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**President's report**

**Proposed loan**

**Kingdom of Cambodia**

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

Programme ID: 2000003433

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

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**Technical questions:**

**Reehana Raza**  
Regional Director  
Asia and the Pacific Division  
e-mail: r.raza@ifad.org

**Frew Behabtu**  
Country Director  
Asia and the Pacific Division  
e-mail: f.behabtu@ifad.org

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### Programme delivery team

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Regional Director:	Reehana Raza
Country Director:	Frew Behabtu
Technical Lead:	Elizabeth Ssendiwala
Finance Officer:	Le Chi Dung
Climate and Environment Specialist:	Ilyasse Elbaroudi
Legal Officer:	Itziar Miren Garcia Villanueva

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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

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Kingdom of Cambodia
<b>Executing agency:</b>	Ministry of Agriculture, Forestry and Fisheries
<b>Total programme cost:</b>	US\$194 million
<b>Amount of IFAD loan 1:</b>	US\$22.7 million
<b>Terms of IFAD loan 1:</b>	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)
<b>Amount of IFAD loan 2:</b>	US\$11.2 million
<b>Terms of IFAD loan 2:</b>	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)
<b>Amount of IFAD loan 3:</b>	US\$14 million
<b>Terms of IFAD loan 3:</b>	Ordinary: 27 years, including a grace period of 8 years, subject to interest at a rate equal to the IFAD reference interest rate including a variable spread
<b>Cofinanciers:</b>	European Investment Bank (EIB) and South-South and Triangular Cooperation (SSTC) Facility grant
<b>Amount of cofinancing:</b>	EIB: US\$60.56 million (subject to approval) SSTC Facility grant: US\$0.3 million (subject to approval)
<b>Terms of cofinancing:</b>	Blend
<b>Contribution of borrower:</b>	US\$19.15 million
<b>Contribution of beneficiaries:</b>	US\$46.14 million
<b>Financing gap:</b>	US\$20 million
<b>Amount of IFAD climate finance:</b>	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<sup>1</sup></i>	<i>Financing gap</i>	<i>SSTC Facility grant<sup>2</sup></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
<b>Total</b>	<b>19 150</b>	<b>33 900</b>	<b>14 000</b>	<b>60 560</b>	<b>20 000</b>	<b>300</b>	<b>42 930</b>	<b>1 050</b>	<b>2 160</b>	<b>194 050</b>

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<sup>1</sup></i>	<i>Financing gap</i>	<i>SSTC Facility grant<sup>2</sup></i>	<i>Partner financial institution</i>	<i>Beneficiaries</i>	<i>SME Bank</i>	<i>Total</i>
<b>I. Investment costs</b>											
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
<b>Total investment costs</b>	<b>13 850</b>	<b>11 200</b>	<b>22 700</b>	<b>14 000</b>	<b>60 560</b>	<b>20 000</b>	<b>300</b>	<b>42 930</b>	<b>1 050</b>	<b>2 160</b>	<b>188 750</b>
<b>II. Recurrent costs</b>											
A. Operating costs	2 200	-	-	-	-	-	-	-	-	-	2 200
B. Salaries and allowance	3 100	-	-	-	-	-	-	-	-	-	3 100
<b>Total recurrent costs</b>	<b>5 300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 300</b>
<b>Total programme costs</b>	<b>19 150</b>	<b>11 200</b>	<b>22 700</b>	<b>14 000</b>	<b>60 560</b>	<b>20 000</b>	<b>300</b>	<b>42 930</b>	<b>1 050</b>	<b>2 160</b>	<b>194 050</b>

<sup>1</sup> Subject to approval.

<sup>2</sup> Subject to approval.

