

SUCCESS STORIES

NEW APPROACH TO SUSTAINABLE INSTITUTIONS AND HEALTHY MARKETS



September 2016

Enhanced Integrated Framework in Cambodia

Enhanced Integrated Framework Tier 1 and
Cambodia Export Diversification and Expansion Programme Tier 2



Enhanced Integrated Framework

Trade for LDC development



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NEW APPROACH TO SUSTAINABLE INSTITUTIONS AND HEALTHY EXPORT MARKETS

September 2016

Enhanced Integrated Framework in Cambodia

Enhanced Integrated Framework - Tier 1 & Cambodia Export Diversification and Expansion - Tier 2





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Acronyms and appreciation

AFF	AFESIP Fair Fashion
AFT	Aid for Trade
CEDEP	Cambodia Export Diversification and Expansion Programme
CEO	Chief Executive Officer
CRF	Cambodia Rice Federation
CTIS	Cambodia Trade Integration Strategy
DICO	Department of International Cooperation
DNA	Deoxyribonucleic Acid
DPs	Development Partners
DTIS	Diagnostic Trade Integration Strategy
EIF	Enhanced Integrated Framework
ES	Executive Secretariat for the Enhanced Integrated Framework
EU	European Union
FP	EIF Focal Point
GMP	Good Manufacturing Practice
G-PSF	Government-Private Sector Forum
GSP	Generalized System of Preference
HACCP	Hazard Analysis Critical Control Point
IC	Implementation Committee
IFC	International Finance Cooperation
ISO	International Organization for Standardization
ITC	International Trade Center
KSV	Khmer Silk Village
LO	Liaison Officer
LDC	Least Development Country
M&E	Monitoring and Evaluation
MoC	Ministry of Commerce
MTP	Medium-term Plan
NDP	National Development Plan
NIU	EIF National Implementation Unit
NSDP	National Strategic Development Plan
NTB	Non-Tariff Barriers
OHS	Occupational Health and Safety
PPP	Public-private partnership
PWGs	Programme Working Groups
RGC	Royal Government of Cambodia
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
SSC-TD-TRI	Sub-Steering Committee on Trade Development and Trade-Related Investment
TDSP	Trade Development Support Programme
Trade SWAp	Trade Sector Wide Approach
TRTA	Trade-related Technical Assistance
USA	United States of America

FOREWORD

H.E. TEKRETH Kamrang
Secretary of State, EIF Focal Point
Ministry of Commerce
Royal Government of Cambodia



I am very pleased to introduce the Cambodia stocktaking success stories produced by the Department of International Cooperation of the Ministry of Commerce (MoC), Royal Government of Cambodia.

The production of the success stories gave us a chance to look back at what has been accomplished by Cambodia not only in the past six years since the EIF Tier 1 project was launched, but also from the year 2000 when Cambodia was fortunate enough to be selected as a pilot country of the then Integrated Framework.

The Enhanced Integrated Framework (EIF) programme in Cambodia has been instrumental in more ways than one. First, it ensures that we build the capacity in the MoC and across the entire Government to design, implement, manage and monitor our Aid for Trade (Aft) programmes in close cooperation with a wide range of stakeholders, including the private sector and Development Partners. Second, the EIF programme has enabled us to accelerate trade mainstreaming into the National Development Plan, by supporting economic diversification and human resource development. Last but not least, the EIF has helped to increase export diversification and expansion, by supporting Cambodia to move up value chains and to tap into new markets, both for products and services.

With the Cambodia stocktaking success story, we aim to share the best practices and lessons that we have learned over the past 15 years. Being one of the first countries to benefit from EIF programme implementation also gives us the responsibility to give back and bring inspiration to other Least Developed Countries (LDCs) benefiting from the EIF programme's tools and instruments.

The accumulated experience of our officials, the latest achievements of the programme and the strong commitment and ownership of our Government give us hope that more successes are to come. To achieve results, Cambodia successfully produced a Medium term Programme (MTP) for Aft and an impact study outlining scenarios for Cambodia's graduation from the LDC Group, both supported by the EIF. The MTP and the LDC graduation study pave the way for our next Aft cycle, in which results and sustainability will remain at the forefront of our development strategy.

Our sincere thanks are offered to our main partners, in particular the Executive Secretariat for the EIF, the EIF Trust Fund Manager – UNOPS – and the successive EIF Donor Facilitators in Cambodia, namely the United Nations Development Programme, the Asian Development Bank and the European Union.

I wish you a good reading of the Cambodia stocktaking success story.

A handwritten signature in blue ink, appearing to read 'Tekreth Kamrang', written in a cursive style.

H.E. TEKRETH Kamrang
Secretary of State, Ministry of Commerce,
Cambodia

FOREWORD

Dr Ratnakar ADHIKARI
Executive Director
Executive Secretariat for the EIF
at the WTO



The scale of Cambodia's trade ambitions is clear as the country moves along the path to prosperity. Since 2001, the Enhanced Integrated Framework (EIF) has accompanied Cambodia on its journey towards economic growth and poverty reduction through trade. Fifteen years later, it is heartening to see how realities have improved on the ground as a result of the EIF interventions. The work has not been without challenges, but the EIF has contributed to empowering women, creating jobs for the youth, opening up to new trading opportunities and expanding trade in a range of products.

Cambodia's trade and development pathway has been symbolic of what the EIF stands for:

- **The partnership approach:** With support from the EIF, Cambodia has invested heavily in building a strong coordination platform, which allows the Government and the Development Partners (DPs) to work together on Cambodia's priority needs. The Trade Sector-Wide Approach (Trade SWAp) that has been put in place has increased the role of trade in achieving wider development goals, and it has become a key mechanism for coordination of Aid for Trade (Aft).
- **Country ownership:** Cambodia has demonstrated strong political will and commitment to manage their trade and development agenda. Specifically, national capacity has been built to design and manage Aft programmes, notably through the establishment of the Trade SWAp. Cambodia has also shown leadership by providing direction and guidance to other Least Developed Countries (LDCs) that are facing similar challenges in building up their trade capacity.
- **Results for sustainable development:** The EIF has not only funded several far reaching trade analytical studies but has also helped Cambodia to diversify its economy and move up the value chains in sectors such as high value silk, milled rice, marine fish products and cassava products and in the hospitality industry. The beneficiary testimonies in these success stories show that we are on the right path towards achieving a sustainable impact using trade for national development.

These success stories provide a testament of what a country can achieve when the DPs make concerted efforts to support a country's vision and aspirations. We are happy to continue on this path with the DPs in supporting Cambodia's road to graduation from the LDC category and beyond.

Dr Ratnakar ADHIKARI
Executive Director, EIF ES

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This publication was prepared under the supervision of Mr CHHIENG Pich, Director, Department of International Cooperation (DICO), Ministry of Commerce (MoC), Cambodia, and benefited from the support and inputs of DICO staff, the Main Implementing Entities of the Cambodia Export Diversification and Expansion Program (CEDEP), and the EIF CEDEP I project beneficiaries. Guidance on contents and style was provided by the Communications Unit, Executive Secretariat for the Enhanced Integrated Framework (ES).

