
President's report

Proposed loan

Kingdom of Cambodia

**Agriculture Services Programme for an Inclusive
Rural Economy and Agricultural Trade**

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 73.

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Map of the programme area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 22-08-2022

Financing summary

Initiating institution:	IFAD
Borrower:	Kingdom of Cambodia
Executing agency:	Ministry of Agriculture, Forestry and Fisheries
Total programme cost:	US\$194 million
Amount of IFAD loan 1:	US\$22.7 million
Terms of IFAD loan 1:	Highly concessional: 40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum (adjustments for single-currency loans)
Amount of IFAD loan 2:	US\$11.2 million
Terms of IFAD loan 2:	Blend: 25 years, including a grace period of 5 years, with a service charge of 0.75 per cent and interest rate of 1.25 per cent per annum (adjustments for single-currency loans)
Amount of IFAD loan 3:	US\$14 million
Terms of IFAD loan 3:	Ordinary: 30 years, including a grace period of 9 years, subject to interest at a rate equal to the IFAD reference interest rate including a variable spread
Cofinanciers:	European Investment Bank (EIB) (subject to approval) and South-South and Triangular Cooperation (SSTC) Facility grant
Amount of cofinancing:	EIB: US\$60.56 million SSTC Facility grant: US\$0.3 million
Terms of cofinancing:	Blend
Contribution of borrower:	US\$19.15 million
Contribution of beneficiaries:	US\$46.14 million
Financing gap:	US\$20 million
Amount of IFAD climate finance:	US\$14.35 million

I. Context

A. National context and rationale for IFAD involvement

National context

1. Following a long period of sustained economic growth and poverty reduction, Cambodia has suffered significant economic impact from the COVID-19 pandemic and the conflict in Ukraine in recent months. Poverty headcount has increased from around 10 to 17.8 per cent. Rural Cambodians remain at risk of being left behind by the structural transformation of the economy, vulnerable to falling back into poverty and at severe risk from climate change.
2. Agriculture contributed 22 per cent of GDP and 35 per cent of employment in 2020. Land productivity is low and labour productivity lags behind the non-farm sectors. Only about 10 per cent of cropland is fully irrigated.
3. Cambodia has 1.7 million farming households, about 75 per cent of them headed by smallholders. Most of these households live on less than 150 per cent of the national poverty line. Most farmers supplement farm income with wage labour. About 23 per cent of rural households are landless.
4. Cambodia produces a substantial surplus of rice for export. Other important export commodities include rubber, cassava and various tree crops. However, exports comprise primarily raw materials. Cambodia imports large amounts of fruit and vegetables.
5. Barriers to increasing the productivity of smallholder farming include limited access to credit, technology, market intelligence and key inputs. The top agriculture cooperatives (ACs) are increasingly successful at assisting farmers to overcome these challenges, but the majority of producers' organizations (POs) are not yet at this level. Value chain processors face high costs in areas such as logistics, energy and cost of credit compared to neighbouring countries.
6. The Government of Cambodia prepared the Agricultural Development Policy 2021-2030 (ADP) in the context of its post-COVID recovery strategy. The ADP prioritizes a more commercial and export-oriented agriculture sector that contributes to inclusive growth and seeks to take advantage of recent success in negotiating trade access for Cambodian produce to China and other markets.

Special aspects relating to IFAD's corporate mainstreaming priorities

7. In line with IFAD's mainstreaming commitments, the programme has been validated as:
 - Including climate finance;
 - Gender transformational.
8. **Women** face obstacles to their economic empowerment, including: (i) the amount of time and responsibility for unpaid domestic and care work; (ii) low levels of literacy and education; and (iii) a lack of access to resources (including land and finance) necessary for economic empowerment. **Rural youth** face difficulties in accessing land, which also limits access to credit, as financial institutions generally require land as collateral and a high proportion of young people migrate to urban areas in search of work. **Indigenous Peoples** make up about 1.5 per cent of Cambodia's population and suffer disadvantages in access to health, education and other services. Eleven per cent of women and 9 per cent of men in Cambodia live with disabilities; they are more likely to be poor, have low educational attainment and experience discrimination and exclusion. Cambodia is highly vulnerable to climate change and disaster risks. **Climate change** will result in more frequent and intense precipitation and an increase in the number of extreme rainfall events (medium confidence), leading to increased flooding. Temperatures will rise by between 0.7°C and 2.7°C by 2060.

Rationale for IFAD involvement

9. With its strong partnerships with Cambodian government agencies, civil society groups and the private sector, IFAD is well placed to assist the Government in implementing the ADP with a focus on pro-poor value chains, thus ensuring that the rural poor are not left behind by economic development. IFAD will apply its specific expertise to assist farmers to overcome barriers so that they can increase their productivity and share of market value in export and domestic markets.
10. IFAD involvement will build on the achievements of the Agriculture Services Programme for Innovation, Resilience and Extension (ASPIRE) and the Accelerating Inclusive Markets for Smallholders Project to assist the informal business clusters to aggregate into inclusive formal POs, access improved sustainable and resilient technology and form partnerships with private businesses. Financing investments through public sector banks will bring IFAD's global expertise in inclusive financial services to bear, complementing the existing country programme strengths.
11. The Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade (ASPIRE-AT) will continue to strengthen IFAD's partnership with the European Investment Bank (EIB) and will continue to implement the programme-based approach, which maximizes synergies between programmes within the IFAD portfolio and those of development partners.

B. Lessons learned

12. Lessons learned from IFAD's country programme in Cambodia and elsewhere have been documented in the programme design report and are summarized as follows:
 - (i) The need for differentiated strategies to meet the needs of two key target groups: advanced smallholders in agricultural commercialization and poor households seeking out coping strategies;
 - (ii) The need for adequate time and resources for capacity-building for effective POs;
 - (iii) The need for a holistic approach to PO capacity-building, including: (i) social capital and inclusive governance; (ii) production and productivity; (iii) access to sustainable markets; and (iv) viable business models including cash flows;
 - (iv) The importance of devolved, pluralistic extension services promoting good agricultural practice through a network of community change agents;
 - (v) Increasing the importance of and potential for digital services for smallholder farmers and value chains;
 - (vi) The need to develop partnerships with financial institutions to increase access to finance on suitable terms for smallholders and small and medium agriculture enterprises (SMAEs);
 - (vii) Targeting value chains through a cluster approach to group poorer areas with more developed ones, while ensuring pro-poor inclusion throughout; and
 - (viii) Recognizing that structural transformation of the economy will result in many people in IFAD's target group transitioning from farming to wage-based livelihoods; thus programme design should give adequate importance to creating decent rural employment.

II. Programme description

A. Objectives, geographical area of intervention and target groups

Goal and objectives

13. The programme goal is "rural poverty and vulnerability has decreased and climate resilience of Cambodian rural households has increased through inclusive and

environmentally sustainable growth in the agriculture sector". The programme development objective is "inclusive and sustainable agriculture sector growth based on exports and domestic markets has increased the incomes of rural producers and workers".

