

STDF 246: Creating an SPS Action Plan for Cambodia (May 2009-April 2010)

Progress Report for Period May - August 2009

1. Background and Justification, Strategy, and Implementation Roles

1.1 Background and Justification

Cambodia faces many pressures to upgrade its SPS management capacity. It is a member of WTO, but still faces difficulties in its compliance with membership requirements. As a member of ASEAN and GMS it trades with a range of partners within the region. Some of these partners have far greater capacity than Cambodia to address food safety, animal and plant health issues, and so are able to benefit more fully from the protection offered by the SPS agreement.

Unlike Lao PDR and Vietnam the many needs of Cambodia for capacity building have so far not been brought together in a comprehensive SPS capacity building strategy and action plan. The recent Diagnostic Trade Integration Study (DTIS, 2007) touched upon SPS but in far less detail than action planning work in neighbouring countries.

The aim of this project is to facilitate the development of an Action Plan by the Royal Government of Cambodia on building capacity needed to address SPS issues and help boost Cambodia's exports of food and agricultural products in several subsectors identified by the DTIS. The scope of the plan is to strengthen national policies and strategies relating to SPS issues, including the allocation of responsibilities within the relevant national legislation, as well as strengthening monitoring and surveillance, inspection, laboratory testing and certification regimes. The Action Plan will provide development partners with an agreed "road map" and thus prevent duplication in capacity building activities.

1.2 Project Strategy

The project strategy is based on rigorous stock-taking by a specialist team, including relevant expertise in economics, food processing and diagnostic facilities, as well as the core food safety, veterinary and phytosanitary fields.

In terms of methodology, both a top down (strategic and policy) approach as well as a bottom up, sector by sector assessment of technical capacity and needs are employed.

The **strategic and policy approach** considers:

- who is responsible at present for which of the main Biosecurity functions in Cambodia (surveillance and monitoring, testing, product inspection, certification)
- how these responsibilities are discharged at present
- what options exist for improving and integrating these functions

The output of this will be a form of framework setting out responsibilities, and supporting legislation/regulations for (i) inspection and certification, (ii) diagnostic testing, (iii) surveillance and monitoring, and (iv) emergency response regarding plant and animal pest and disease and food safety/food chain emergencies (such as could be covered by a national biosecurity strategy).

The **sector approach** of assessment of specific needs is based on the following sequence of broad questions:

1. what is the current and potential productive capacity of the sector (in volumes), and which are the main zones for production?
2. which markets are targeted for exports from this sector, what are prevailing market prices, and what market access conditions are in place for each sector?
3. what are the possible intrinsic SPS risks associated with the sector, both in terms of trade in primary and processed products?
4. what would be needed to counter these potential SPS risks, and to prove that such measures had been taken, in terms of surveillance and monitoring, inspection, testing and certification?
5. what investment would be needed to address these risks, and ensure adequate documentation for market access?

The purpose of these studies is to produce a cost-benefit analysis to support donor assistance, and a coordinated plan for support in areas such as monitoring, surveillance, testing, etc.

1.3 Implementation Roles and Responsibilities

The project is supervised by a national taskforce composed of members from the main line ministries – agriculture (MAFF), commerce (MoC), industry (MIME), and health (MoH) – chaired by the Deputy Director General of CamControl (MoC). The taskforce reports to the inter-ministerial committee for trade development coordinated by the Minister of Commerce.

FAO provides technical assistance to the project taskforce via the regional and country offices, headquarters and international and national consultants. Operational support is provided by the national project office at the FAO Representation in Cambodia. The project team leader is the Secretary of the FAO HQ based Plant Protection and Production Division.

The below four main activities to be implemented as part of the project are under direct responsibility by the project team leader at FAO HQ, with support from the national project office in-country:

- Mobilisation of resources (taskforce inception, recruitment of international and national consultants for specific sector studies)
- Preparation of background studies by theme (study preparation, reporting to and review with taskforce)
- Preparation of initial version of report for review (drafting and review with taskforce)
- Preparation of final version of report for review (revision, review with taskforce and submission)

2. Progress Made to Date

During the current reporting period, i.e., May to August 2009, Activity 1, the ***mobilisation of resources***, has successfully been implemented. The following steps comprising this activity provide a detailed outline of the progress made on the project to date:

I. Establishment of National Taskforce and Holding of Inception Meetings

The national government taskforce to steer the STDF 246 Creating a National SPS Action Plan project was created by appointment of representatives by the line ministries involved (see Annex A for a membership list). Two inception meetings were held on 25 and 27 May 2009, respectively, chaired by the Deputy Director General of CamControl, the Import-Export Inspection and Fraud Repression agency of the Ministry of Commerce. The meetings consisted of a workshop and a working session facilitated by the FAO team leader to provide adequate background to the Project, specify its aims and objectives, and consult and agree on the strategic approach and roadmap to ensure successful project delivery.