The development of this publication would not have been possible without the support and guidance of Mr Sven CALLEBAUT, International Adviser for Aid for Trade, MoC, and Dr Renato. M. Lee, International Adviser for Monitoring and Evaluation, DICO/MoC.

Many thanks to the team of the EIF National Implementation Unit of Cambodia for their valuable inputs and to Ms Justine Namara, Mr Mario Musa, Mr Paul Anderson and Ms Constanze Schulz from the ES for taking time to carry out a thorough review of this publication.

The graphic design and layout were produced by Mr EL Chuon, Communication Specialist, DICO/MoC.

BACKGROUND – *THE ENHANCED INTEGRATED FRAMEWORK: AID FOR TRADE IN ACTION FOR THE LEAST DEVELOPED COUNTRIES*



Photo:DICO/MoC.2016

Cambodia's development is at a crossroads as the country moves from a post conflict situation towards a more traditional development path. With peace and macroeconomic stability more firmly entrenched, the country has the opportunity to make far reaching reforms to achieve and sustain socio economic development. Trade development is a driving force behind much of the economic growth and poverty reduction that has occurred over the past decades. Like for other Least Developed Countries (LDCs), Cambodia will be able to sustain its economic growth and poverty reduction goals only if weaknesses, such as limited trading capacity, insufficient trade mainstreaming into the National Development Plan (NDP) and lack of Aid for Trade (Aft) coordination, can be effectively addressed.

At the request of the Royal Government of Cambodia (RGC), Cambodia was selected as a pilot country to implement the earlier Integrated Framework (IF) programme for the LDCs. Cambodia successfully prepared its first Diagnostic Trade Integration Study (DTIS) in 2001 and updated it in 2007. The successful completion of the 2007 DTIS allowed Cambodia to generate interest and support for trade related issues from the private sector, Non-Governmental Organizations, academia, other ministries and the donor community.

At the same time, the Ministry of Commerce (MoC) realized, learning from the 2001 DTIS implementation, that the implementation of the 2007 DTIS and of the country's trade development agenda would require much stronger national implementation arrangements both within the Government and between the Government and the Development Partners (DPs). The RGC, with the MoC in lead, established the Trade Sector Wide Approach (Trade SWAp), a comprehensive mechanism to implement the country's Aft strategy.

Finally, two project proposals were submitted to seek the financial and technical assistance from the Enhanced Integrated Framework (EIF) to implement the updated 2007 DTIS road map through the Trade SWAp mechanism. These two projects, namely the EIF Tier 1 institutional capacity building project and the Cambodia Export Diversification and Expansion Program (CEDEP I) were approved by the EIF Board.

The EIF Tier 1 project approved by the EIF Board in 2010 has the overall objective to enhance the national capacity to formulate, implement, manage and monitor a pro poor trade policy that is consistent with, and supportive of, the country's NDP and the Millennium Development Goals. The project is led by the Department of International Cooperation (DICO)/MoC as the Cambodia EIF National Implementation Unit (NIU), working in hand with liaison officers from line ministries.

The EIF Tier 1 project has been implemented in tandem with the EIF Tier 2 (CEDEP I) project that was approved by the EIF Board in 2012. CEDEP I is supporting the priority sectors of milled rice and high value silk.

In this stocktaking of success stories, CEDEP I has been highlighted together with EIF Tier 1 project, since both projects will end in 2016. The objective of stocktaking these success stories is to highlight the key project achievements, best practices and experiences and lessons learned from the EIF programme implementation in Cambodia. More importantly, the experiences presented can be scaled up and potentially replicated in other EIF Countries as a means to achieve sustainable trade development.

EIF TIER 1 INSTITUTIONAL CAPACITY BUILDING PROJECT

ACHIEVING AND MEASURING IMPACT: CHALLENGES AND OPPORTUNITIES



Photo:DICO/MoC.2014

The RGC completed a DTIS update in 2007, which reviewed developments in key trade related policies, including trade facilitation, legal reforms, technical barriers to trade and investment promotion. To put the findings of the DTIS roadmap into practice, a strong coordination among Government agencies and DPs, as well as the private sector, was needed, which presented a challenge for the programme implementation. Against this backdrop, the RGC started to develop the Trade SWAp led by the MoC.

Sustainable institutional capacity building and resource leveraging

Since 2010, in compliance with its strategic objectives to the LDCs, the EIF Tier 1 project in Cambodia has contributed to trade enhancement. This has included support to overall Aft, the RGC's National Strategic Development Plan (NSDP), the Rectangular Strategy III and the updated DTIS. It has also helped to align Aft with the RGC systems and institutions; in the creation of Liaison Officers (LOs) and awareness raising of the EIF programme objectives in seven line ministries. Furthermore, it has provided institutional support to the Sub-Steering Committee on Trade Development and Trade Related Investment (SSC-TD-TRI), the Implementation Committee (IC), the Programme Working Groups (PWGs) on trade and trade integration strategy implementation and the Trade SWAp. The institutional capacity building has also supported the preparation of project proposals to be considered for funding by DPs under the EIF Tier 2 project category and the development and promotion of a communications strategy and its relevant tools.



Photo:DICO/MoC.2014

Results and Impacts

EIF Tier 1 supports NIU staff capacity building –The EIF Tier 1 project helped to enhance the national capacity for developing, implementing and monitoring pro poor trade strategies.

NIU staff and LOs from line ministries received training through different modules, including (i) computer training at the MoC; (ii) English training at the Australian Center for Education; (iii) financial management for an EU grant in Bangkok, Thailand; and (iv) contract administration in Kuala Lumpur, Malaysia.



Photo:DICO/MoC/2016

Mr Loch Soknea, DICO/NIU Accountant Officer

Mr Loch Soknea, an Accountant Officer in DICO, has completed a course on project procurement and management offered by the Asian Institute of Management, a world class graduate school of management, based in Manila, Philippines. He has now received a scholarship to pursue his Master of International Economic Cooperation at the University of International Business and Economics, China, after he attended several courses including English, computer and project management. "I have learned project management and have fully understood the policies on procurement of donors and government agencies." Mr Soknea expects to contribute to a more efficient and effective operation of the procurement team in the DICO, MoC.

The table below describes the different training activities that took place in 2015:

No.	Description	Beneficiaries (Number)	% of female participants
1.	Domestic training: English, project management and Monitoring and Evaluation (M&E)	21	33
2.	M&E and communications	40	25
3.	Communications for the EIF and the Trade Development Support Programme (TDSP)	59	29
4.	Financial management for European Union (EU) grants in Bangkok, Thailand, 31 August–2 September 2015	2	0
5.	Contract administration in Kuala Lumpur, Malaysia, 25-28 October 2015	2	50

After completing their training, the NIU staff have returned to DICO to perform their respective responsibilities. They have been able to share with their colleagues the knowledge that they have gained from the courses, mainly in programme operations with the current project being implemented under the TDSP and the EIF programmes in the areas of finance, management, procurement and M&E.