Geographical area

14. ASPIRE-AT will be national in scope. The interventions will take place in selected pro-poor value chain areas to be selected based on a plan demonstrating potential to achieve outreach to a minimum of 5,000 smallholders within two years per area. Five pro-poor value chain areas will be targeted initially in the first year. This selection will be confirmed through the mapping study to be conducted under the readiness action plan. A further 11 pro-poor value chain areas will be added in years two and three.

Target groups

15. ASPIRE-AT will target 125,000 rural households (corresponding to 500,000 people) who fall within the target group of the country strategic opportunities programme (COSOP) 2022-2027, i.e. poor and vulnerable rural Cambodians whose income is less than 150 per cent of the national poverty line. It will target two subgroups: (i) smallholder farmers who are vulnerable to falling into poverty due to climate, market or other shocks but who have productive potential and can take advantage of market opportunities; and (ii) landless or land-poor households ready to take advantage of employment opportunities. Both subgroups will be reached through support to POs, including ACs, unions of agricultural cooperatives and others such as farmers' associations and SMAEs. Targeted support will be subject to eligibility screening criteria to ensure that poor and disadvantaged groups benefit. About 50 per cent of beneficiaries will be women, 20 per cent will be youth, and 1.5 per cent will be Indigenous Peoples.

B. Components, outcomes and activities

16. **Component 1: Productive and resilient assets for producers' organizations** will finance investments that are identified in the business plans of POs having achieved a required level of capacity (graduated PO status). Under subcomponent 1.1, the public sector Agricultural and Rural Development Bank (ARDB) will provide financing packages combining loans and grants to POs and to individual farmers who are members of POs. Grants will be held in escrow accounts and will be released once the loans are repaid. In this way, the grants will act as a partial guarantee to ARDB, reducing the need for other collateral.
17. Graduated PO status will be achieved on the basis of scorecard criteria including: (i) measures of business and administrative capacity; (ii) a strong partnership with the private sector; and (iii) good governance, social inclusivity, and social and environmental risk management.
18. Eligible investments by smallholders must: (i) be identified in the PO business plan; (ii) relate to production of a targeted value chain commodity; (iii) involve physical assets with a useful life of more than one year; (iv) not be on the social and environmental negative list; and (v) not involve land purchases. Smallholders will receive grant finance up to 25 per cent of the financing package, or 35 per cent for farmers who are women, Indigenous Peoples, young people or persons with disabilities. The maximum grant amount for any individual farmer over the programme life will be US\$1,000.
19. Eligible investments by graduated POs must: (i) be identified in the PO business plan; (ii) relate to cash-generating activities in a target value chain; (iii) contribute to a partnership with the private sector; (iv) involve physical assets with a useful life of more than one year; (v) not be on the social and environmental negative list; and (vi) not involve land purchases. Grants will be for a maximum of 40 per cent of

the financing package, subject to a ceiling of US\$150 per smallholder beneficiary over the life of the programme.

20. Under subcomponent 1.2, the programme will finance physical infrastructure assets to be owned, operated and maintained by the PO that are important for achieving competitiveness and sustainability but cannot easily generate revenue. These investments will only be available for POs that have not received similar support in the past. Examples of eligible investments include: (i) access roads; (ii) loading areas; (iii) collection and handling facilities; (iv) water distribution infrastructure; and (v) multi-purpose buildings for the PO.
21. **Component 2: Business partnerships and market access** will support public and private investment to increase the number and competitiveness of agribusinesses operating in priority value chains and the associated enabling public goods and services to support competitive export growth, creating more market demand for POs.
22. Subcomponent 2.1 will provide investment-oriented technical support to about 40 agribusinesses to plan and deliver successful upgrading investments in the target value chains. Technical support will include market exposure and trade promotion, bespoke technical investment advice and facilitation of links to centres of industry-leading international knowledge. Agribusinesses will be facilitated to establish trading links with POs supported by the programme. In order to be eligible, businesses must: (i) be planning to expand their business activities; (ii) have a proven business track record; and (iii) be committed to sourcing from POs.
23. The businesses will access the credit line through the SME Bank of Cambodia in amounts ranging from US\$0.5 million to US\$5 million, supported by credit guarantees from the Credit Guarantee Corporation of Cambodia.
24. Subcomponent 2.2 will upgrade critical public services and associated infrastructure to enable competitive export growth, with a focus on export-oriented plant health and quarantine services. Investments will include upgrading of physical infrastructure and equipment as well as capacity-building of the institutions and staff. Provisionally, the programme will finance a post-harvest reference centre, export quarantine inspection offices, a plant health reference laboratory and plant health research stations. The subcomponent will also support a review of policies and regulations affecting the priority sectors and proposals for adjustments to strengthen competitiveness.
25. **Component 3: Aggregating farmers and integrating them into value chains** will support POs to become more inclusive and achieve the scale and institutional capacity required to provide effective services to their members, be attractive partners for agribusiness and qualify for investment financing under component 1. By the end of the programme it is anticipated that there will be approximately 500 participating graduated POs.
26. Qualified service providers will be recruited to build the capacity of POs to become graduated POs and assist them to develop a business plan and financing proposal to obtain support under component 1.
27. The programme will finance the establishment of centres of excellence for development, promotion and demonstration of improved production and post-harvest techniques with an emphasis on climate-smart agriculture. Centres of excellence will be implemented in partnership with private sector suppliers of technology and the lead farmers.

C. Theory of change

28. Smallholders, the rural poor and disadvantaged groups are at risk of being left behind by Cambodia's transition to a market economy and of failing to adapt to climate change. ASPIRE-AT will select pro-poor value chains based on the expected

opportunities created for these groups. ASPIRE-AT will address market failures and gaps in provision at all levels of the value chains with the key focus on assisting farmers to organize, aggregate and invest through POs and to increase their resilience and adaptive capacity.

29. Productivity of farmers and rural businesses will be increased based on investments that become viable business plans of the POs. Market access will be increased by expanding export opportunities, supporting services needed to meet export and domestic market requirements and rolling out information and communication technology services.
30. The willingness of farmers and SMAEs to take on investment risks is an important assumption, as is farmers' understanding of the benefits of organizing into POs. The programme logic includes the distributional assumption that, by focusing on value chains with potential for smallholder production, a high proportion of poorer and more vulnerable farmers, as well as women, youth and Indigenous Peoples, will be able to benefit. Increased employment opportunities created by investments will inherently benefit people dependent on wage income, a group that includes the poorest sections of rural society.
31. Therefore, the combined effect of the three programme components (investments, value chain improvements and POs) will be to ensure an inclusive, climate-adaptive and sustainable path to transition for Cambodia's agriculture sector and rural society.

