

National Dialogue Report
“Reducing Poverty through Agricultural Development and Trade”
June 06, 2006
Hotel Cambodiana

I. Opening session

The workshop was opened by a speech of H.E. Ky Lum Ang, Chairwoman of the Commission on Public Works, Transport, Post, Telecommunication, Industry, Mines, Energy, Commerce, Land Management, Urban Planning and Construction of the National Assembly. She addressed some issues concerning the agricultural and trade sectors. In the Cambodian context, agriculture plays an important role in eradicating poverty. She cited the Cambodia Poverty Assessment 2006 . If GDP grows at 7 percent per annum with an annual growth of 4 percent in agriculture, Cambodia will halve its poverty rate by 2015. Regarding the fisheries sector, she stated that approximately 2.3 million people directly and indirectly earn their living from this sector. Hence, she raised some suggestions to improve the sector performance: (i) land reform/land distribution; (2) irrigation system; (iii) laboratories, (iv) market information dissemination; and (iv) credit provision.

Her speech emphasized the importance of the garment exports which have contributed to poverty reduction through providing jobs to 280,000 people and providing indirect income to the rural economy channeled by remittance of garment workers’ wages. Recognizing trade as an essential means to reduce poverty, she laid out some recommendations to make trade more pro-poor: (i) encouraging investment to support micro, small and medium enterprises; (ii) eliminating time-consuming bureaucracy; (iii) eliminating smuggling; and (iv) establishing small markets in rural areas and at the borders and export processing zones (EPZ).

II. Presentation Session

Lim Visal gave presentation on “Cambodia Agricultural Development Report”. He raised reasons why agricultural growth low and thus had a limited impact on poverty. Concerning supply, there is limited irrigation, many landless and idle land; poor extension services, high input costs and counterfeit inputs, obsolete tools and lack of credits. On the demand side, there are several constraints: large imports, lack of investment, poor export performance. This presentation was then followed by a presentation by Neak Samsen on “Trade and Poverty Link: Experience from trade in Garments and Fisheries”. The garment sector appears to have much impact on poverty through contribution to export performance, jobs for rural women, remittance to the rural economy, empowerment for women, and contribution to education and healthcare for rural population. However, the sector also made the workers vulnerable in terms of deteriorating health, losing jobs, and facing robbery. In the fisheries sector, the impact of trade is very limited due to lower wage rates and daily wage basis. Workers have limited access to clean water, electricity and good housing, and opportunities to have further education and skills and representation.

III. Panel Discussion

After the coffee break, the workshop had a debate session which comprised of five panelists on the theme “Reducing poverty through agricultural development and trade: how?”

1. Sok Sopheak, Deputy Director General, Ministry of Commerce

Sopheak elaborated on pros and cons of trade liberalization by taking membership in ASEAN and WTO as examples. For ASEAN, membership requires Cambodia to pay US\$1 million in monthly concession fees. And the country had to lower tariff rates at four bands: 35%, 15%, 5% and 0%. However, Cambodia gained the international reputation of a democracy and free market economy. In the case of WTO, the main benefits are the retainment of the country's garment industry and market access. However, the country still could not reap the full benefits from access to these market because developed country markets imposed a lot of non-tariff barriers (NTB).

He further commented on the development of the agricultural sector. The government plays the role as an arbitrator in contract farming to ensure trust from investors. There is a requirement to prepare laws and regulations to protect domestic industry and consumers' health in particular. The government has put a lot of effort into this activity, for example, by computerizing tax services.

2. Sao Vannsereyvuth, Vice Chief Officer, Ministry of Agriculture, Forestry and Fisheries

Vannsereyvuth explained government policies in improving the agricultural sector. He pointed out several policies: (i) increasing coverage of irrigation system; (ii) adopting appropriate macro-economic policies; (iii) improving market access for exports; and (iv) enhancing extension of supporting services and modern technology and etc.

Regarding the fisheries sector, the ministry has successfully drafted the Law on Fisheries which was already adopted by the National Assembly. The next plan is to draft the Law on Fishing Community.

3. Lim Sopheap, Deputy Manager, Marketing Department, ACLEDA Bank Plc

Sopheap showed some ways to reduce interest rates for micro credits. He raised three reasons why Microfinance institutions set high interest rates: (i) high interest rates imposed by overseas creditors who are lenders of microfinance institutions; (ii) high risk due to loan loss; and (iii) high cost of doing business due to high cost of utilities and bureaucracy. The main solution to make interest rates lower is to mobilize local savings.