Photo: DICO/MoC, 2016

Mr Sou Vuthy, DICO/NIU Finance Officer

“EIF Tier 1 gave me an opportunity to attend the training programme on financial management for EU grants, which provided conceptual clarity and practical understanding of EU financial management and reporting requirements. All aspects of EU financial management were covered in the training programme with adequate examples, checklists and financial reporting templates, as well as contractual obligations and legal implications of financial management.”

As a result of these trainings, Mr Vuthy and other staff are now able to use the DICO finance unit software, for instance the “Conical Hat” (provided through the TDSP) to meet accounting requirements for managing large amounts of both operations and programme funds, especially the funds expected from the EU and the EIF Phase 2. Currently, the Donors and the MoC are extremely satisfied with the way DICO staff and EIF funded local specialists have turned the EIF Tier 1 project’s relatively modest investment in financial management into an effective management and internal control system, improving efficiency, timeliness, capacity, transparency, accountability and integrity of the DICO’s financial operations, as well as those of the Government line ministries. Particularly impressive is the way that DICO staff have enthusiastically learned new skills to apply their knowledge and experience to improving the DICO’s capacity.

The support of EIF Tier 1 in providing capacity building to NIU staff and LOs from line ministries is the most cost effective way to build ownership in AfT management. The programme has demonstrated an effective means of decreasing the skills gap in AfT management and trade mainstreaming within the respective line ministries.

EIF support to trade mainstreaming through AfT project implementation with line ministries – Liaison offices in Government line ministries were established as an effective way to manage Trade-related Technical Assistance (TRTA) programmes and projects on best practices. LOs were appointed to bridge the skills gaps of TRTA programmes that impacted their ministries’ project.

DICO has conducted different approaches to share and update trade related information to line ministries and project stakeholders at both the national and the sub national levels, including quarterly meetings with LOs, the core team and the Main Implementing Entities to update and share project progress.

As a result, LOs and core team members have the capacity to report to senior management on the AfT implementation progress. It is noted that during the SSC-TD-TRI and the IC meetings, led by the DICO/MoC, the senior Government officials from line ministries were well informed

about the AfT programme because of the information sharing and awareness raising led by the LOs and the core team.

EIF support to project management and Trade SWAp implementation – the Government established DICO to manage and oversee any possible overlapping areas with other implementation agencies or DPs or with ongoing trade sector projects under the Trade SWAp activities.

Through the EIF Tier 1 project, the DICO/MoC has arranged regular meetings of the IC and the SSC-TD-TRI on trade and the Cambodia Trade Integration Strategy (CTIS) 2014-2018 implementation. In 2015 for instance, nine coordination meetings for RGC senior management were organized, including five ICs and four SSC-TD-TRI meetings.

Institutional arrangements between the SSC-TD-TRI, the EIF Focal Point and the LOs from line ministries as well as organizational linkages, reporting structures and coordination mechanisms have been put in place with support from the EIF institutional capacity building project. It is hoped that this modality will be used to implement the projects under Medium-term Programme (MTP) 2016-2020.

EIF awareness-raising support to the Trade SWAp Roadmap and AfT – With support from the EIF Tier 1, the DICO facilitated the IC and the SSC-TD-TRI meetings, general meetings with the private sector, such as the International Business Chamber of Cambodia, the CEO Business Breakfast series, provincial fora, MoC’s seminar series focused on “regional economic integration” and a regional workshop to raise awareness on the Trade SWAp and the EIF programme. Several documents, including Trade SWAp newsletters, case studies of milled rice and high value silk under CEDEP I and other materials were produced during the training and the meetings.

With the successful Trade SWAp programme implementation, the DICO/MoC attracted many representatives from other EIF Countries, DPs, local and international academia and universities to visit the Cambodia NIU, including from: Korea University, a study mission by

key staff of Vanuatu's EIF team, and a study visit by officials from the Swedish International Development Cooperation Agency. Besides hosting foreign delegations, the NIU has been able to share its experience at the Global Reviews of Aid for Trade in Geneva in 2011, 2013 and 2015, during the EIF Global Platform in March 2015, respectively and at the Tenth World Trade Organization's Ministerial Conference held in 2015 in Nairobi, Kenya, where the high value silk project was showcased. Finally, the fifth edition of the NIU Exchange Programme (Cambodia, Lao PDR and Myanmar) was also successfully conducted in Siem Reap Province in December 2015.

The results of the Trade SWAp programme implementation demonstrated the Government's ability to mobilize additional AfT resources. For example, the DICO/MoC managed to attract 18 representatives from traditional and non traditional donor partners, including from the EU, the EIF, the World Bank, the Asian Development

Bank, the International Finance Corporation, the United Nations Development Programme, the United Nations Industrial Development Organization, the United Nations Conference on Trade and Development, the Japan International Cooperation Agency, the Deutsche Gesellschaft für Internationale Zusammenarbeit, the International Trade Centre, and the International Fund for Agricultural Development to the launch of the MTP 2016-2020 in March 2016. Most of them expressed interest in supporting the MoC's MTP. The MTP 2016-2020 is a significant document and a stocktaking progress of the implementation of the Cambodian Trade SWAp Roadmap 2014-2018 and has reviewed areas already receiving technical support, as well as identified and prioritized areas where additional technical assistance is necessary for advancing the implementation of the roadmap in the next five years.



The Path towards Graduation from LDC Status

Support to Cambodia's graduation entails: (i) promoting economic diversification; (ii) building the Government's capacity to better negotiate with partners; and (iii) developing Cambodia's "Smooth Transition Strategy" and the consultation and coordination process with all key partners.

Supporting economic growth – Cambodia has successfully implemented the current programmes (TDSP and EIF), and their success has contributed to economic growth at 7% per year. This growth depended in part on the key trade development performance and trade reform agenda of the MoC in the areas of the automation of business registration, the issuance of certificates of origin, the registration of trademarks and the establishment of a trade information website. This economic growth rate needs to be maintained for Cambodia to succeed in moving to lower-middle income country by 2021.

Government budget – If the scale and scope of future projects are expanded, further financial challenges will need to be addressed. The DICO has prepared a three year results based budget plan in order to cover possible increased operational costs of the Trade SWAp. As part of the comprehensive Public Finance Management Reform Programme, all ministries and ministry departments were invited to develop results based budgeting for their regular functions and activities for the period 2016-2018. The bulk of the DICO's budget supported by the Government for the next three years will serve to support the continued implementation of the Trade SWAp, in particular servicing and supporting the NIU in managing AFT and

taking over from the EIF Tier 1 support. Separately, the RGC will soon prepare strategies for LDC graduation and for the 2030 Sustainable Development Agenda. It is expected that these strategies will also have specific action plans and budgets, to be shared among relevant line ministries. To that effect, the DICO commissioned a study on "LDC Graduation Scenario and Impact on Aid for Trade", which was formally presented in June 2016.

DICO restructuring – A new structure has been developed on the basis of the NIU's strengths, and its action plan covers procurement, finance, project and institutional support, communications, administration and M&E.

