



PAGE 4: B.1) YOUR CASE STORY: TITLE AND DESCRIPTION

Q1: TITLE OF CASE STORY

Increasing the competitiveness and expanding exports of Cambodian rice: Results from collaboration by the Royal Government of Cambodia, the domestic private sector, and the World Bank Group

Q2: CASE STORY ABSTRACT

In 2010, the Royal Government of Cambodia put in place a number of policy initiatives to support the rice sector. Efforts across the public and private sector, with World Bank Group support, doubled the quantity of national rice exports in 3 years (reaching 375,000 metric tons in 2013).

WBG worked to support the Cambodian agro-processing sector through (i) improving regulatory framework for agro-processors; (ii) providing firm level support to rice millers/exporters (improving milling facilities, undertaking rice export promotion, developing rice standards and improving food safety at milling level); (iii) facilitating access to finance through advisory work and joint IDA-IFC Risk Sharing Facility.

Q3: LONG DESCRIPTION OF THE CASE STORY

Background:

The political turmoil and war that engulfed Cambodia between 1975 and 1993 stunted the development of the rice sector at the same time the green revolution was increasing productivity in neighboring countries. As a result, Cambodian rice producers lacked knowledge about, and access to, improved planting seed and relevant farming techniques. Due to actual and perceived quality problems, high value aromatic rice from Cambodia was selling recently at a 20 percent discount to its main competitor, Thai Jasmine.

Some agro-processed products, especially rice, have great export potential to EU markets due to EU's Everything But Arms (EBA) scheme which grants tariff exemption for many products, including Cambodia's milled rice. However, costly and time consuming export procedures distorted the competitiveness of milled rice. For instance, export licenses offset around 11 % of the benefits of EBA for Cambodian milled rice per ton.

Combined efforts from Government, World Bank Group, and private sector:

In 2010, the government launched a number of policy initiatives to support the rice sector. It launched a "Paddy Production and Rice Export" strategy to turn Cambodia into a major rice exporter. Its target is to help private enterprises export milled rice by 1 million tons by 2015. The strategy drove all efforts from the government agencies and development partners to support the export of milled rice.

The World Bank Group worked to support the Cambodian agro-processing sector through (i) improving regulatory framework for agro-processors; (ii) providing firm level support to rice millers/exporters such as improving milling facility, undertaking rice export promotion, developing rice standards and improving food safety at milling level; (iii) facilitating their access to finance advisory work and joint IDA-IFC Risk Sharing Facility.

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The Ministry of Industry and Handicraft (MIH) has leveraged World Bank Group advisory support to reform the licensing and inspections framework for the food processing industry.

The Ministry of Commerce (MOC) has leveraged World Bank Group process mapping of export certificates and follow-up advisory to simplify the Certificate of Origin (CO). Similarly, the Ministry of Agriculture, Forestry and Fishery (MAFF) simplified the Sanitary and Phytosanitary (SPS) Certificate after processing mapping and advisory from the World Bank Group.

After the procedures of CO and SPS were simplified, the World Bank also worked with MOC and MAFF to automate the process of obtaining both certificates. As of 2015, exporters will be able to apply for CO and SPS certificates online.

The Rice Sector Working Group and the Manufacturing and SME Working Group (both part of the Government Private Sector Forum) leveraged World Bank Group diagnostic work and training to advocate with government agencies for export licensing and procedural reforms for milled rice. The program managed first the establishment of a small task force consisting of rice exporters with clear and time-limited goals (on Standards) and later a permanent Export Promotion Working Group.

Activities and results

The World Bank Group has successfully supported the government in reforming licensing, inspections framework and export procedures for agro-processing enterprises. The reforms have reduced the compliance cost for agro-processing enterprises by around US\$3 million a year. To identify specific reform proposals, the project team used diagnostic instruments such as the standard cost model, regulatory impact assessment, and process mapping. The WBG also supported consultations with the private sector and assisted with advocacy efforts for reform. Work was accomplished primarily by WBG staff and consultants, together with public and private sector representatives. Licensing software was also developed to assist MIH to issue licenses more effectively.