4. H.E. Neak Oknha Mong Reththy, President, Mong Reththy Group Co., Ltd and Vice President of Phnom Penh Chamber of Commerce

H.E. Mong Reththy pointed out key issues in agriculture development and trade. The main constraint to agricultural development is "grabbing of land and propaganda by some politicians". In the case of trade, the country should focus to produce more agricultural commodities to reduce dependence on imports. To do this, it is needed to have more initiatives and lower interest rates on loan.

IV. Question and Answer Session

Q1: Ty Leang, Student at RULE: Given the constraints, will it be possible to reduce poverty through agriculture?

A1: Lim Visal: Agriculture can be used to reduce poverty only if through the above recommended policies (mentioned in his presentation).

Q2: Tun Sophorn, ILO: Why can't agricultural products be exported to the E.U.?

Comments: The research by EIC seems to lack other factors that affect agriculture; that is new technology that helps improve productivity; rice seed selection, and insufficient market information. According to a survey by ILO, buyers need quality, quantity, consistency in supply and digestibility of the product.

A2:

- **Lim Visal:** Insufficient standard, strict Non-Tariff Barrier (NTB) in the E.U. and supply inconsistency from our industry are the factors that restrict our exports to the E.U. In contrast, loose NTB and demand that cannot be met by local producers due to seasonality make imports from other countries easy to flow into Cambodia.
- **Lim Visal:** Actually, technology is included in other factors. Most of the farmers surveyed said they do not have problems with technology, but it does not mean like this. Our sample focused on rice, maize and soybean. The farmers surveyed said they had information when producing not when selling.

Q3: Roen Socheat, Lecturer at Pannasastra University: In fact, trade unions do not make the investment climate attractive and it must cause problems in management. Explain why do you (Mr. Neak Samsen) think the presence of trade unions is considered an opportunity?

Comments: In comparison of workers' wages, nominal wages seem hard to be compared without taking inflation into consideration.

A3:

- **Neak Samsen:** I acknowledged that the presence of trade unions may cause problems. However, our research is based on an assumption that trade unions help to reduce conflicts which makes workers satisfied with their work which in turn productivity improves. Thus, increasing labor unions will improve the industry performance.
- **Sok Sopheak:** Trade unions in Cambodia are still young and thus need to be strengthened.
- **Neak Samsen:** We will make some adjustment to take inflation into consideration, regarding nominal wages.
- **Chum Chamm (Comments):** I disagree with the statement that trade unions cause problems in investment. It depends on law compliance. If all parties obey the law, there will not be any problems. Besides, freedom of unionization is also included buyers' decisions in the case of garment industry.

Q4: Chum Chamm, CCAWU: (i) Why is it hard for Cambodia to export to other countries? In contrast, why is it easy for other countries to export to Cambodia? (ii) Does the law allow 80%-90% finished products produced elsewhere to be imported into Cambodia so that these products will be labeled as *made in Cambodia*?

A4:

- **Sok Sopeak:** We do not have regulations and standards to regulate products, which results in the loss of NTB, and the low integrity of the Customs and Excise Department makes imports easier than exports. Low exports to the E.U. results from strict NTB, and the absence of direct flights to the E.U.
- **Sok Sopheak:** No law allows 80%-90% finished goods to be imported into Cambodia for getting the status of being made in Cambodia. But some investors do it illegally.

Q5: Suon Sek, CIDAC: There seems to be a conflict of idea as to contract farming. Some farmers do not obey the contract, selling their products to others for higher prices and some producers said they need land to grow crops for themselves due to inconsistency of supply from farmers. Given these issues, what do you think about contract farming?

A5:

- **Lim Visal:** Contract farming has its own pros and cons. Anyway, we should use a combination of contract farming and plantation.
- **Sok Sopheak:** Contract farming has its own pros and cons. In Thailand, when there is demand and local suppliers cannot meet this demand, exports from Cambodia are allowed.