Partnership development with Cambodia's private sector – some projects under CEDEP I and in CEDEP II (supporting projects in marine fisheries, cassava and the hospitality sector). will end in 2016 and 2017, respectively. Relying exclusively on the DPs' funding would jeopardize the future trade development programme. Therefore, the partnerships created with Cambodia's private sector under the CEDEP projects indicate a positive change. For example, the Cambodia Rice Federation was created with the support of the MoC through CEDEP I and has already mobilized significant resources. Also, the milled rice project provides capacity building for rice exporters. In return, the members receiving support play a key role in ensuring sustainability through their financial contribution to the future rice export programme. This could be a good model for other sectors, especially cassava and fisheries covered in CEDEP II.



EIF TIER 2 – CAMBODIA EXPORT DIVERSIFICATION AND EXPANSION PROGRAMME – *High value silk component*



Photo:ITC/2016

Cambodia trade challenge and opportunities

Silk was introduced in Cambodia in the 13th century, when villagers started to breed silkworms along the banks of the Mekong and Bassac rivers. Silk products were mostly intended for the local market until World War II led to a shortage of fabric in Europe and opened the door for Cambodia to become an important global player in the silk sector. During the 1950s, Cambodian production was approximately 150 tons per year, and 10% to 30% of Cambodian families were involved in this industry .

Later on, however, the entire silk sector was virtually extinguished due to years of civil unrest, with the years 1973-1979 seeing the lowest levels of production. The sector's recovery started in 1980, when silk yarn was imported from Vietnam. In 1994, the RGC selected Cambodian silk handicraft products as one of the country's niche products for export diversification, expecting that the revival of the sector could lead to job creation and income growth in the rural areas. The silk industry can help alleviate the pressure on urban areas resulting from rural exodus. The sector is not only promising for the country's economic development, but also contributes to the economic empowerment of women and helps preserve Cambodia's rich cultural heritage .

In the past, getting silk to the markets was done solely by silk weavers and producers and was often ineffective. The skills gap in product design and limited access to information on the global market also

presented challenges, which undermined the Cambodian silk export market.

The market for Cambodian silk products can be divided into three main different silk sections : (i) 50% as domestic market; (ii) 30% as tourist market; and (iii) 20% as export market. Although the domestic market is currently larger than the export market, Cambodian silk weavers and processors find it difficult to sustain their businesses on the domestic market alone due to the lower prices they obtain compared to those for exports. However, access to global silk markets is challenging, and there has been a decline in global demand for high value Cambodian silk products as a result of the global economic crisis. Cambodia also lost preferential access under the EU Everything But Arms Initiative and other Generalized System of Preferences (GSP) schemes due to mishandling of certificates of origin. Cambodian silk producers are heavily reliant on sales to tourists, although these revenues fluctuate according to the number of tourist arrivals.

Challenges for the silk sector also include the climate change and natural disasters, the limited number of qualified national designers, the lack of a national textile school and the limited capacity of weavers to meet the design requirements of buyers in regards to weaving, dyeing and other processing operations.

The EIF is supporting the promotion of high value silk exports and

increasing the competitiveness of the Cambodian silk sector to support diversification and poverty reduction through employment creation and income growth, particularly for women. To promote silk exports, there is a need to improve business plans, create new product lines and designs, provide skills upgrading, participate in market exhibitions and international trade fairs to understand buyers'

requirements, etc. Using funding from the EIF and with technical support from the International Trade Centre (ITC), the MoC through the DICO served as a key unit to implement the Trade SWAp roadmap in the silk sector and identify high value silk project beneficiaries.

New approach to enhance high-value silk

The EIF funded programme enabled the MoC to establish the Cambodia Trade SWAp mechanism to formulate the CEDEP project under Trade SWAp Roadmap. CEDEP I was designed to strengthen and diversify export supply capacity of silk and rice. The MoC commissioned ITC using the EIF Tier 2 funding modalities to support high value silk export development for a period of three years.

The CEDEP I silk component has three main beneficiaries: the silk business sector serving the international market; the village based silk weavers already producing high end silk products; and Government line ministries involved in the silk industry. The focus of intervention

so far has been in the areas of value chain analysis, training and coaching on marketing strategies and techniques, product design and product quality.

The project has helped secure markets for Cambodian silk products and has facilitated the participation of representatives from silk companies in nine trade fairs and several business study tours. In turn, these representatives of silk companies have drawn on their experiences to improve their strategic export plans, which has contributed to increased sales and access to new buyers in the global market.

Results and impacts

Increased export sales of handmade high value silk products by Cambodian silk exporters

The project has provided support to 14 silk companies, whose profits have grown gradually from US\$633,933 in 2012 to US\$1,103,908 in 2015. The profit margin of total sales for the 14 companies was 46% in 2012 and increased to 49% in 2014 and gradually to 58% in 2015. Exports of silk products by the 14 companies grew by 41% during 2012-2014, and each company exported for an average of US\$43,321 in 2014. The growth in exports resulted from the acquisition of new clients and new export markets. Several companies also successfully increased sales to traditional markets, such as France and the United States of America (USA).

The EIF high value silk project provided coaching and advisory services to further develop local sales channels targeting tourists, including in showrooms, hotels, restaurants, airports, and shops. All 14 companies increased sales channels and the total number of sales channels increased from 53 in 2012 to 96 in May 2015.

Improved quality and product design of handmade Cambodian silk products to meet market demand requirements for targeted export markets and from international visitors

From 2012 up to March 2016, EIF CEDEP I high value silk project provided 3 training courses on contemporary fashion trends, design and product development to more than 40 representatives – of which 36 were women from 20 Cambodian silk companies. To support improved product design, the project facilitated 4 study tours for 13 companies jointly with marketing missions in the France, Germany and the USA. After being trained and participating in the study tours, the 13 companies were able to design approximately 127 new high value silk products while receiving technical advisory support. For promotion materials, 12 Cambodian silk companies were able to develop their corporate brand images through individual brand books and catalogues. Four workshops on weaving and dyeing techniques were also held.

The project has also contributed to increased incomes for the weavers. A total of 168 new weavers were contracted by the 14 project beneficiary companies – up from 273 in 2012 to 441 in 2014. The weavers' average monthly income increased from US\$472 in 2012 to US\$909 in 2014. It was projected to be US\$969 in 2015, a 105% increase from 2012. It was also found that silk weaving contributed almost 90% of the monthly income of the weavers.

Some individual success stories

Fourteen women owned businesses have developed their own export plans, improved their marketing materials, upgraded their showrooms and shops, developed linkages with new international buyers and prepared their new product collections under the project. Following training and product upgrading, they attended various trade fairs, signed new contracts and made new contacts for subsequent follow up. The new contacts secured represent an important boost to the business and the new relationships established are significant keys to future trade international business relations.

AFESIP Fair Fashion center

The AFESIP Fair Fashion center, a registered social enterprise, was established in 2003 to help reintegrate victims of human trafficking and sex slavery into society by providing them with vocational training and employment in tailoring and weaving. The AFESIP suffered from the challenges affecting the Cambodia silk sector as a whole and therefore has benefitted greatly from the support of the high value silk project.

The AFESIP received training on how to compute cubic metre shipments, develop marketing materials, such as leaflets, catalogues, colour charts, business cards and price lists; improve their export market plan to fit the domestic and international market requirements; and review costings and pricing, which has allowed them to establish a competitive wholesale price.