Government actions taken through the program include:

- Simplification of licensing procedures, elimination of unnecessary steps and documents, and introduction of time limits for issuance reduced the time and cost to comply with licensing requirements by MIH and export licenses for processed agricultural products by 30% by December 2014. The process of issuing establishment license was simplified. The three-year operating license is now automatically renewed.
- The introduction by MIH of risk-based planning principles for food safety inspections of agro-processors, clarification of roles and responsibilities of MIH inspectors, and introduction of new procedures for conducting inspections reduced the costs of compliance by 30% by December 2014, in particular for low-risk firms.
- As a result of advocacy to simplify the export procedures, the cost to obtain export licenses (CO and SPS) for milled rice was reduced by US\$ 175 per container (from around US\$ 613 in 2011 to US\$ 438 per container in 2012) – generating about US\$ 0.7 million annually in savings to rice exporters. Further, MAFF eliminated the monopoly of the firm which had provided fumigation service for rice exporters, resulting in reduction of the fee for the service from US\$50 to US\$30 (per container).
- In 2013, MOC removed the requirement for exporters to re-register annually at its General System of Preferences (GSP) department, through a Ministerial Edict (Prakas) adopting the recommendation. This reform will save the rice sector an estimated US\$70,865 annually in compliance costs. (Like some of the other reforms above, this reform also impacts on the broader economy, particularly on the garment sector, which should now save \$20 million annually in re-registration costs.)
- MOC has removed Certificate of Origins that are not required by importing countries.
- A 2013 Royal Decree promulgated the first Cambodian Rice Standards since the 1950s, which have resulted in quality assurances that have in turn led to international recognition and confidence from global buyers.

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Also, working directly with the private sector, the WBG has:

- conducted detailed rice sampling at 51 rice mills in Cambodia's northwest to determine product characteristics and come up with draft Cambodian rice standards. WBG then facilitated rice standard consultations with rice millers, traders and exporters, leading to the promulgation of rice standards (see above).
- helped the majority of Cambodia's rice exporters to increase exports through development of new strategies targeting niche markets willing to purchase fragrant rice at premium prices.
- trained and advised rice mill staff on mill infrastructure improvements and documentation. 5 rice millers have been Food Safety (HACCP) certified as a result of WBG interventions.

Q4: Please add here web links to project/programme materials.

Respondent skipped this question

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Q5: YOUR CONTACT DETAILS

Name:	Christine Bowers
Ministry/Institution/Organization:	World Bank Group
Country:	Cambodia
Email Address:	cbowers@ifc.org

Q6: FUNCTION

Other (please specify) World Bank Group

Q7: FUNDING PARTNER Tick the appropriate box(es)

Multilateral organization

Q8: Additional information

Respondent skipped this question

Q9: START DATE OF PROJECT/PROGRAMME

January 2009

Q10: STATUS OF PROJECT/PROGRAMME

On-going

Q11: DURATION OR, IF ON-GOING, EXPECTED DURATION OF PROJECT/PROGRAMME

More than 5 years

Q12: COST OF PROJECT/PROGRAMME

Between US\$5 million and US\$10 million

Q13: Additional information

Respondent skipped this question

Q14: TYPE OF FUNDING FOR PROJECT/PROGRAMME

Grant

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Q15: PROJECT/PROGRAMME TYPE	Single country / customs territory
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Q16: SINGLE COUNTRY/CUSTOMS TERRITORY	CAMBODIA
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Q17: REGION(If the region does not appear in the drop down menu, please enter manually.)	East Asia
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Q18: MULTI-COUNTRY(Enter all countries or customs territories)	<i>Respondent skipped this question</i>
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Q19: CASE STORY FOCUS Tick the appropriate box(es)	REDUCING TRADE COSTS FOR MERCHANDISE GOODS , Customs reform, Other border agency reforms, Support for compliance with non-tariff measures (including standards) , Improving access to trade finance
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Q20: HOW SUCCESSFUL WAS THE PROJECT/PROGRAMME Tick the appropriate box(es)	Very successful
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Q21: WHAT WERE THE OUTPUTS OF THE PROJECT/PROGRAMME Tick the appropriate box(es)

Officials trained, New customs procedures,
New food safety measures or processes,
New quality assurance procedures or processes,
New trade finance scheme,
Reform of other fees or charges

Q22: Additional information(maximum 300 words)

WBG brought expertise to deliver high quality methodology for simplifying licenses. The standard cost model and regulatory impact assessment were presented to the members of SME Secretariat.

Licensing software was also developed to assist MIH to effectively issue licenses. WBG also assisted MIH to develop risk-based inspections framework in the food safety areas. To effectively operate the inspections, the guidelines for inspectors and inspections software was developed to assist MIH inspectors to carry out inspections in the food processing enterprises.

At export level, WBG conducted study on process mappings of export procedures including Certificate of Origins and SPS certificates for milled rice exports. The Rice Sector Working Group has made use the findings of the study to advocate for reduction in price and time to obtain CO and SPS certificates.

WBG provided recommendations to MOC to streamline the export procedures for milled rice and present the recommendations in the MOC Private Sector Consultation Workshop on November 26, 2013. The Senior Minister of Commerce agreed with the recommendations and has taken action to reform the export procedures.

WBG conducted detailed rice sampling at 51 rice mills in Cambodia's northwest to determine product characteristics and came up with draft Cambodian rice standards. WBG facilitated rice standard consultations with rice millers, traders and exporters.