D. Alignment, ownership and partnerships

Alignment with the Sustainable Development Goals

32. ASPIRE-AT will contribute to achievement of Sustainable Development Goals (SDGs) 1, 2, 5, 8 and 13. The programme is aligned with the strategic objectives of the COSOP 2022-2027, which closely reflect the global strategic objectives set under the Twelfth Replenishment of IFAD's Resources.
33. ASPIRE-AT is aligned with the Government's post-COVID recovery policy for agriculture and the ADP, which contributes to the four thematic areas: (i) modernizing and commercializing the agriculture value chain; (ii) public and private investments in the agriculture sector; (iii) growing sustainably and increasing resilience to climate change; and (iv) institutional reforms and cross-cutting issues. ASPIRE-AT supports the specific priorities identified in Cambodia's Roadmap for Food Systems for Sustainable Development 2030.

Harmonization and partnerships

34. ASPIRE-AT will build on IFAD's existing strong partnerships with government agencies, EIB and potentially with the European Union under the Sustainable Assets for Agriculture Markets, Business and Trade Project. ASPIRE-AT will work in partnership with sector agencies, agribusinesses and Cambodian farmers' organizations.

E. Costs, benefits and financing

Programme costs

35. The total programme cost amounts to US\$194.0 million over a seven-year implementation period.

Table 1
Programme costs by component and financier
(Thousands of United States dollars)

<i>Component</i>	<i>Government</i>	<i>IFAD blend and highly concessional loans</i>	<i>IFAD ordinary loan</i>	<i>EIB</i>	<i>Financing gap</i>	<i>SSTC Facility grant</i>	<i>Partner financial institution</i>	<i>Beneficiaries</i>	<i>SME Bank</i>	<i>Total</i>
1. Productive and resilient assets for producers' organizations	3 520	10 780	-	41 130	8 820	-	19 530	1 050	-	84 830
2. Business partnerships and market access	4 330	4 880	13 300	19 430	7 680	200	23 400	-	2 160	75 380
3. Aggregating farmers and integrating them into value chains	6 590	13 370	-	-	3 500	-	-	-	-	23 460
4. Management, monitoring and evaluation	4 710	4 870	700	-	-	100	-	-	-	10 380
Total	19 150	33 900	14 000	60 560	20 000	300	42 930	1 050	2 160	194 050

Table 2
Programme costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>Government</i>	<i>IFAD blend loan</i>	<i>IFAD highly concessional loan</i>	<i>IFAD ordinary loan</i>	<i>EIB</i>	<i>Financing gap</i>	<i>SSTC Facility grant</i>	<i>Partner financial institution</i>	<i>Beneficiaries</i>	<i>SME Bank</i>	<i>Total</i>
I. Investment costs											
A. Works	4 100	-	-	-	32 570	-	-	-	-	-	36 670
B. Equipment and materials	2 720	-	-	-	6 890	-	-	-	-	-	9 610
C. Vehicles	20	150	-	-	20	-	-	-	-	-	190
D. Goods, services and inputs	1 610	2 850	500	-	1 520	-	-	-	-	-	6 480
E. Grants and subsidies	-	-	-	-	15 750	8 820	-	-	-	-	24 570
F. Credit and guarantee funds	-	-	10 500	12 750	-	7 680	-	42 930	1 050	2 160	77 070
G. Training and capacity-building	3 750	-	11 700	-	630	3 500	100	-	-	-	19 680
H. Consultancies and studies	1 400	8 200	-	1 250	3 180	-	200	-	-	-	14 230
I. Workshops	250	-	-	-	-	-	-	-	-	-	250
Total investment costs	13 850	11 200	22 700	14 000	60 560	20 000	300	42 930	1 050	2 160	188 750
II. Recurrent costs											
A. Operating costs	2 200	-	-	-	-	-	-	-	-	-	2 200
B. Salaries and allowance	3 100	-	-	-	-	-	-	-	-	-	3 100
Total recurrent costs	5 300	-	-	-	-	-	-	-	-	-	5 300
Total programme costs	19 150	11 200	22 700	14 000	60 560	20 000	300	42 930	1 050	2 160	194 050

Table 3

Programme costs by component and programme year

(Thousands of United States dollars)

<i>Component</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>	<i>2029</i>	<i>Total</i>
1. Productive and resilient assets for producer organizations	3 630	11 450	15 730	17 750	13 700	7 090	15 480	84 830
2. Business partnerships and market access	2 460	26 270	10 700	14 070	11 920	7 180	2 780	75 380
3. Aggregating farmers and integrating them into value chains	2 370	5 600	5 800	5 120	2 830	1 370	370	23 460
4. Management, monitoring and evaluation	1 350	1 220	1 450	1 500	1 580	1 600	1 680	10 380
Total programme costs	9 810	44 540	33 680	38 440	30 030	17 240	20 310	194 050

36. Subcomponents 1.1 (35 per cent), 2.2 (20 per cent), 3.1 (30 per cent) and 3.2 (100 per cent) include climate finance (adaptation) and will build adaptive capacity. The total amount of IFAD climate finance for this programme is calculated as US\$14.35 million or 30 per cent of IFAD total programme cost.

Financing and cofinancing strategy and plan

37. IFAD will finance US\$33.9 million in the form of a loan under the performance-based allocation system (PBAS) and US\$14.0 million in the form of a loan under the Borrowed Resource Access Mechanism; the Government will provide US\$19.15 million; EIB will contribute US\$60.56 million; the SSTC Facility grant will provide US\$0.3 million; partner financial institutions, US\$42.93 million; beneficiary contribution, US\$1.05 million; and SME Bank contribution, US\$2.16 million. The funding gap of US\$20.0 million may be covered under subsequent PBAS cycles or by cofinancing identified during implementation.

Disbursement

38. The withdrawal and use of IFAD funds for ASPIRE-AT will be governed by IFAD's project financial management and financial control handbook and the financing agreement between IFAD and the Government.
39. Before disbursement can begin, IFAD must receive a duly completed authorized user letter designating the names of the officials authorized to approve withdrawal applications and interim financial reports.
40. The designated delegated officials will be authorized to undertake actions in IFAD systems, including the IFAD Client Portal (ICP), commensurate with their respective assigned roles, including the electronic submission of documentation through the ICP.
41. Interim financial reports are required for both reporting and disbursement purposes. When submitted as a component of withdrawal applications, such reports must be submitted in form and quality acceptable to IFAD.
42. Each withdrawal application will be submitted to IFAD in accordance with the requirements set out in IFAD's Project Financial Management and Financial Control Handbook. Where deemed applicable by IFAD, expenditure thresholds may be determined by financing instrument, expense category and contract.
43. The Ministry of Economy and Finance (MEF) and the existing ASPIRE secretariat at the Ministry of Agriculture, Forestry and Fisheries (MAFF) will open and maintain at the National Bank of Cambodia a designated account denominated in United States dollars to receive the IFAD loan proceeds.
44. MEF will authorize the opening of a programme account at the ASPIRE secretariat for the IFAD loan; a programme account for the Government's contribution; and two accounts at the ARDB and SME Bank, respectively.