The AFESIP now exports to nine countries, five of which were identified with support from the EIF funded high value silk project. It established two consignment channels and a partnership with one wholesaler in 2014, and with six other partners in 2015. In the first quarter of 2015, exports accounted for 53% of total sales. The sales volume increased by 2.3 times for exports and 7.8 times for local sales from 2014 to 2015. To cope with the increased orders in 2015, the AFESIP is planning to recruit six staff mainly for production and also to outsource part of the weaving to a group of ten weavers, with whom the AFESIP Fair Fashion center has built relationships during a study tour organized through the project.



Photo:ITC/2016

Mr TEP Rotha, AFESIP Director

“From coaching and mentoring the project team on export plans, I realized my strength and weakness and reflected on my opportunities and set out a strategic plan. Before the EIF CEDEPI – high value silk project intervention, I never knew if we would be ready to export our own silk product collection and how we could execute this collection because we had none. I would urge everybody to help each other to promote the silk industry like through gift items produced from silk material.”

Kravan House

Kravan House, a women owned company, was established in 2003 and employs individuals and families from different villages, including landmine victims, those suffering from polio and people who have become landless.

The key intervention of the MoC was to address the challenges of product identity and production development and make a product collection for the export market. Those problems were dealt with

through several training sessions to improve product quality and design, marketing and sales and brand identity; coaching to develop an export plan and to understand laboratory testing requirements; participation in several international trade fairs and the organization of study tours to establish contacts with buyers in Europe and the USA and to meet weavers in Cambodia, as well as silk yarn and raw materials suppliers in Vietnam. Kravan House significantly improved its understanding of buyers' requirements and export procedures, including laboratory testing, costings, freight, invoicing and packing.



Photo:DICO/MoC.2015

Ms Hok Thanan, Kravan House Manager and Owner

"I realized I have a strong brand identity now as I understand myself more from the coaching support received from the project team. Brand identity has improved the image of Kravan House. I am able to develop my own collections to show in the trade show from the brand book that I had developed with EIF CEDEP I – high value silk project team."

As a result, Kravan house increased its sales revenue between 2012 and 2014 from US\$75,000 to US\$175,000, with an additional approximate 17%-20% revenue increase in 2015. Kravan House is also exporting to new markets in Europe thanks to more diversified product collections that reflect market trends. At the same time,

its number of employees rose from 41 to 46, and the percentage of women employees increased from 59% to 67%. The company also expanded the number of contracted weavers, from one group composed of 25 weavers at the beginning of the project to two groups with 35 weavers each in 2015.

Lotus Silk

Lotus silk, a women owned business, was established in 2003 with the vision to create the finest quality, luxurious and vintage products in an environmentally sustainable and ethical way. The EIF high value

silk project helped Lotus Silk to address the skills gaps related to quality controls, product design and dyeing. The project supported the company in developing a brand identity and a new company logo, which has been used to advertise the uniqueness of products, including organic silk scarves.



Photo:DICO/MoC.2016

Ms San Sovannary, Founder and Manager of Lotus Silk

"I have adapted the brand color introduced by the project team to my company and product identity. Thanks to the support of the high value silk project on training and coaching on brand identity, product development, designing concept and business networking, these have enabled me to launch a fashion collection using my own silk yarn."

Lotus Silk's revenue from silk products increased by 160%, mainly due to export sales, which increased by 10 times between 2012 and 2014. Currently, Lotus Silk exports to clients in four markets and reached out to two additional export markets in 2015 with an expected sale increase by 20%. Due to the increase in sales, 11 additional staff were

employed in production and five new weavers contracted in 2014. In terms of sustainability, Lotus Silk is more confident and entrepreneurial in running its business, with plans to run a boutique hotel that links with other silk businesses.

Improving the living standards of silk weavers

The following two stories are representative of many stories about silk weavers whose living standards have improved due to more income from silk production.

Mr Chhan Buntheoun, 44, lives with his wife, Mrs Uo Leangky, and their three children in Kanchang Village. His three main businesses

are rice farming, animal husbandry and silk production. When he went into silk production after he got married, he and his family could earn only 150,000 riels (equivalent to US\$38) per month from a single loom. Through the silk project, he has become more successful in his silk production and is now a supplier to the SentoSaSilk company in Phnom Penh.



Photo:DICO/MoC.2016

Mr Chhan Buntheoun, Silk Weaver

"Now I am able to improve my silk products in terms of quality under the CEDEP I. I am happy with the market information and the new technical designs, especially the skills of spinning, reeling, warping, dyeing and weaving. Through the help of the Ministry of Commerce together with ITC and its experts, I expect to be able to extend my sales to different markets, especially new orders made by the SentoSaSilk company. I have also extended my sales to Siem Reap. This means I shall be able to increase my income from US\$300 to US\$500 per month."

Ms Ros Sarith, single and 29 years old, works as a secondary school teacher and as a silk weaver in Kandal province. Her main client, Craft Village, a small company supported by the EIF high value silk project,

has been contracting her since 2012. Before, it was difficult for her to find clients, and her technical skills were low because of limited weaving space and lack of access to designs, colors and marketing.



Photo:ITC/2016

Ms Ros Sarith, Silk Weaver

"I am very happy that my technical skills have improved and I can find new clients. My income has significantly increased and almost doubled from around US\$100 in 2012 to US\$188 in 2015, thanks to orders from Craft Village, which was introduced by EIF CEDEP I, high value silk during a weaver tour."

Ms Ros Sarith and her siblings have used their weaving incomes to contribute to building a traditional wooden house in 2015. She would like to continue weaving and continue practicing the technical skills she has acquired from the EIF high value silk project training.

Moreover, she will try to expand her weaving business by looking for more clients, to possibly sub contract other weavers in the future.

Best practices and lessons learned

The EIF funded high value silk project is widely viewed as a success story in terms of increased silk exports and better income generation and for providing capacity building to silk weavers and producers. A similar institutional model could be replicated in other projects and sectors.

At the project level, the market driven training has helped weavers to

acquire the skills demanded by new markets and has further improved the quality of production. From the weavers' perspective, the risks were very low, and the perspective of additional gains was high. Poorer players in the value chain are extremely risk adverse, and in order for them to implement changes, they need to be provided with a business environment that makes change possible, as was the case with this project.

The way forward to the sustainability of the silk sector

- **Silk Sector Development Strategy** – The existing sector development strategy needs to be updated and become a guiding document for the sector's development. There is also a need to have a sector wide ownership of this document.
- **Public-private partnership (PPP)** – If the silk sector is expected to grow fast in the near future, heavy investment will be required. As the Government is not likely to play a significant role as an investor, foreign direct investments and local investors need to be attracted. PPPs are an effective tool to leverage private or public project funds. There needs to be a strategy for attracting investors to the sector.
- **Importance of the domestic market** – Although the export market provides higher prices and is the driving force in the changes in quality and efficiency, the domestic market should not be overlooked.
- **Traders are the main players** – Traders need to be considered as partners in any future projects or interventions.
- **Strong cooperation with other exporters** – The project established direct linkages between exceptional weavers and export markets. This was primarily done through establishing the organizational capacity of handling export within Khmer Silk Villages (KSV). The methodology has been well tested, but it needs to be utilized far beyond the KSV export linkages. Various exporters having contract production need to be enrolled in future project intervention. This is already foreseen in the remaining project life span. Stronger cooperation with other exporters needs to be given utmost importance.
- **Campaign for silk promotion** – A promotional campaign highlighting traditional silk weaving should be part of the silk sector development strategy.
- **Tourism to weaving communities** – Visits to weaving communities in villages should be organized for tourists. For example, Artisans d'Angkor is already successfully marketing silk processing to tourists. Village settings are more attractive to tourists than the processing plant in Seam Riep.