The workshop concluded with the observations from three other speakers Sao Vannsereyvuth, Ky Lum Ang and Mong Reththy. Firstly, Vannsereyvuth called for everyone to work together to improve the agricultural sector and reap more benefits from trade. Secondly, Ky Lum Ang suggested related government agencies to implement laws effectively. Furthermore, she emphasized land reform and lower interest rates and promoting local product consumption as means to enhance agricultural development and give trade benefit to the poor. Finally, Mong Reththy asked for any trade pacts in which the list consists of what Cambodia can produce. He also called for export procedures by both sending countries and destination countries to be made simple.

WORKSHOP
“REDUCING POVERTY THROUGH AGRICULTURAL DEVELOPMENT AND TRADE”

June 06, 2006 from 07:30 to 12:00

HOTEL CAMBODIANA

*** AGENDA ***

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| 07:30 – 08:00 | Registration |
| 08:00 – 08:10 | Opening Speech
H.E. Mrs Ky Lum Ang , Chairwoman of the Commission on Public Works, Transport, Posts, Telecommunication, Industry, Mines, Energy, Commerce, Land Management, Urban Planning and Construction, National Assembly |
| 08:10 – 08:50 | Presentation Session

<i>“Cambodia Agriculture Development Report”</i>
Mr. Lim Visal , Researcher, Economic Institute of Cambodia
<i>“Trade and Poverty: Experiences from Trade in Garments and Fisheries”</i>
Mr. Neak Samsen , Researcher, Economic Institute of Cambodia |
| 08:50 – 10:10 | Panel Discussion

<i>“Reducing Poverty through Agricultural Development and Trade: How?”</i>
Moderator: Mr. Sok Hach , Director, Economic Institute of Cambodia
Panelists: <ul style="list-style-type: none">▪ Mr. Sok Sopheak, Deputy Director General, Ministry of Commerce▪ Mr. Sao Vannsereyvuth, Vice Chief Office of Aquaculture, Ministry Agriculture Forestry and Fisheries▪ Mrs. So Phonnary, Marketing Department Manager, ACLEDA Bank Plc.▪ H.E. Neak Oknha Mong Reththy, President, Mong Reththy Group Co., Ltd and Vice President of Phnom Penh Chamber of Commerce |
| 10:10 – 10:40 | Coffee Break |
| 10:40 – 11:50 | Q&A Session |

11:50 – 12:00 Closing Remark

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List of Participants

No.	Name	Position	Organization
1	Iv Sovann	Financial Manager	Hattha Kaksekar-MFI
2	Ouch Soth	Audit Manager	Hattha Kaksekar-MFI
3	Touch Vanneath	Marketing Officer	Prassac MFI
4	But Vanny	Assistant	ACL
5	Chheang Roth	Administration Assistant	ASEAN University
6	Pa Ponnak Rithy	Managing Director	MAXIMA-MFI
7	Chaing Yourin	Chief Office	Agriculture office, Maung District
8	Im Hoeun	Vice Governor	Maung District
9	Koeung Pov	Vice Governor	Maung District
10	Eang Menglong	Reporter	Koh Santepheap Daily
11	Suon Seng	Agro-economist	CEDAC
12	Keo Sokha	Vice Director	FNN
13	Ly Pharavy	Officer	MoWA
14	Soung Engchhay	General Manager	CREDIT-MFI
15	Srun Chheangsreng	Student	PUC
16	Lang Tyleang	Student	PUC
17	Mann Seng hak	General Secretary	FTUWKC- Union
18	Bou Chhayaphyrumm	Admin officer	T.T.Y Corporation
19	Chea Sophal	Nation Program Assistant	ILO-BFC
20	Sao Vannsereyvuth	Vice Chief	Aquaculture office
21	Keshav Gautam	Country Director	Action Aid
22	Nong Thearith	Representative	RDB
23	Mam Choeun	Operation Manager	AMK- MFI
24	Hing Sideth	Deputy Director of Department of Technical Vocational Education and Training Management	MoLVT
25	Heng Bun Chhun	President	CIFUF- Union
26	Ly Sopheap	Deputy Director	MoLVT
27	Loeung Sopheap	Deputy Marketing	ACLEDA Bank Plc.
28	Khim Sarin	Head office	PRD
29	Muong Sophat	Officer	PRD
30	Anne-Maria Makela	Senior Advisor	SNV- MoT (Planning Department)
31	Lynn Losert	Education Development Specialist	USAID