Outcome I: Agreement among the national taskforce members on the strategic approach and roadmap for the project, and expression of commitment by MAFF and MoC to support sector studies on selected high-value crops (MAFF) and a study on import substitution by increased business/consumer confidence in domestic fresh produce (MoC).

II. Involvement of Donors and Development Partners

Presentations were made and briefing meetings held with key donors and development partners for project transparency and to contribute to efforts to harmonise and streamline the various interventions made by different stakeholders in the area of trade-related bio-security and food safety. The parties met with include EU, IFC, UNIDO, ADB (both Phnom Penh and Bangkok offices), as well as the FAO Regional Office in Bangkok.

Outcome II: Awareness by key donors and development partners of the STDF-funded Project, its projected outcomes and impact, and time line.

- The EU (via the assigned counterpart) indicated that the Action Plan would be considered in further SPS-related investment deliberations.
- ADB (Phnom Penh) and UNIDO noted likely content overlaps with their own related projects in pipeline (specifically food safety and laboratory capacity building), and ADB agreed to review TORs of prospective project consultants with FAO to take stock of the advances already made.
- ADB (Bangkok) further agreed to harmonise their forthcoming regional SPS action plan based investment plan with the STDF 246 National Action Plan to ensure consistency and reinforcement.

III. Establishment of a National Project Office

A national project office was set up at the FAO Cambodia Representation (FAOR) in June 2009, staffed by a full-time project coordinator, to ensure progress and continuity and to facilitate the production of the sector studies.

Outcome III: The information flow between government counterparts and FAO in relation with the STDF 246 project has proven efficient and effective in terms of exchange of information, soliciting assistance from taskforce members as required, and ensuring the progress of the specific studies.

IV. Terms of Reference for Sector Studies and Recruitment of Consultants

The three main sectors (based on the results of the 2007 Diagnostic Trade Integration Study, DTIS) comprising commodities with “high” or “medium” export potential (rice, cassava, cashew, fisheries and fruit and vegetables) were reviewed with relevant government stakeholders – phytosanitation (MAFF), food safety and contamination (MoC), and fisheries (MAFF-FiA, Fisheries Administration). In addition, the scope and methodology of a study on import substitution by increased business/consumer confidence in domestic fresh produce were discussed with MoC. At the third national SPS taskforce meeting (27 July 2009) the terms of reference for the consultants conducting the sector studies were reviewed, as well as the overall project workplan.

Outcome IV/

Output: Production of terms of reference for (i) three sector studies – phytosanitation, food safety and contamination, and fisheries; (ii) a consultant economist to assist with the assessment of market potential and the costing of SPS mitigation measures; (iii) a food safety study on fresh produce (the terms of reference are provided in Annex B).

Outcome V: Identification and recruitment of the national consultant conducting the food safety study. The study is currently under way and is to be concluded by 10 September 2009.

3. Planned Activities for the Remainder of the Project

Activities 2, 3, and 4, preparation of background studies by theme, preparation of a draft report, and preparation of the final version of the report, will be implemented in the remaining project period.

Once the sector studies are complete, and have been reviewed by the national task force, work will begin on synthesising the strategic cross cutting analysis which will form the basis of the overall Action Plan, first drafts will be available for review from January 2010, with the final version due to be submitted before April 2010.

Annex A – List of National SPS Taskforce Members

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Terms of Reference

International Consultant SPS Subject Specialist – Laboratory capacity needs

Under overall supervision of the Team leader, STDF project 246 Creating an SPS Action Plan for Cambodia, and in liaison with the national project coordinator, the incumbent will examine national laboratory capacity to analyse contamination in food products intended for export, including contamination by mycotoxins, pesticide and other residues, heavy metals, microbial contamination, etc.

The study will obtain qualitative and quantitative information on constraints to market access for selected products, specifically where access is linked to levels of contamination. This will require a tabulation of contamination limits applied in the principal export markets for Cambodian food products (including EU, US, Japan, Australia, India, China, Vietnam, Thailand and other ASEAN markets). The data collated by the incumbent – with assistance from a national consultant - will contribute to a larger assessment of the export potential of Cambodian agricultural commodities.

The selection of products is defined by the 2007 Diagnostic Trade Integration Study for Cambodia, which identified products with medium or high export potential. This principally listed rice, cashew and cassava, plus fruit and vegetables and fisheries products. *[with regard to fisheries, a separate specialist assignment will be undertaken – in conjunction with the laboratory capacity needs assessment – to determine the progress with the fisheries action plan developed following the EU ban on Cambodian fisheries products in 2005-6]*

The study of market access conditions will be complemented by a study of laboratory capacity to analyse for contaminants. This will examine both technical capacity (equipment/ facilities/ services) and institutional capacity (trained individuals, sample collection and handling, laboratory procedures, etc). The study will review institutional mandates, examine cases where critical volume of tests is not reached, and make suggestions for options to improve arrangements for testing.