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
<b>Total programme costs</b>	<b>9 810</b>	<b>44 540</b>	<b>33 680</b>	<b>38 440</b>	<b>30 030</b>	<b>17 240</b>	<b>20 310</b>	<b>194 050</b>

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 is expected to contribute US\$60.56 million (subject to approval); the SSTC Facility grant is expected to provide a grant of US\$0.3 million (subject to approval); 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
<b>Overall</b>	<b>Moderate</b>	<b>Low</b>

## 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 is attached as appendix I.
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 Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade (ASPIRE-AT)

(Negotiations concluded on 01 December 2022)

Loan No: \_\_\_\_\_  
Loan No: \_\_\_\_\_  
Loan No: \_\_\_\_\_

Project name: *Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade* ("ASPIRE-AT" or "the Project")

Kingdom of Cambodia (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

**WHEREAS** the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

**WHEREAS,** the Borrower is negotiating a co-financing agreement with the European Investment Bank (EIB) to provide financing for the Project;

**WHEREAS,** the Fund has agreed to provide financing for the Project;

**NOW THEREFORE,** the Parties hereby agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide three loans (the "Financing") to the Borrower which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## Section B

1. A. The amount of the Loan on blend terms is eleven million and two hundred thousand United States Dollar (USD 11 200 000), Loan A;



- B. The amount of the Loan on highly concessional terms is twenty two million and seven hundred thousand United States Dollar (USD 22 700 000), Loan B;
  - C. The amount of the Loan on ordinary terms is fourteen million United States Dollar (USD 14 000 000), Loan C.
2. Loan A. The Blend Term (BT) Loan shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the BT Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the BT Loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty five (25) years, including a grace period of five (5) years starting from the date of approval of the BT Loan by the Fund's Executive Board. The principal of the BT Loan will be repaid in equal instalments.
  3. Loan B. The Highly Concessional Terms (HCT) Loan shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the HCT Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The HCT Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the HCT Loan by the Fund's Executive Board. The principal of the HCT Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40) of the Loan term.
  4. Loan C. The Loan granted on ordinary terms (OT Loan) shall be subject to interest on the principal amount outstanding of the Loan at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty seven (27) years, including a grace period of eight (8) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
  5. The Loan Service Payment Currency shall be in United States dollars (USD).
  6. The first day of the applicable Fiscal Year shall be 1<sup>st</sup> of January.
  7. Payments of principal and interest service charge shall be payable on each 15<sup>th</sup> June and 15<sup>th</sup> December.
  8. There shall be a Designated Account in USD, for the exclusive use of the Project opened at the National Bank of Cambodia for loan proceeds. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account. The Designated Account will be administered following revolving fund arrangements, as explained in the IFAD Project Financial Management & Financial Control Handbook for Borrowers (FMFCH).
  9. There shall be a Project Accounts in USD at the ASPIRE Secretariat to receive IFAD loans from the Designated Account, two Project Accounts in USD at the Agricultural and Rural Development Bank (ARDB) and Small and Medium Enterprise Bank of Cambodia (SME bank) respectively to receive funds from the Designated Account(s) for Credit Line activities.
  10. The Borrower shall provide counterpart financing for the Project in the amount of nineteen million two hundred thousand United States Dollars (USD 19 200 000).

### **Section C**

1. The Lead Project Agency shall be the Ministry of Agriculture, Forestry and Fisheries (MAFF).
2. The Additional Project Parties are described in Schedule 1.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project. A Mid-Term Review is planned for early 2026.
4. The Project Completion Date shall be the seventh (7<sup>th</sup>) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

### **Section D**

The Fund will administer the Loan and supervise the Project.

