Veasna	Ing Vann Mao rice mill
Mr Kim Bunsan	Khmer Food Group
Ok. Hun Lak	Mekong Oryza Trading Co. Ltd
Ok. Vong Bunheng	Vong Bunheng rice mill
Mr Lay Chhun Hour	City Rice
~~Mr Bor Nam~~	~~Nam Srim rice mill~~ → replaced by Hi Hort
Mr Norng Veasna	Nikoline Investment Co. Ltd.
Mr. Chhith Bounthan	Chhith Bounthan rice mill
MEMBERS of the BOARD (FO Federations Representatives)	
Name	**Federation**
Mr Samath Veasna	FCFD
Mr Seu Rany	FNN
Mrs An Saron	CFAP
MEMBERS of the BOARD (non-elected)	
Name	**Company**
Mr Chan Sokty	Green Trade

ANNEX 3: REGISTRATION CERTIFICATE OF PREAH VIHEAR MEAN CHEY UNION OF AGRICULTURAL COOPERATIVES


REGISRATION CERTIFICATE
Mean Chey Union of Agricultural Cooperative (P.M.U.A.C)
Sangkat Kampong Pranak, Preah Vihear City, Preah Vihear Province
Dated 19 / July /2016
Mean Chey Union of Agricultural Cooperative pursuant to the Law on Agricultural
Director General of General Directorate of Agriculture

ANNEX 4: NUMBER OF MEMBERS (OLD AND NEW) IN THE 12 ACS INVOLVED IN CONTRACT FARMING FOR ORGANIC PADDY WITH AMRU IN PREAH VIHEAR

Code	Name of Coop.	AC member 2016		
		Old member	New member	Total
AC01	Krobao Prum Teb coop.	92	21	113
AC02	Livelihood Improvement coop.	52	53	105
AC03	Rohas Samaki Mean Chey Coop.	102	2	104
AC04	Leukompos Satrey Coop.	210	160	370
AC05	Romdoul Malu prey Cheay Den coop.	91	69	160
AC06	Satrey Ratanak coop.	190	121	311
AC07	Torsou Sen Chey coop.	96	27	123
AC08	Romtom Samaki Mean Chey coop.	44	80	124
AC09	Bro Mei Sen Chey	0	27	27
AC10	Choam Khsan Cheay Den Meanchey	0	119	119
AC11	Rumdoh Srae Samaky	0	51	51
AC12	Toek Kraham Kelam Or Chivapheap	0	49	49
Total	**12 ACs**	**877**	**779**	**1,656**

Note : After inspections, only 1,587 farmers remained engaged in the organic program. 69 farmers were excluded for non-compliance with organic standards (use of chemical fertilizers or pesticides).