45. As an exception to section 4.07(a)(ii) of the General Conditions for Agricultural Development Financing, specific eligible expenditures incurred as of 1 January 2023 until the date of entry into force of this agreement shall be considered eligible up to an amount equivalent to US\$500,000 for activities relating to: project staff recruitment and salary under consultancy category. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the borrower once additional conditions precedent to the first disbursement of funds are fulfilled.

Summary of benefits and economic analysis

46. The economic internal rate of return of the programme is estimated as 32 per cent (base case). The sensitivity analysis shows that this could fall to 17 per cent in the most severe case scenario, still above the opportunity cost of capital in Cambodia.

Exit strategy and sustainability

47. ASPIRE-AT interventions are expected to result in a self-sustaining ecosystem that includes capable market-linked smallholder farmers and POs partnering with agribusinesses with the market knowledge and technical skills to take advantage of expanding opportunities in export and domestic value chains, financed by institutions offering appropriate products and supported by efficient public services.
48. By the end of the programme, POs will be legal entities with business management capacity in partnerships with agribusinesses and access to finance. Overall costs for the capacity-building effort to achieve this will be highest in the first year of the programme and will decline to close to zero in the final year.
49. Investments will be financed by loans and grants through partner financial institutions, which will take a commercial approach to screening for financial viability.
50. Supported enterprises should become self-sustaining and able to mobilize capital and invest in response to market opportunities.
51. Public services supported by ASPIRE-AT are expected to become self-sustaining. A clear path to sustainability must be demonstrated before approval of investments.

III. Risk management

A. Risks and mitigation measures

52. ASPIRE-AT is considered a low-risk programme overall while some moderate risks are identified in the integrated risk framework based on the operating environment and past experience in Cambodia. Country risks are generally low, subject to some uncertainties about the global economic impact of the conflict in Ukraine and other events. The programme scope entails some risks that are mitigated by design features. These relate to the potential for smallholders to compete in the market, the design of financing instruments for farmers, POs and agribusinesses, and the risk that public sector investments may be proposed without adequate assurance of viability and sustainability. The financial management risk inherent in the country is high but mitigated by the use of well-established financial management procedures and capacity; the inherent financial management risk for ASPIRE-AT is therefore deemed moderate. The procurement risk is also considered moderate.

Table 4
Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Low	Low
Sector strategies and policies	Low	Low
Environment and climate context	Moderate	Low
Programme scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Low
Financial management	Moderate	Low
Programme procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
Overall	Moderate	Low

B. Environment and social category

53. The proposed environmental and social risk category is moderate. An environmental, social and climate management framework (ESCMF) has been prepared with an environmental, social and climate management plan, cultural heritage management plan, Indigenous Peoples' plan, and free, prior and informed consent implementation plan. The programme will not require any involuntary land acquisition and will enforce a zero deforestation policy.

C. Climate risk classification

54. The climate risk category is **substantial**. An in-depth climate risk analysis has been prepared. The screening checklist provided in the ESCMF and the recommendations of the climate risk analysis will guide the programme to implement adequate adaptation and mitigation measures while working in climate-vulnerable areas.

D. Debt sustainability

55. The joint International Monetary Fund–World Bank Debt Sustainability Analysis of November 2021 indicates that Cambodia remains at low risk of external and overall debt distress. The current debt-carrying capacity is consistent with a medium classification. Under the baseline scenario, external debt remains well below thresholds. In line with a wider fiscal deficit over the medium term, external debt is projected to gradually rise from 36 per cent of GDP in 2021 to 38.1 per cent of GDP in 2028, before stabilizing at around 37 per cent of GDP in early 2030.

IV. Implementation

A. Organizational framework

Programme management and coordination

56. MAFF will be the programme executing agency and will assign programme management responsibilities to the ASPIRE secretariat, thus making use of established capacity, ensuring continuity and facilitating implementation of the programme readiness action plan. The General Directorate of Agriculture within MAFF will be responsible for subcomponent 2.2.
57. ARDB and SME Bank will be programme implementing agencies and will manage the lines of credit and matching grant finance, screen and conduct due diligence on investment proposals, finance investments and report on results to the programme. Loan repayments will be used to refinance the credit schemes.

Financial management, procurement and governance

58. **Financial management.** The ASPIRE secretariat will apply the Government's standard operating procedures and the existing ASPIRE financial management manual subject to necessary revisions. ARDB and SME Bank will apply their existing financial management systems and provide the financial reports to the ASPIRE

secretariat. ASPIRE will apply the International Public Sector Accounting Standards for financial management and reporting. The withdrawal and use of IFAD funds for ASPIRE-AT will be governed by IFAD's Project Financial Management and Financial Control Handbook and the financing agreement. MEF will appoint an external auditor for annual audit, and Cambodian auditing standards, an adaptation of International Standards on Auditing, will be applied.

59. **Procurement** will be based on the Government's standard operating procedures to the extent they are consistent with the IFAD Project Procurement Guidelines. The ASPIRE secretariat will be directly responsible for programme procurement, except for activities financed through ARDB and SME Bank, for which the loan recipients will be responsible. Applicable procurement methods and prior review requirements will be observed. Requests for prior review and no objection will be routed through the No Objection Tracking Utility System.
60. **Governance and anticorruption.** Programme staff, beneficiaries and all bidders, suppliers, contractors and consultants under IFAD-financed contracts are expected to observe the highest standard of ethics and integrity. IFAD will not finance expenditures for goods, works or consulting services that have not been procured in accordance with the IFAD Project Procurement Guidelines and the financing agreement.

Target group engagement and feedback and grievance redress

61. Target group engagement and feedback processes will be centred on the supported POs and their members.
62. The programme will establish an accessible and transparent process for those affected by the programme to make complaints, report wrongdoing or seek redress in compliance with the revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse 2018, and IFAD's Social, Environmental and Climate Assessment Procedures 2021.
63. The programme will establish confidential reporting mechanisms and promote these mechanisms via programme communication materials and platforms and in the course of programme activities.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

64. The monitoring and evaluation system for ASPIRE-AT will be based on: (i) an outcome survey conducted at household level, with baseline, midterm and endline measurement; and (ii) a management information system (MIS) based on an upgrade of the existing ASPIRE MIS, which captures information on production and sales at farm level.
65. A **communications plan** for the programme will be developed and implemented by the ASPIRE secretariat in coordination with IFAD communications specialists. Knowledge-sharing will take place primarily through digital means.

Innovation and scaling up

66. Innovative features include: (i) the investment financing model, a blend of loans and grants disbursed through partner financial institutions; (ii) technical packages to be developed and promoted through POs for investment support – these may include, inter alia, climate-smart agriculture techniques, disease-free seed production and protocols for production of premium varieties; and (iii) the sustainability pathway by which POs will become independent of programme support. All of these features will be scalable based on demonstrated and documented success.