In addition, in collaboration with a consultant economist (who will conduct an assessment of the market potential of each of the selected products), undertake a costing exercise for required strengthening of laboratory capacity.

The incumbent will be supported by a national consultant, to be hired from within the Ministry of Commerce, specifically for, but not limited to, support on handling local information sources and analysis.

Main Activities

The main activities associated with this consultancy will be to:

1. Review the literature already produced by various projects on laboratory capacity for analysis of contamination of food products destined for export within Cambodia (by WB/IFC, ADB and others)
2. Determine the likely contamination associated with the sale of the selected products.
3. Identify market access conditions for the selected products in principal markets (such as US, Japan, EU, Australia, China, India, Thailand, Vietnam, other ASEAN)
4. Analyse existing laboratory capacity to meet the contamination testing requirements of the various markets
5. Identify any new capacity needed, and make proposals with options regarding the improved organisation of this capacity
6. Outline requirements for a system to demonstrate that risks had been countered (in terms of national surveillance and monitoring, inspection, testing and certification schemes).
7. Determine what investment would be needed to address the identified contamination risks (handling and packaging; monitoring and testing; certification) and to ensure adequate documentation for market access.

Timeline

This consultancy should be concluded by 31 December 2009.

Input

The total input for this consultancy, including submission of the final report, will be up to 6 weeks. The consultancy will be supported by a national consultant to assist with data gathering and local language sources

Location

Around 4 weeks of work will be required on site in Cambodia.

Deliverables

The deliverables of this consultancy will be:

- a report of the market access conditions relating to levels of contamination for potential Cambodian food exports, with a review of existing capacity to test for contamination levels
- an outline costed capacity building plan - with a range of scenarios - for laboratory capacity development in the context of an overall plan for improved monitoring and testing for products

Final report to be submitted no later than 31 December 2009.

Terms of Reference

International Consultant SPS Subject Specialist – Phytosanitary measures

Under overall supervision of the Team leader, STDF project 246 Creating an SPS Action Plan for Cambodia, and in liaison with the national project coordinator, the incumbent will investigate phytosanitary constraints in the production and export of selected Cambodian plant products.

The study will obtain qualitative and quantitative information on constraints to market access for selected products where risks are associated with pest infestation or disease infection. The data collated by the incumbent will contribute to a larger assessment of the potential of Cambodian agricultural commodities (addressing other risks – such as contamination – affecting market access for crops, fruit and vegetables, and fisheries products).

The selection of products will be done – within the limits set by the 2007 Diagnostic Trade Integration Study, which identified products with medium or high export potential - in consultation with counterparts from the Ministry of Agriculture. This principally listed rice, cashew and cassava, plus fruit and vegetables (notably mango, but to include other products where production potential is high, and required phytosanitary control to meet export conditions is feasible, up to a maximum of 4). The study will also include identification of the various mitigation measures needed to meet market-specific entry conditions for selected markets both globally and regionally.

In addition, in collaboration with a consultant economist, who will conduct an assessment of the market potential of each of the selected commodities, a costing exercise for potential mitigation measures will be carried out.

The incumbent will be supported by a national consultant, to be hired from within the Ministry of Agriculture, specifically for, but not limited to, support on local sources and analysis.

Main Activities

The main activities associated with this consultancy will be to:

1. Review the literature already produced by various projects on agriculture sector development in Cambodia (notably by WB/IFC, and by ADB)
2. Determine with the Team leader criteria for selection of additional products
3. Agree the selection of products with GDA MAFF
4. Determine the possible intrinsic SPS risks associated with the sale of the selected products.

5. Identify market access conditions for the selected products in principal markets (such as US, Japan, EU, Australia, China, India, Thailand, Vietnam, other ASEAN)
6. Identify measures to be taken to avoid or address any of the potential phytosanitary risks and the outline requirements for a system to demonstrate that risks had been countered (in terms of national surveillance and monitoring, inspection, testing and certification schemes).
7. Determine what investment would be needed to address the identified SPS risks (Good Agricultural Practice programmes; phytosanitary treatment facilities; testing, handling and packaging; monitoring and surveillance) and to ensure adequate documentation for market access.

Timeline

This consultancy should commence by 1 September and be concluded by 30 November 2009.

Input

The total input for this consultancy, including submission of the final report, will be up to 6 weeks. The consultancy will be supported by a national consultant to assist with data gathering and local language sources

Location

At least 4 weeks of work will be required on site in Cambodia.

Deliverables

The deliverables of this consultancy will be a series of product reports are as follows:

- Final list of agricultural commodities selected for this study in consultation with counterparts from the Ministry of Agriculture (to include rice, cashew, cassava and fresh mango, and up to three additional fruit or vegetables), to be submitted no later than two weeks after signing the contract.
- Final report, to be submitted no later than 30 November 2009.