Project vision

- **The role of the Government** – The involvement of the Government in the silk value chain is at present more of a symbolic nature. The Government is very helpful to whoever is actively involved in the sector but has placed limited resources into the sector. If the silk value chain is to be established as one of the engines of development in Cambodia, the Government will have to play not just a bigger role, but rather the main role in enhancing and supporting the sector.
- **A sector with chronic problems** – Projects can only provide selective interventions, which are valuable, but considering the extent of the chronic problems of the silk sector, a much bigger input of a longer duration is necessary.
- **Quality of data** – All the collected data is difficult to verify. The quality of official data is improving, but its credibility is still low. Data on the perception of project activities can be utilized for interpretations, but it is more for qualitative purposes. Real figures on import raw materials, export of silk products, increase in incomes, increase of sales, etc., were difficult to obtain and their validity even more difficult to confirm.

EIF TIER 2 – CAMBODIA EXPORT DIVERSIFICATION AND EXPANSION PROGRAMME – *Milled rice component*



Photo: Cambodia Rice Federation/2015



Photo:DICO/MoC.2015

Cambodia milled rice trade challenges

Rice growing is the most essential sector of Cambodian agriculture and plays a major role in the national economic growth, contributing to 15% of Cambodian GDP. The rice value chain is one of the four major mainstays of Cambodia's economy, along with textiles, tourism and the construction industry. Cambodia's formal exports of milled rice grew from 16,000 metric tons in 2009 to 145,000 metric tons in 2011 and an estimated 350,000 metric tons in 2013. The EU, Malaysia and Russia are the largest export markets, but there is a trend towards export market diversification, including to regional markets.

The CTIS 2014-2018 identified some challenges for the export of Cambodian rice to international markets: complexity of export procedure for milled rice; insufficient capacity building for export; limited capacity of modern mills leading to reduced export size; difficulty to meet international standards, including milled rice specifications and sanitary and phytosanitary (SPS) standards; lack of skilled labor to service and manage milling and polishing operations; and the practice of mixing varieties, which undermines the ability of exporters to provide consistency.

The development of the national rice value chain is one of the Cambodian Government's top priorities. The Ministry of Agriculture, Forestry and Fisheries leads, manages and carries out activities to enhance crop production to contribute to: (i) ensuring food security;

(ii) controlling the quality and the safety of agricultural products; (iii) promoting agricultural productivity and diversification; (iv) reducing poverty by increasing farmers' incomes through value added agriculture; and (v) ensuring market access for agricultural products.

The milled rice project was developed to improve agricultural productivity and diversification to strengthen Cambodia's export potential. It was expected that the project would facilitate two main development impacts: the development of milled rice exports that have a positive impact on poverty reduction, especially through income growth in many regions of the country, since the rice sector was the largest employment sector of the Cambodian economy; and the increased competitiveness of Cambodian rice export would result in better earnings of millers and farmers in the milled rice supply chain, led by its higher value fragrant rice segment.

Natural disasters and the limited capacity of rice exporters to meet international quality standards and demands have negatively impacted the production of milled rice and interrupted the Government's implementation of the 2010 National Rice Policy. However, the Government has also faced many challenges to provide capacity building and better service to stakeholders of the rice sector. Additionally, the Government has found it hard to mobilize resources to enhance the rice sector.

New approach to healthy export markets

Within the framework of the Trade SWAp, the CEDEP I – milled rice component – was created to strengthen and expand rice exports. This is being carried out in several activities within a period of three years: (i) the facilitation of a dialogue between the Government and milled rice exporters for the possibility of the creation of a milled rice exporter association and enhancing the discussion on the various issues related to the milled rice sector in the Government and Private Sector Forum (G-PSF); (ii) the identification of new major import market opportunities by targeting the EU and Russia, with the prospect of signing new contracts for milled rice; and (iii) the facilitation of a deoxyribonucleic acid (DNA) analysis of one fragrant rice variety to validate its uniqueness to meet the quantities, quality and price with SPS standards requested by importers.

The Government is committed to implementing its ambitious 2010 National Rice Policy, and the Prime Minister and the Council of Ministers have put in place strong institutional mechanisms in the key ministries to develop the roadmap and implement actions for which they are responsible. The Government, the DPs and the private sector (rice exporters) have shown awareness that the trade facilitation bottleneck and rice specification problems can only be addressed as a group. An association of rice miller exporters, which deals with the constraints and challenges to the development of the rice sector to support the Government's rice policy, and whose goal is to strengthen the G-PSF dialogues, can only be effective if the stakeholders are actively involved and its operations are well understood.

Results and impacts

Project impact: The enabling environment for the Cambodian private sector to meet the Government's target of one million metric tons of milled rice exports has been enhanced and sustained through the creation of the Cambodian Rice Federation (CRF). The dialogue on rice exports and the implementation of the rice policy has also been improved in the G-PSF or other avenues.

Through the EIF milled rice project, private sector working groups have been established focusing on critical issues with respect to specification, branding, trade facilitation, financing and sourcing.

The project has supported the establishment of the CRF with a 17-member Board that governs the federation. The CRF provides a voice for the Cambodian rice industry, representing the rice exporters' federation, the farmers' federation, rice exporting companies and logistic companies. The CRF has played an active role in: (i) coordinating and integrating the experiences and lessons learned from the various foreign markets visited, such as the EU and the USA, and Cambodia's participation in the Thai Food Exhibition – World of Food Asia; (ii) developing business development strategies; (iii) helping to develop and design products and services to its members and other interested rice exporting companies; and (iv) preparing policy papers, focusing on technical support in branding development and promotion for Cambodian rice products.

To prioritize and prepare a sustainability strategy for the CRF, with guidance from the EIF milled rice team, the CRF has conducted several meetings with the private sector to introduce the programme,

including discussions with: (i) the MoC and a Chinese delegation for the possible export of 100,000 metric tons of rice to China; (ii) the Rural Development Bank for possible financial support and access to capital to CRF members; (iii) the MoC and Ministry of Industry and Handicrafts to support Small and Medium Enterprises (SMEs) for free quota; (iv) the SMEs to convey sector concerns in preparation for the G-PSF, and (v) the MoC for a possible extension of exports to Middle East countries. The programme roadmap "Together, We Promote Cambodian Rice" highlighting the role of the CRF in continuously promoting and marketing Cambodian rice, building up a strong message with one voice and projecting the same image to the market was important for increasing access to global markets for milled rice and ensuring programme sustainability. Additionally, developing a strong brand for Cambodian jasmine rice and developing and keeping quality, high standards, traceability and food safety measures have been key in increasing and maintaining access to global markets.