C. Implementation plans

Implementation readiness and start-up plans

67. A programme readiness action plan has been prepared and is being implemented over the period July to December 2022 by the ASPIRE secretariat with available resources from the ASPIRE programme and with technical support from IFAD.
68. A programme implementation manual has been prepared and includes terms of reference for key service providers. The Government will be encouraged to initiate the procurement process for these service providers in advance of programme effectiveness. Resources from the ongoing ASPIRE programme may be used to support this readiness activity for ASPIRE-AT.

Supervision, midterm review and completion plans

69. ASPIRE-AT implementation will be supervised jointly by the Government, IFAD and EIB. There will be one supervision mission and one implementation support mission per year, with a midterm review planned for early 2026.

V. Legal instruments and authority

70. A programme financing agreement between the Kingdom of Cambodia and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement will be made available prior to the session.
71. The Kingdom of Cambodia is empowered under its laws to receive financing from IFAD.
72. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

73. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Kingdom of Cambodia in an amount of eleven million two hundred thousand United States dollars (US\$11,200,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the Kingdom of Cambodia in an amount of fourteen million United States dollars (US\$14,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on highly concessional terms to the Kingdom of Cambodia in an amount of twenty-two million seven hundred thousand United States dollars (US\$22,700,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(To be made available prior to the session)

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project				Project MIS	Annual	PMU	100,000 smallholder hh in POs and 25,000 landless or land-poor hh benefitting from employment opportunities
	Total number of persons receiving services - Number of people	0	200000	500000				
	1.a Corresponding number of households reached				Project MIS	Annual	PMU	
	Households - Households	0	50000	125000				
	Corresponding number of households reached				Project MIS	Annual	PMU	
	Landless or land-poor – Households - Number	0	10000	25000				
1.b Estimated corresponding total number of households members				Project MIS	Annual	PMU		
Household members - Number of people	0	200000	500000					
Project Goal Rural poverty and vulnerability has decreased and climate resilience of Cambodian rural households has increased through inclusive and environmentally sustainable growth in the agriculture sector.	Declining rural poverty rate				National poverty statistic (%)	Annual	National Institute of Statistics	Increased volume and / or value added will result in increased incomes for smallholders and employment opportunities for the rural poor, therefore contributing to reduced national poverty headcount based on inclusive growth.
	Poverty headcount - Percentage (%)	17	15	10				
	Agriculture value added growth of 3% per annum (ADP Policy Indicator 1)				National Accounts	Annual	National Institute of Statistics	
Average growth of value added in agriculture sector - Percentage (%)	4	3	3					
Development Objective Inclusive and sustainable agriculture sector growth based on exports and domestic markets has increased incomes of rural producers and workers.	# of rural households with household income increased by at least 20%				Outcome survey	BL, MT, EL	Service provider	There are market opportunities to increase volumes and / or capture more value-added in pro-poor value chains.
	Total number of household members - Number	0	27000	225000				
	IE.2.1 Individuals demonstrating an improvement in empowerment				Outcome Survey		Service Provider	
	Total persons - Number of people	0	10000	25000				

Outcome Stakeholders Feedback	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers			Outcome survey	BL, MT, EL	Service provider	Responsive and accountable governance of ACs.
	Household members - Number of people	0	100000				
	SF.2.1 Households satisfied with project-supported services			Outcome survey	BL, MT, EL	Service provider	
	Household members - Number of people	0	126000				
	Households (number) - Households	0	28000	70000			
Outcome Outcome 1 Smallholders' and PO's Investments in productive assets have increased their productivity and competitiveness in domestic and exports-based value chains.	# beneficiary households with labour productivity increasing in line with ADP target (8% p.a.)			Outcome survey	BL, MT, EL	Service provider	50% of supported households able to achieve this increase.
	Total number of household members - Number	0	80000				
	2.2.5 Rural producers' organizations reporting an increase in sales			MIS	Annual	PMU	
Number of Rural POs - Organizations	0	180	450				
Output 1.1.1 Financial support provided to PO with bankable investment	Number of rural producers benefiting from loan-financed investments by AC / PO			MIS	Annual	PMU	POs willing to accept risks of investing if suitable assistance
	Rural producers benefiting - Number	0	20000				
Output 1.1.2 Financial support provided to smallholders with bankable investment proposals in productive and resilient assets	1.1.3 Rural producers accessing production inputs and/or technological packages			MIS	Annual	PMU	Farmers willing to accept risks of investing if suitable assistance and finance is provided
	Total rural producers - Number of people	0	1200				
Output 1.2 Enabling market infrastructure for Producer Organisations	# members of PO/AC with access to physical infrastructure assets provided by the project.			MIS	Annual	PMU	
	Total PO/AC members - Number	0	16000				
Outcome 2. PO's partnerships with agribusinesses have been enhanced and their market access improved	2.2.2 Supported rural enterprises reporting an increase in profit			MIS	Annual	PMU	Investments create equivalent of about 10,000 full-time jobs, with most roles being part time / seasonal.
	Number of enterprises - Enterprises	0	4				
	2.2.1 Persons with new jobs/employment opportunities			Outcome survey	BL, MT, EL	Service provider	
	Total number of persons with new jobs/employment	0	10000				

	opportunities - Number of people							
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Outcome survey	BL, MT, EL	Service provider	
	Number - Number	0	1	3				
Output 2.1.1. Private investments for agricultural market and trade development promoted and facilitated	2.1.1 Rural enterprises accessing business development services				MIS	Annual	PMU	Collaboration with existing institutions to identify participating businesses and deliver complementary support (e.g. Khmer Enterprise, EuroCham).
	Rural enterprises - Enterprises	0	6	15				
Output 2.1.2 Digital and financial technology service providers supported to develop and / or scale up use of digital applications.	Number of smallholder farmers using digital applications promoted by the project				MIS	Annual	PMU	Digital applications available for roll-out / scale up.
	Number of smallholder farmers - Number	0	4000	10000				
Output Output 2.1.3 Financial support provided for agribusinesses to invest in increased processing capacity	# rural enterprises accessing financial services				MIS	Annual	PMU	Retail financial institutions able to access existing credit guarantee schemes (Co-financing Guarantee Scheme of SME Bank and Women Entrepreneurs Guarantee Scheme.
	Enterprises - Number	0	6	15				
Output 2.2.1 Strategic infrastructure for agriculture trade facilitation established (Post Harvest Reference Centres, Quarantine Inspection Offices, Plant Health Reference Laboratories etc.)	Number of facilities completed and operational with sustainable management and financing plans.				MIS	Annual	PMU	Sustainable business model for facilities identified
	Facilities - Number	0	3	7				
Output Output 2.2.2 Review of policy and regulatory framework supported to strengthen competitiveness	Policy 1 Policy-relevant knowledge products completed				MIS	Annual	PMU	Govt willing to engage on policy dialogue -this will likely not happen in fact.
	Number - Knowledge Products	0	1	3				
Outcome 3. Smallholders have been organised and coordinated in Agriculture Cooperatives and other Producer Organisations, and have been enabled	2.2.4 Supported rural producers' organizations providing new or improved services to their members				MIS	Annual	PMU	Consolidation and formalisation of POs leads to improved services
	Number of POs - Organizations	0	214	535				Farmers understand the