As part of our Food Safety advisory to rice mill clients, the project has trained and advised mill staff on rice mill infrastructure improvements and documentation, and 5 rice mills are now HACCP certified.

The project managed first the establishment of a small task force consisting of rice exporters with clear and time-limited goals (on Standards) and later a permanent Export Promotion Working Group.

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Q23: WHAT WERE THE OUTCOMES OF YOUR PROJECT/PROGRAMME Tick the appropriate box(es)

Reduction in customs clearance time,
Reduction in other border agency clearance time
,
Reduction in cost of customs clearance,
Reduction in cost of other border agency clearance
,
Increase in merchandise exports,
Increase in shipping volumes,
Increase in trade finance available,
Reduction in cost of financing of trade finance

Q24: Additional information(maximum 300 words)

- The cost of obtaining export licenses (CO and SPS certificate) for milled rice was reduced by US\$ 175 per container (from US\$ 613 to US\$ 438) from 2011 to 2012. The reduction in cost of export licenses has helped the rice exporters to save around US\$ 0.7 million from 2011 to 2012.
- The Ministry of Agriculture, Forestry and Fisheries eliminated the monopoly of the firm providing fumigation service for rice exporters. As a result, fumigation fees dropped from US\$50 to US\$30 per container.
- The Ministry of Commerce adopted WBG recommendations to eliminate re-registration at the GSP Department by issuing a Ministerial Edict (Prakas). The impact of these reforms on the rice sector is US\$70,865 per year, which comes from saving by rice exporters on re-registration costs.
- MIH issued a regulation on "Procedures for Factory and Handicraft Operations" on March 4, 2011, which grants automatic renewal of three-year operating license. We estimate that this reform helped save US\$ 1 million annually from the new MIH procedures from 2011 to 2012.
- 30,000 farmers have increased their agri knowledge and changed attitudes/farming techniques, out of which 8,000 farmers have adopted improved fragrant rice seeds.
- The first Cambodian Milled Rice Standards since the 1950s were established.
- 5 rice millers have been Food Safety (HACCP) certified as a result of project interventions.
- DNA fingerprints have been established for Cambodian fragrant rice varieties.
- Cambodian rice price quotations have been registered on global price indexes, including the Live Rice Index (LRI) in London, UK.

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Q25: WHAT WERE THE IMPACTS OF THE PROJECT/PROGRAM? Tick the appropriate box(es)

Increase in per capita income,
Other (please specify)
Compliance cost savings to exporters

Q26: Additional information(maximum 300 words)

The reforms in licensing and export procedures have reduced the compliance burden for agro-processing enterprises and beyond the agro-processing sector. The reforms has had reduced compliance cost of around US\$3 million a year for agro-processing enterprises.

Farmers participating in the advisory program have increased their average yields by 20% and revenues by an additional US\$1.5 million.

Cambodia has achieved US\$43 million of rice exports to 71 countries, with 169 SME rice export contracts signed for fragrant rice at a value of more than US\$24 million.

The combined efforts from different project interventions have contributed to the significant growth of national rice exports: 375,000 metric tons in 2013 and projected to be similar for 2014 (doubling from 2012). Cambodia has won the best rice award for the past two years at The Rice Trader World Rice Conference.

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Q27: LESSONS LEARNT Tick the appropriate box(es)

Importance of alignment with national priorities,
Importance of engagement by private sector

Q28: Additional information(maximum 300 words)

It is vital to involve private sector to advocate for reforms:

WBG has consistently worked with the SME Secretariat of the Government Private Sector Forum to engage private sector to advocate for reforms.

In 2010, private sector representatives of the Manufacturing and Small and Medium Enterprise Working Group (MSME WG) of the Government Private Sector Forum (GPSF) raised the issue that agro-processors are required to have costly and time consuming operating license and export licenses and they are prone to abuses by inspection officials.

In response, WBG conducted a survey with 400 agro-processors to measure time and costs to obtain licenses and to estimate cost for agro-processors to comply with inspections in 2011. The survey results show that the processes to obtain MIH licenses are complicated and inspections are conducted without clear purpose. Therefore, it is costly for agro-processors to obtain licenses and to comply with inspections. With these findings, the private sector representatives had engaged MIH to reform the licensing and inspections framework for the agro-processing enterprises.

Following the advocacy work through the Rice Sector Working Group of the Government Private Sector Forum to reduce time and cost of complying with export procedures for milled rice, private sector representatives from the Working Group has reconized some reduction cost of export procedures for milled rice. The Ministry of Agriculture, Forestry and Fisheries (MAFF) eliminated monopoly of firm providing fumigation service for rice exporters.

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Q29: PROJECT OR PROGRAMME MONITORING AND EVALUATION FRAMEWORK Tick the appropriate box(es)

M&E framework used, Project baselines set,
Impact assessment