Project impact: Cambodian rice millers are successful in identifying several new major import market opportunities (in addition to the EU and Russia) and signing contracts in at least three new markets.

IFC was commissioned to implement the EIF funded milled rice project on behalf of the MoC. IFC has good experience in implementing large rice sector projects working together with millers and by creating linkages to farmers with the goal of improving profitability.

Since 2012, the EIF CEDEP I milled rice project has been implementing

a new market strategy initiative through the improvement of profitability of rice growth and processing and operating a rules based certificate of origin issuance operation in conformity with the requirement of the EU, the USA and other GSP schemes. Seven key activities undertaken are: (i) the development of a market potential analysis/trade information; (ii) the production of a manual on export procedures/trade facilitation requirements for milled rice; (iii) the production of a manual on SPS standards and certification requirements for milled rice; (iv) the development and publishing of Cambodian Rice Portfolio Catalogues; (v) the facilitation of a group of export ready and exporting rice millers to visit new potential markets; and (vi) the facilitation of export ready and exporting rice millers to participate in key rice trade fairs and buyer seller meetings.

The EIF milled rice project has facilitated US\$100 million of rice exports – 51% of which is fragrant rice, awarded with the World's Best Rice Award for three consecutive years in 2012, 2013 and 2014. In 2012, Cambodia's milled rice exports reached 205,000 metric tons and increased up to 538,396 metric tons in 2015. In 2012, 71 market destinations were reached, and as of 2015, 12 new markets have been reached (see picture). The project has also facilitated the approval of the Cambodian Milled Rice Standards and helped establish DNA analyses of Cambodian fragrant rice varieties.



Although milled rice exports increased tenfold from 50,000 metric tons in 2010 to 500,000 metric tons in 2015, the Government's target of exporting 1 million metric tons of milled rice by 2015 has not yet been achieved because of the pressing challenges of the climate change and strong competition from other key rice exporting countries. Now the rice branding strategy needs to be well implemented, and follow ups should be developed for market missions and market penetration strategies. This would help provide an effective means for ready milled rice exporters and milled exporters to mitigate the risks of losing the global market share.

Project impact: Cambodian rice millers are successful in complying export contracts in the three target markets by meeting quantities, quality and price as requested by importers, especially with respect to fragrant rice, which is developed as the leading Cambodian rice brand and meeting SPS standards required by importers (food safety management system and rice branding development and promotion).

The majority of Cambodian rice millers are subsistence companies that depend on their capacity to meet local and international market

requirements. Rice exports are constrained by limited access to quality seeds, technology and capacity for farmers and rice millers, poor infrastructure, no standards and Hazard Analysis Critical Control Point (HACCP) certification and SPS compliance issues.

The EIF milled rice project has been playing an active role since 2012 in improving the quality of milled rice, including: (i) developing a branding strategy for Cambodian rice based on the findings of market studies, market missions and consultations with industry bodies and the Cambodian Export Promotion Working Group; (ii) supporting rice millers to receive HACCP certification; (iii) promoting Cambodian rice in preparing promotional materials, video clips and an internet page (<http://www.theworldsbestrice.com/indexAPRIL2016.html>) and on Youtube and on the Global Price Index.

The increase in milled rice exports is matched by the capacity of rice exporters and the quality and standard of milled rice. The EIF CEDEP I project has facilitated the participation of 328 exporters in nine trade missions and food fairs/exhibitions in some potential importing countries in Europe, Hong Kong, , Singapore, Thailand and the USA.

These trade missions and exhibitions provided them with additional knowledge on the rice market's demand size, the perception of buyers of Cambodian rice, relevant strategies to increase volume of export and income and other relevant trade processes.

Through these efforts, approximately 92% of the rice millers reported improved access to international markets, while 83% reported improved performance, such as approval of the Cambodian milled

rice standard, the establishment of DNA of Cambodian fragrant rice varieties, the development of a Cambodian rice strategy, and Cambodian rice promotion. Eleven Cambodian rice millers received the HACCP certification, and one rice mill was Occupational Health and Safety (OHS) certified; 72 rice millers attended software training; and 12 rice millers installed rice mill management software.

Private sector success stories

Cambodia Rice Federation (CRF)

To advance the Government's ambition to achieve 1 million metric tons of milled rice exported by 2015, the CRF – established through the project – has played an important role in supporting the goal and ensuring competition in the global market, with assistance from other DPs, such as the EU, IFC and the Agence Française de Développement. This included diversifying exports and adding value to paddy rice, which would in turn lead to bigger profits for everyone along the rice chain and a boost for rice farmers, alongside a growing focus on strengthening the G-PSF dialogue with greater market opportunities opening up for rice millers by adopting SPS standards. At the same time, partnering with civil society organizations, such as the Center for Study and Development in Agriculture to mobilize communities has been vital going forward to help to link the sector from the fields to the ports.

The CRF was created in 2014 to improve competitiveness, promote

trade and increase investments into the rice sector. It represents Cambodia's rice producers, rice export associations and federations in dealing with the Government. The CRF is now able to work with the Government in negotiating Government to Government contracts and can also work directly with international buyers (private or state owned) to negotiate the sales of Cambodian milled rice.

The MoC continuously supports the CRF in conducting several dialogues organized in the G-PSF and with the DPs to find better ways of supporting the Cambodian rice exporters in complying with the various requirements of the importing countries. The dialogues provide important inputs in improving the productivity of Cambodian farmers, in enhancing rice milling techniques, lowering the cost of export processes and upholding the framework of an industry wide code of conduct. The discussions with the various stakeholders have provided additional value that will impact on investments and best practice of the highest technical standards in dealing with customers to protect the long term quality, reputation and sustainability of the Cambodian rice brand.

Amru rice.Ltd.

AMRU Rice Co. Ltd. is a private company of milled rice exporters (<http://www.amrurice.com.kh>), which provides financing to Cambodian rice farmers. It has established a production and exporting facility to effectively distribute Cambodian rice to the world market. By focusing on quality control, environmental awareness and customer service, the EIF milled rice project facilitated AMRU Rice Co. Ltd. to participate in international trade and food fairs in Europe and the USA. The lessons learned provided more confidence to AMRU Rice Co. Ltd., which evolved from a family rice export company to be one of the leading Cambodian rice exporters.

In 2013, AMRU Rice Co. Ltd. exported nearly 50,000 metric tons of milled rice, which was an increase of 260% compared to 2012. These exports were facilitated by the EIF milled rice project, specifically by providing new market demand information for China, Europe and Malaysia. AMRU Rice Co. Ltd. is targeting to export 75,000 metric tons per year of its jasmine rice by creating new product lines of brown rice as well as packaging brands. AMRU Rice Co. Ltd. has also set up a laboratory to improve the standards of the fragrant jasmine rice as requested by importers in some of the international trade fairs in which the company has participated.