to produce in response to market requirements for type, volume and quality standards.	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities			MIS	Annual	PMU	potential benefits of forming ACs / POs Enterprises willing to enter partnerships with ACs and UACs
	Number of POs - Organizations	0	150				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices			Outcome survey	BL, MT, EL	Service provider	Resilient and sustainable production technologies can be market-competitive
Total number of household members - Number of people	0	20000	50000				
Output 3.1 Producer organisations / Agriculture Cooperatives (AC) established and strengthened	2.1.3 Rural producers' organizations supported			MIS	Annual	PMU	POs will consist of 200 existing ACs with 40,000 members and 300 ACs or other type of registered PO with 60,000 members formed by aggregating Business Clusters supported by ASPIRE / AIMS.. About 1,000 BCs (of existing 4,400) will be aggregated, yielding about 40,000 members, with an additional 20,000 members recruited to the new structures. It is assumed that all these existing or successfully created entities will achieve graduation status by the end of the project. 35 higher-level Unions of Agriculture Cooperatives (existing or newly created) will be supported, their members are counted amongst the members of the POs.
	Rural POs supported - Organizations	0	214				
	2.1.4 Supported rural producers that are members of a rural producers' organization			MIS	Annual	PMU	
Total number of persons - Number of people	0	40000	100000				
Output 3.2.1 Centres of excellence and Lead Farmers established and supported for development and dissemination of improved agricultural, post-harvest and processing technologies	1.1.4 Persons trained in production practices and/or technologies			MIS	Annual	PMU	Suitable sites and sustainable business models for Centres of Excellence identified.
	Total persons trained in crop - Number of people	0	8000				

Integrated programme risk matrix

Country Context	Moderate	Low
Political Commitment	Low	Low
Risk: Change in GoKC commitment to agriculture development, for example if there is a change of government following the election due in mid-2023. However, based on understanding of the Cambodian political situation, the likelihood of major change of policy towards agriculture is assessed as low.	Low	Low
Mitigations: The project is strongly aligned with the agriculture sector policy of GoKC, which is expected to remain stable.		
Governance	Moderate	Low
Risk: Private agribusiness unwilling to invest because of governance concerns, for example hidden transaction costs associated with agriculture processing and exporting.	Moderate	Low
Mitigations: The project design assumes a willingness to invest consistent with past experience / observations. Through policy engagement, IFAD will continue to support GoKC to improve ease of doing business in the agriculture sector.		
Macroeconomic	Moderate	Moderate
Risk: International economic recession reduces market opportunities. There is a risk that current economic trends lead to a reduction in demand for the export commodities targeted by the project, impacting on the viability of investments financed by the project.	Moderate	Moderate
Mitigations: (1) project will target domestic as well as export markets, with domestic demand for e.g. safe vegetables, backyard chicken less likely to be affected, and (2) feasibility study of individual investments will take into account market conditions at the time. Project will maintain flexibility so that production / marketing channels can be reoriented in case that trade conditions with specific partners deteriorate.		
Risk: Impact of international events on prices worsens Cambodia's terms of trade. Cambodia imports all its fuel and fertiliser and most capital equipment, so increases in costs of these items are likely to harm Cambodia's competitiveness. Conversely, increased food prices could favour Cambodia as a food exporting country, but this is difficult to predict.	Moderate	Moderate
Mitigations: (1) monitor the situation and adjust strategy if it seems likely that some value chains become uncompetitive overall; and (2) assess viability of investments based on best available price information. The project inherently spreads risk by supporting a range of domestic and export value chains with different characteristics.		
Risk: Agriculture sector, particularly export markets, severely impacted by macroeconomic instability, perhaps due to external events	Moderate	Moderate
Mitigations: Project will balance focus on export and domestic value chains, with domestic VC less vulnerable		
Fragility and Security	Low	Low
Risk: Insecurity (for example, political conflict, criminal activity) posing a risk to project implementation. Despite its history as a fragile state, Cambodia has maintained good internal security over a long period (25 years) and so this category of risk is assessed as low.	Low	Low
Mitigations: IFAD team will monitor the situation closely and take necessary actions on time.		
Sector Strategies and Policies	Moderate	Low
Policy alignment	Low	Low

Risk: Change in government policy e.g. on agriculture trade, ACs etc.	Low	Low
Mitigations: Project aligned with current policy, and no major changes expected.		
Policy Development and Implementation	Moderate	Low
Risk: Risk: Key policies (trade, ACs, etc) not effectively implemented.	Moderate	Low
Mitigations: Project interventions are diverse and not over-dependent on a single aspect of policy.		
Environment and Climate Context	Moderate	Low
Project vulnerability to environmental conditions	Moderate	Low
Risk: Project directly finances or creates incentives that encourage or facilitate unsustainable environmental practices (e.g. inappropriate chemical use; encroachment on protected natural environment areas).	Moderate	Low
Mitigations: Social, Environmental and Climate risk assessments applied to investments and appropriate criteria applied.		
Project vulnerability to climate change impacts	Moderate	Low
Risk: Prolonged droughts, intense flooding and changes in seasonality due to climate change will likely affect production of key crops rendering them non-viable or uncompetitive.	Moderate	Low
Mitigations: Assessment of climate risks per value chain and promotion of climate-smart varieties and production techniques.		
Project Scope	Substantial	Moderate
Project Relevance	Moderate	Low
Risk: Design assumptions on direction or pace of transition to market economy are flawed Cambodia's transition to a market economy, including in the rural sectors, has been rapid in recent years. There is a low risk that severe exogenous shocks (related to world economic developments) could slow the transition, though likely not reverse it.	Low	Low
Mitigations: Design assumptions are closely aligned with evidence and lessons learned from previous projects. Stakeholders including producers, POs and agri-businesses as well as agriculture focused development agencies have been extensively consulted on the project design and there is strong consensus around the key design assumptions in this regard. However, IFAD and GoKC will continue to monitor the situation.		
Risk: Insufficient scope exists for smallholder farmers in IFAD target group to compete in the market and earn adequate returns to land and labour. The transition to market agriculture is likely to favour larger producers in some sectors. The project design assumes that in key pro-poor value chains smallholder-based production can continue to be competitive and can provide returns that are attractive compared to non-farm occupations.	Moderate	Low
Mitigations: Project will prioritise pro-poor value chains where smallholders already produce successfully, particularly those where success has been demonstrated in previous projects. A set of criteria for targeting value chains is included in design and further studies will be conducted to validate the initial selection of value chains.		
Technical Soundness	Substantial	Moderate
Risk: Financing instruments (mixture of loans and grants) are not attractive for partner financial institutions (PFIs) to deliver. Market-based lending including in the agriculture sector is almost entirely based on land as collateral, with analysis of business plans and cash-flows by financing institutions being a secondary consideration. The project seeks to increase access to finance by developing, in partnership with banks and PFIs, financial products that do not depend on land as collateral.	Moderate	Low