32	Janne O' Dell	Chief of party	USAID-Garment Industry
33	Samphea Top Sok	Finance Director	Vision Fund
34	Tim Conway	Poverty Specialist	World Bank
35	Vinh Dany	Student	PUC
36	Hireto Tsuge	Economist Consulting Department	KRI International Corp.
37	Kim Channavuth		TUWFPD- Union
38	Chay Navuth	Lecturer	RUA- University
39	Kim Savuth	Executive Director	NCRMA
40	Chek Sotha	Head of Research	CSD
41	Sar Channtora	Researcher	FIAS/WB
42	Kong Keomany	Bureau Chief	MoC
43	Seu Pichinda	Marketing Officer	CEB- MFI
44	Roeung Socheat	Lecturer	PUC
45	So Peauchetra	Staff	MRD
46	Ang Kongkea	Journalist	The Commercial News
47	Leangvang Yin	Reporter	Rasmei Kampuchea Daily
48	Tear Ivhout		NIB
49	Seng Bopha	Reporter	ABC Radio Australia
50	Sok Chheang	Executive Director	CAMTA
51	Ouch Darapoly	Assistant	CAMTA
52	Svay Sanach	Reporter	Quiz Times
53	Kuy Vat	Director	OADC
54	Meav Siravuth	Program Officer	CATAF- AusAID
55	Ung Heang	Reporter	The Commercial News
56	Kay Kimsong	Reporter	Cambodia Daily
57	Yumiko Kura	Regional Coordinator	World Fish Center
58	Say Saroeun	Vice governor	Sampovlun District
59	Chum Chamm	Secretary general	C. CAWDU- Union
60	Tep Kim Vannary	Vice President	CFITU
61	Vong Visetha	Chief	MoSAVY
62	Un Dara	President	DISUF- Union
63	Va Chan Kosal	Secretary	DISUF- Union
64	Path Bosophanny	Assistant Accountant	Peng Heng SME Bank
65	Sen Channvichheka	Credit Officer	Peng Heng SME Bank
66	Mar Sophal		Camfrel
67	Chhom Theavy	Coordinator	FACT
68	Chea Nget	Vice Project Director	CAMFED
69	Morm Phalla	Lecturer	EFI- MoEF
70	Pech Chinda	Lecturer	EFI- MoEF
71	Bora Kathy	Dean	AE & RD (RUA)
72	Heng Chamroeun	Vice Dean	AE & RD (RUA)

73	Yin Sophy	Lecturer	Norton University
74	Sok Sithan	Lecturer	Norton University
75	Long Saromm	Factory Manager	T.T.Y Corporation
76	Heng Heang	President	Industrial Association
77	Bin Sopheak Botrey	Student	RULE
78	Tieng Thida	Student	RULE
79	Taing Phaline	Student	RULE
80	Soy Seyha		CUFBWW -Union
81	Lynn Salinger	Economist	AiRD
82	Ly Chhe	Chief Loan Office	FIBANK
83	Ky Lum Ang	M.P	National Assembly
84	Um Rithy	Assistant	National Assembly
85	W. Cullen Hnghes	Economic Growth and Environment Officer	USAID
86	Un rithy	Reporter	Media Center
87	Loch Riem Deth	Chief of Office	MRD
88	NY Lya	Represent of President	CCO
89	Sok Vanna	Secretary	UFID
90	Neak Sarin	Vice President	NBC
91	Dr. Frederic Thomas	Tourism Impact Evaluation Specialist	CRIFP
92	Dos Din	Operation Manager	Amret
93	Jolanda JOUNKHART	Program Officer	European Union
94	Mao Moniratana	Poverty Specialist	ADB
95	Pouy Keang	Reporter	Sin Chew Daily
96	Tun Sophorn	NPC	ILO
97	Sok Hang	Reporter	Jian Hua Daily
98	Gijs Koop	Economist	NGO Forum
99	Hong Sokheang	Team Leader	UNDP
100	Ky Soklim	Reporter	Cambodge Soir
101	Ly Sok Heng	Lecturer	NUM
102	Kheng Schivy	Research Fellow	EIC
103	Sam Rith	Reporter	Phnom Penh Post
104	So Kadeat		Cambodia Society
105	Pok Sok Mery	Editor	Phnom Penh Post