Photo:AMRU Rice/2016

Mr Song Saran, Chief Executive Officer and President for AMRU Rice Co. Ltd.

"With the support from the IFC - CEDEP I milled rice component, AMRU Rice was able to expand its investment with existing and new customers, participate in food fairs and trade fairs, and get recognition of its quality by an ISO certificate. Looking back in 2008, AMRU Rice was able to export only one container per month, but now the company has improved its export volume of jasmine rice to about 20 containers per month."

AMRU Rice was also able to contribute to poverty reduction efforts by training farmers on how to use organic fertilizers in their jasmine and paddy rice farming community network in the provinces of Kampong Thom and Battambang as pilot projects. These farmers were delighted with ARMRU Rice for providing this training which has enabled them to secure long term and sustainable market for their rice product."



Photo:AMRU Rice/2016

Mr Ouk Bophaphalnari, Chief of a rice farming community in the Rivieng district, Preah Vehear province

"The contract farming with AMRU Rice has provided the paddy farming community the best hope with better price of rice compared with the price provided by middlemen. Before the contract started, middlemen offered the price through their free mind, and paddy rice farmers had no choice, but farmers are now happy with good market with good price, which enable them to raise their quality of life."

Battambang Rice Investment Co., Ltd. (BRICo)

BRICo was established in 2012 as a joint venture company between rice exporter Okhna Lim Bun Heng, insurance executive Youk Chamroeunrith, the Cambodia Lao Development Fund, the locally owned importer exporter Lorana, a Singaporean investor and

Emerging Market Investment Fund. The company invested more than US\$3.5 million in the rice milling venture in Battambang province's Thma Koul district. With support of the EIF milled rice project in providing technical assistance; BRICo has recently been certified by the Vietnamese unit of German-based TÜV Rheinland as the first rice mill in Cambodia with Good Manufacturing Practices (GMP) and HACCP.



Photo:DICO/MoC.2016

Mr Youk Chamroeunrith, insurance executive, BRICo

"The company's rice mill, situated on 6.5 hectares of land, was bought from Thailand, with a capacity to process 15 tons of rice per hour. The aim of BRICo is to raise the rice standard in terms of quality, consistency, transparency, safety and hygiene, as well as setting up the benchmark for the industry. Our next target is to get OHS and the ISO certification."

In contribution to the poverty reduction efforts, BRICo has remained engaged and involved with concerned communities and has created jobs for rice farmers.



Photo:DICO/MoC.2014

Mr Kunthy Kann, Chief Executive Officer of BRICo

"We are proud to be the first GMP and HACCP certified rice mill in Cambodia. These certifications can be used as marketing tools to separate BRICo from the rest of Cambodia's millers and exporters."

Best practices and lessons learned

Some good experiences and lessons learned can be applied by other similar projects and the EIF community as a whole:

- **Focus on farmers: Increasing farmers' capacity and addressing their needs** – Across the three years of implementation, the EIF funded milled rice project provided farmers access to improved rice seeds to increase their yield and the quality of paddy rice and also offered farm management training that was crucial to improving the quality of paddy rice and raising awareness of new seeds and techniques among the farmers. As a result, 34,159 farmers now understand new technologies and have applied and used techniques and high quality rice seed; and the yield of 25% of the 34,159 farmers has increased;
- **Partnership approach** – Cooperation and collaboration with stakeholders involved in the same sector (policymakers, Government line ministries, private sector, DPs, etc.) have complementary responsibility. This collaboration is essential for good performance if this project model is to be extended to other target provinces beyond the locations identified by project, and as well as for long term sustainable supply chain. It is also a valid model for other EIF Countries whose operating programmes are similar;
- **Use of technology** – Equipping rice millers with technology and food safety management support helps to ensure a strong foundation to significantly address challenges to the set target. The Food Safety Administration System, the upgrading of the rice milling equipment and the introduction of the rice mill management software were put in place, and as a result, 11 Cambodian rice mills were HACCP certified and one rice mill was OHS certified, while 27 rice millers were able to use new software.
- **Support to institutional mechanisms** – The established rice industry institution has proven to be an effective mechanism for developing and implementing a strategy to increase rice export, building the capacity of exporters and strengthening the brand identity of Cambodian rice on the international market. Its diverse representation has allowed key Government officials, rice millers, donors, DPs and even non-governmental organizations to focus on the Government's 2010 National Rice Policy in supporting the goal to achieve 1 million metric ton of milled rice exports. This institutional foundation and partnership is a networking leverage that favors interdependent actions and stimulates change and has facilitated the promotion of Cambodian rice at international trade exhibitions, conferences and other international fora. As a result, the project has facilitated US\$100 million of milled rice exports in total, with 51% of such exports being fragrant rice, and some Cambodian rice standards have been approved by international standard bodies.

The way forward to sustainable milled rice trade

- **Good progress was registered at company level, but challenges remain at sector level** – additional financial resources from DPs and the Government are required to enhance and strengthen the role of the CRF in guiding its members to understand how the CRF can help them to make connections and hold a dialogue with the Government, exchange experiences and propose solutions.
- **The branding strategy** needs to be properly implemented, particularly on use and protection, and a code of conduct needs to be developed.
- **The Cambodia Rice Federation** needs to coordinate and facilitate the development and implementation of the Cambodian rice export strategy, including the provision of capacity building to rice exporters and its association representatives.
- **Following each rice market mission, proper market penetration strategies** with a follow-up plan need to be developed and implemented.
- **Promoting Cambodian rice depends** on a "supply chain" approach – from farm to fork – with linkages between seed growers, farmers, processors, traders and exporters.

Project vision

Production or farm level – seeds and training/extension

- **Low productivity** – Low productivity can be addressed through a seed multiplication intervention. Key stakeholders (rice millers working directly with farmers; and donors providing technical support to rice millers or farmers) should start working with the supply of quality raw paddy rice.
- **A limited provision of quality seeds, fertilizer and irrigation** – The overall goal of the EIF milled rice project is to maximize the rice export with high quality and volume. The use of quality seeds, fertilizer and proper irrigation systems are still pending. The scaling up of the successful seed multiplication pilots, subsidiary fertilizer and the restoration of irrigation systems are urgently needed and of high importance.
- **Low mechanization of production** – The CRF needs to enhance its mandate and work with the rice millers to provide better extension services to farmers. However, the technical and financial support from donors and the RGC are required.
- **Land degradation** – The widespread take up of an intelligent irrigation system and multiplication interventions could have a profound impact on water usage and seed application. New smart technologies and a high quality of seeds need to be introduced to reduce cost and maximize the volume of rice exports.

Project vision

- **Lack of grading, standards** – The possible solution for the CRF is to offer or facilitate capacity building for millers (training courses) so that they can sustainably comply with standard specifications. The CRF can build on the groundwork done by the Cambodian Rice Sector Support Project.
- **Non-Tariff Barriers (NTBs)** – Continued efforts to streamline trade procedures and address NTBs must be a priority.
- **Cumbersome export procedures** – The responsibility comes to the CRF to take the lead in ensuring: (i) compliance of members with the collective brand positioning; and (ii) continual and consistent brand promotional messaging at all CRF facilitated collective events.



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