<p>Mitigations: Financing instruments based on existing models, address key constraints including PFI risk, and have been discussed with potential PFIs. In particular ARDB has engaged in detailed discussions on the design of the blended grant and loan instruments in Component 1, and the planned combination of loans and credit guarantees in Component 2 has been discussed with SME Bank and CCGC.</p>		
<p>Risk: Financing instruments (mixture of loans and grants) are not attractive for agri-businesses, POs and farmers to invest. The project design assumes that farmers, POs and agribusinesses will be willing to borrow to invest at interest rates close to those available on the commercial market, supported by a grant element (Component 1) or credit guarantees (Component 2). Essentially, the assumption is that the key barrier, overcome by the financing instrument designs, is the need for land as collateral</p>	Moderate	Low
<p>Mitigations: A range of financing instruments have been trialed by previous projects, GoKC's policy banks and private FIs. There is considerable evidence of farmer willingness to invest when credit is available on suitable terms (cost of credit under the project will be considerably below that offered for small loans by MFIs). There is scope to adjust the design and management of the financing instruments to increase the match to borrower needs. There is a remaining risk that the attractiveness of ASPIRE-AT finance could be reduced if other donor projects make finance available for the same market segments on more generous terms (e.g. FAO GCF project proposing zero-interest rate loans. IFAD will continue to discuss with GoKC and other stakeholders to mitigate this risk</p>		
<p>Risk: Financing instruments (mixture of loans and grants) are not attractive for agri-businesses, POs and farmers to invest. The project design assumes that farmers, POs and agribusinesses will be willing to borrow to invest at interest rates close to those available on the commercial market, supported by a grant element (Component 1) or credit guarantees (Component 2). Essentially, the assumption is that the key barrier, overcome by the financing instrument designs, is the need for land as collateral.</p>	Moderate	Moderate
<p>Mitigations: A range of financing instruments have been trialed by previous projects, GoKC's policy banks and private FIs. There is considerable evidence of farmer willingness to invest when credit is available on suitable terms (cost of credit under the project will be considerably below that offered for small loans by MFIs). There is scope to adjust the design and management of the financing instruments to increase the match to borrower needs. There is a remaining risk that the attractiveness of ASPIRE-AT finance could be reduced if other donor projects make finance available for the same market segments on more generous terms (e.g. FAO GCF project proposing zero-interest rate loans. IFAD will continue to discuss with GoKC and other stakeholders to mitigate this risk.</p>		
<p>Risk: Weak business planning capacity of POs and farmers leads to failed investments. Most existing POs at present have low business planning and investment analysis capacity, and farmers have limited financial literacy. Therefore, it is likely that a proportion of investments proposed for ASPIRE-AT financing will be financially non-viable or non-sustainable.</p>	High	Moderate
<p>Mitigations: The project will work with a service provider to assist preparation of business plans and conduct feasibility studies of investments. A clear set of criteria for approval of investments will be developed and ARDB will be responsible for screening against these criteria. This function of ARDB is congruent with (though somewhat expands) normal checks and due diligence conducted by ARDB, which has an incentive to avoid high risk investments.</p>		
<p>Risk: Public sector investments financed by the project not sustainable because of lack of institutional plans and / or operating budgets. A range of public sector infrastructure investments have been proposed for project financing. All these investments will require operation.</p>	High	Moderate
<p>Mitigations: Design establishes criteria for approval of investments. All major public sector investments will be subject to detailed feasibility study and preparation of an institutional plan.</p>		
<p>Institutional Capacity for Implementation and Sustainability</p>	Moderate	Moderate
<p>Implementation Arrangements</p>	Moderate	Moderate
<p>Risk: Insufficient project management capacity to successfully deliver project, given significant complexity and relatively "lean" resources allocated to project management at the request of GoKC.</p>	Moderate	Moderate
<p>Mitigations:</p>		

Project management responsibilities assigned to experienced ASPIRE Secretariat with demonstrated capacity. IFAD will continue to monitor the situation and work with GoKC to develop solutions if implementation arrangements appear insufficient.		
Risk: Partner Financial Institutions do not have capacity to process financing applications at the required volume (this has been an issue with previous projects including AIMS).	Moderate	Moderate
Mitigations: Project will work with a skilled service provider to prepare financing applications and feasibility studies, reducing the workload on the PFI.		
Monitoring and Evaluation Arrangements	Moderate	Low
Risk: Insufficient capacity to collect sufficient / reliable data on project outcomes and impacts.	Moderate	Low
Mitigations: Data collection based on established MIS used in ASPIRE and will collect data through the ACs.		
Project Financial Management	Moderate	Low
Project Organization and Staffing	Moderate	Low
Risk: ASPIRE contracted staff and Adviser might not be retained for ASPIRE AT due to the project transition. ARDB and SME Bank staff are new to IFAD project	Moderate	Low
Mitigations: ASPIRE AT and start early with retroactive financing option. Even recruitment of new staff required, the project already has good procedures and experience to recruit new staff for project. Training on anti-corruption policy to ARDB and SME Bank staff shall be required.		
Project Budgeting	Moderate	Low
Risk: PMU already has experience and good knowledge on preparation of AWPB, the budget process also need to be prepared by the bank for line credits.	Moderate	Low
Mitigations: Bank staff shall be trained on preparation of AWPB, budget and cash forecast.		
Project Funds Flow/Disbursement Arrangements	Moderate	Low
Risk: ASPIRE already have experience with IFAD disbursement mechanism (Withdrawal Application, IFR, ICP) and familiar with use of DA and project accounts. However fund flow to project accounts of ARDB and SME Banks is new to ASPIRE.	Moderate	Low
Mitigations: Fund flow to project accounts of ARDB and SME Banks need to be specified in the Sub-Agreement to ensure the smooth flow of fund for Credit lines. IFR based disbursement is fully adapted with ASPIRE AT.		
Project Internal Controls	Moderate	Low
Risk: Current internal control and internal audit arrangement for ASPIRE are deemed to be low risk. Project mostly complied with financial manual and SOP. Line credits activities will be control by the bank internal control procedures.	Moderate	Low
Mitigations: Ensure bank internal control is aligned with IFAD financial control requirement		
Project Accounting and Financial Reporting	Moderate	Low
Risk: Financial Manual and SOP shall be imposed for ASPIRE AT. Lesson learnt from current ASPIRE can improve further in next phase. Successful real-time accounting software has been developed and enhanced in few year that shall be used for ASPIRE AT	Moderate	Low