Terms of Reference

International Consultant SPS Subject Specialist – Fisheries sector

Under overall supervision of the Team leader, STDF project 246 Creating an SPS Action Plan for Cambodia, and in liaison with the national project coordinator, the incumbent will examine the Cambodian fisheries sector to determine progress towards compliance with SPS-related standards in export markets. This will specifically cover contamination by drug residues, heavy metals, microbial contamination, etc. Despite relatively rapid growth of inland aquaculture in Cambodia, the species involved are largely produced for domestic consumption. It is therefore assumed that the export sector will principally involve marine/capture fisheries.

This will require a review of:

- progress towards the recommendation of the previous fisheries sector action plan drawn up following the EU ban on Cambodian imports in 2005-6.
- contamination limits applied in the principal export markets for Cambodian fisheries products (including EU, US, Japan, Australia, India, China, Vietnam, Thailand and other ASEAN markets.
- capacity to test main types of contamination to which limits are applied (in collaboration with the international laboratory specialist)

In addition, working with a consultant economist (who will conduct an assessment of the market potential of each of the selected commodities – possible value in main markets), a costing exercise for potential testing and mitigation measures in the fisheries production chain will be carried out. The purpose is to analyse costs and benefits of investment

The incumbent will be supported by a national consultant, to be hired from within the Ministry of Agriculture's Fisheries Administration, specifically for, but not limited to, support on local sources and analysis.

Main Activities

The main activities associated with this consultancy will be to:

1. Review the literature already produced by various projects on the capacity of the Cambodian fisheries sector to comply with international export standards
2. Determine current progress towards the goals of previously defined action plans
3. Confirm market access conditions for the selected products in principal markets (such as US, Japan, EU, Australia, China, India, Thailand, Vietnam, other ASEAN)

4. Analyse existing options for meeting contamination testing requirements of the various markets, and suggest improvements
5. Identify measures to be taken to avoid or address any of the potential contamination risks
6. Outline requirements for a system to demonstrate that risks had been countered (in terms of national surveillance and monitoring, inspection, testing and certification schemes).
7. Determine what investment would be needed to address the identified contamination risks (handling and packaging; monitoring and testing) and to ensure adequate documentation for market access.

Timeline

This consultancy should be concluded by 31 December 2009.

Input

The total input for this consultancy, including submission of the final report, will be up to 6 weeks. The consultancy will be supported by a national consultant to assist with data gathering and local language sources

Location

Around 4 weeks of work will be required on site in Cambodia.

Deliverables

The deliverables of this consultancy will be:

- a summary of prevailing market access conditions relating to levels of contamination of exported Cambodian fisheries products:
- a review of the current state of progress towards meeting international export standards in the fisheries sector
- a costed high level capacity building plan – for addressing outstanding issues in the Cambodian fisheries sector

Final report, to be submitted no later than 31 December 2009.

Terms of Reference

International Consultant SPS Subject Specialist – Economist/Agronomist

Under overall supervision of the Team leader, STDF project 246 Creating an SPS Action Plan for Cambodia, and in liaison with the national project coordinator, the incumbent will support the sector specialists undertaking studies on phytosanitary aspects, laboratory capacity and fisheries, in undertaking a cost benefit analysis for investment in biosecurity in the Cambodia food and agriculture sector to promote compliance with international standards for Cambodian exports.

This will require a review of:

- Cambodian productive capacity for the main identified high export potential products
- potential value of sale of Cambodian products in the principal export markets - including EU, US, Japan, Australia, India, China, Vietnam, Thailand and other ASEAN markets – based on prevailing market prices, and costs of marketing (packaging, transport and other costs)
- costs of mitigation measures to address SPS risks, and monitoring and testing capacity to demonstrate compliance with international standards

Activities

The main activities associated with this consultancy will be to:

1. Identify potential export volumes, and current prices in the main export markets of the products identified as high or medium potential exports by the 2007 Cambodia Diagnostic Trade Integration Study (including a sample of fruit and vegetable products to be defined by the phytosanitary sector consultant with MAFF)
2. Work with the sector specialists to identify mitigation strategies for any associated biosecurity/SPS risks
3. Produce costing for mitigation strategies, monitoring schemes, accredited laboratory testing arrangements, etc, and determine whether these are justified in terms of the potential expanded export base

Timeline: this consultancy should be concluded by 31 December 2009.

Input : the total input for this consultancy, including submission of the final report, will be up to 8 weeks. The consultancy will be supported by a national consultant to assist with data gathering and local language sources

Location: work will be required on site in Cambodia.

Deliverables : the deliverables of this consultancy will be as input to the sector reports. All final sector reports are to be submitted no later than 31 December 2009.