Mitigations: Customization of Accounting software to adapt with next phase is recommended. IFR shall be fully adapted with ASPIRE AT.		
Project External Audit	Moderate	Low
Risk: Financial Statement shall still be audited by private auditing firm under the appointment of MEF. Line credit will be implemented independently by ARDB and SME bank and shall be included in project audit.	Moderate	Low
Mitigations: Project accounts at ARDB and SME Bank will be audited to ensure the completeness of financial reporting and control, conditions of the audit will be included in the Agreement between ASPIRE AT and ARDB/SME Banks.		
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
Risk: There is no integrated system to monitor procurement values and records at the General Department of Public Procurement (PEFA 2021). The Law on Public Procurement provides the adoption of e-procurement at an appropriate time. Presently, no government agency uses e-procurement.	Moderate	Moderate
Mitigations: Using NOTUS and ICP Contract Monitoring Tool for monitoring project procurement activities; Upload information on procurement plans, contract awards and resolution of procurement complaints on IAs/project websites.		
Accountability and Transparency	Moderate	Moderate
Risk: The Corruption Perceptions Index (CPI) for 2021 remains below 30 (score at 23/100, ranked 157th out of 180 countries).	Moderate	Moderate
Mitigations: Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.		
Capability in Public Procurement	Moderate	Moderate
Risk: Limited capacity and experience to conduct procurement activities at sub-national levels. Regular examinations for awarding professional procurement certifications are not yet established.	Moderate	Moderate
Mitigations: Retain competent ASPIRE-I procurement staff and specialists; Provide training and periodic coaching to project and sub-national project staff. Carry out coaching, on-the-job trainings and refresher trainings on procurement (IFAD project procurement guidelines and manual, ICP, NOTUS, and Standard Operating Procedures on Procurement for All Externally Financed Projects/Programs in Cambodia).		
Public Procurement Processes	Moderate	Low
Risk: Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.	Moderate	Low
Mitigations: Launch recruitment processes of staff and key service providers, timed so that key staff and key service providers will be contracted in time after the project effectiveness date. Carry out coaching, on-the-job trainings and refresher trainings on procurement (IFAD project procurement guidelines and manual, ICP, NOTUS, and Standard Operating Procedures on Procurement for All Externally Financed Projects/Programs in Cambodia). The Secretariat monitor and update regularly implementation progress of the procurement plan with both planned and actual data.		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Low	Low
Risk: While project primarily supports existing agricultural areas, already under production status and managed by members of formal and/or informal producers' organizations, it is possible that the project could create incentives to expand production into areas that are not under production and / or may be protected and / or of biodiversity importance.	Low	Low

<p>Mitigations: The project targeting strategy will systematically exclude interventions and activities involving habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. wetlands, National Park, Nature Conservancy, Indigenous Community Conserved Area, ICCA, etc.)</p>		
<p>Resource Efficiency and Pollution Prevention</p>	Moderate	Low
<p>Risk: The project is likely to involve inputs of fertilizers and other modifying agents, however the related risks are expected to be minor and dispersed. The project is likely to involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry.</p>	Moderate	Low
<p>Mitigations: The project will involve inputs suppliers and producers' organizations to promote safe and efficient use of fertilizers and modifying agents. Good Agricultural Practices (GAP) will be promoted for vegetable production in particular. The project will not directly procure pesticides, but the producers are likely to purchase and use pesticides such as fungicides in vegetable production. However, the impacts are expected to be minor, and the project will engage with agrochemical suppliers and producers' organizations to promote safe use of pesticides and encourage producers in following GAP guidelines.</p>		
<p>Cultural Heritage</p>	Moderate	Low
<p>Risk: The project could possibly be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage.</p>	Moderate	Low
<p>Mitigations: Do not approve projects to located in or around sacred forests and community groves and archaeological sites.</p>		
<p>Indigenous People</p>	Moderate	Low
<p>Risk: Depending on the selected target provinces, the project could be sited in areas where indigenous peoples are present (including the project area of influence). This implies the risk that project activities could negatively impact on interests, livelihoods or culture of indigenous peoples. However, as the project supports activities by smallholder farmers and their producer organisations (rather than large-scale infrastructure investments, for example) this risk is considered to be only medium and reduced to low by appropriate mitigation measures.</p>	Moderate	Low
<p>Mitigations: Where project is targeting the area where the indigenous people are present, stakeholders' consultations and FPIC process will be adopted at an early stage of project interventions. The project will not affect indigenous peoples' rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (tangible and intangible) either directly or indirectly.</p>		
<p>Labour and Working Conditions</p>	Moderate	Low
<p>Risk: Through its interventions under component 2, the project will support the emergence of entrepreneurs in the agro processing industry sector. This may include operations where producers and other agricultural workers are typically exposed to significant occupational and safety risks, such as shelling cashew nuts, or peeling mangoes.</p>	Moderate	Low
<p>Mitigations: These potential risks will be further screened during the detailed design. In any case, the project will ensure that the private partners involved in the project implementation will comply with national labor laws and international commitments in terms of workers' safety, gender inequalities, discriminations, forced labor, working children, and other indecent working conditions.</p>		
<p>Community Health and Safety</p>	Moderate	Low
<p>Risk: Projects could have minimal impact traffic accidents through the rehabilitation of the farm road. Project could have significant impact on the spread of COVID 19 in the community through the coordination meeting at the community level. The community can exposure to hazardous materials, or respiratory effects from air emissions if the agricultural inputs are not used properly.</p>	Moderate	Low
<p>Mitigations:</p>		

Road safety will be included in the construction package. Project will promote implementation of GAP and sustainable soil fertility management.		
Physical and Economic Resettlement	Low	Low
Risk: No activity from the project involves with physical and economic resettlement.	Low	Low
Mitigations: n/a		
Greenhouse Gas Emissions	Low	Low
Risk: The project is not expected to have a significant impact on greenhouse gas emissions.	Low	Low
Mitigations: n/a		
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Low
Risk: the expected hazards in the project intervention area are assessed as “High” for river flood, coastal flood, urban flood, cyclone, extreme heat and wildfires. Water scarcity (agricultural droughts and/or dry spells) is assessed as Low.	Moderate	Low
Mitigations: Selection of investments under Component 1 will be informed by a climate risk and vulnerability analysis, integration of adaptation measures into their design specifications and promotion of climate resilient practices and technologies.		
Stakeholders	Moderate	Low
Stakeholder Engagement/Coordination	Moderate	Low
Risk: Insufficient consultation / engagement with stakeholders on key project interventions.	Moderate	Low
Mitigations: Stakeholder engagement based on ACs, with governance benchmarks including consultation and engagement to be achieved as criteria for investments.		
Stakeholder Grievances	Moderate	Low
Risk: No effective channel established for investigation and redress of stakeholder grievances.	Moderate	Low
Mitigations: Multi-level grievance redress mechanism to be established and information made available to project affected persons through multiple channels (online, information leaflets, meetings).		