### **Section E**

1. The following are designated as additional grounds for suspension of this Agreement:
  - (a) The ASPIRE Secretariat and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
  - (b) In the event that the Borrower does not request a disbursement of the Financing for a consecutive 12 month period following the last disbursement, without justification.
2. The following are designated as additional grounds for cancellation of this Agreement:
  - (a) In the event the co-Financing from EIB is not materialized or substituted by other source of financing.
3. The following are designated as additional (general/specific) conditions precedent to withdrawal:
  - a) The IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.
  - b) Key Project personnel has been appointed as per Schedule 3 of this Agreement.
  - c) IFAD must receive, a duly completed Authorised User(s) Letter, from the designated representative or a sufficiently senior delegated official, designating the name(s) of official(s) authorised to approve Withdrawal Application(s) and Interim Financial Reports (IFR).
  - d) The first AWPB shall have been submitted and received no-objection from IFAD.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Director General  
General Department of International Cooperation  
and Debt Management  
Ministry of Economy and Finance  
St. 92, Sangkat Wat Phnom, Khan Daun Penh,  
Phnom Penh, Cambodia

For the Fund:

Country Director  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

The language of communication between the Parties shall be English.

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, [dated \_\_\_\_\_], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

KINGDOM OF CAMBODIA

\_\_\_\_\_  
H.E Dr. AUN Pornmoniroth  
Deputy Prime Minister  
Minister of Economy and Finance

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Alvario Lario Hervas  
President

Date: \_\_\_\_\_

## Schedule 1

### *Project Description and Implementation Arrangements*

#### **I. Project Description**

##### 1. *Target Population.*

The target beneficiaries of ASPIRE-AT will be (i) 100,000 smallholder farm households who are either poor or near-poor and 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) 25,000 landless or land-poor households ready to take advantage of employment opportunities. Both groups will be reached through support to about 500 POs and to small and medium-sized agricultural enterprises. About 50% of beneficiaries will be women and 20% will be youth. In line with Cambodia's population, 1.5% will be indigenous people.

Targeting strategy will be based on selection of pro-poor value chains that are prioritised in the Agriculture Development Policy and are suitable for smallholder production, with potential to increase productivity through modest capital investment and involving intensive, unskilled labour inputs; or value chains involving large numbers of women, youth and IPs as producers or processors. The initial target value chains will be native chicken, cassava, cashew, fresh fruits and processed fruits.

##### 2. *Project area.*

ASPIRE-AT will be national in scope, meaning that in principle, eligible beneficiaries organised in producer organisations in the targeted pro-poor value chains can qualify for support. Geographic targeting will be required primarily for intensive support to capacity development of POs under Component 3 and will be based on the areas where production of the target commodities is located. This geographic targeting of activities will follow IFAD best practice guidelines for pro-poor value chain development i.e. to use a cluster approach, potentially grouping poorer areas with wealthier ones; to select value chains on the basis of the likely benefits to poorer producers; and to allow for inclusion of rural populations with different levels of poverty. Within this approach, support will specifically target and prioritise poorer households as described under Component 1. To maximise efficiency and impact, areas representing clusters of production activities in the target value chains will be prioritised for capacity building support for producer organisations.

##### 3. *Goal.*

The Project 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".

##### 4. *Objectives.*

The Project Development Objective (PDO) is "Inclusive and sustainable agriculture sector growth based on exports and domestic markets has increased incomes of rural producers and workers".

##### 5. *Components.* The Project shall consist of the following Components:

##### **5.1 Component 1: Productive and Resilient Assets for Producer Organisations**

Component 1 will finance investments that are identified in the business plans of graduated POs that have achieved a required level of capacity based on scorecard criteria including: (i) measures of business and administrative capacity, (ii) strong partnership with private sector, and (iii) strong governance and social inclusivity and social and environmental risk management. Each graduated PO, in consultation with its members will develop a Business Plan identifying the eligible investments to be financed by PO members, by the PO and

investments in enabling market infrastructure. Business Plans will be subject to project approval by MAFF (or such other agency/entity as delegated by MAFF) according to pass/fail and prioritisation criteria including (1) commercial, financial and technical viability; (2) investment readiness and management capacity of the POs; (3) strength of partnership arrangements including technical support from agri-business partners to farmers and POs; (4) social inclusiveness (benefits to poor households, opportunities for women and for youth etc.); and (5) environmental, climate and social risks (including accessibility).

#### 5.1.1. *Sub Component 1.1 Investment in productive and resilient assets of POs and small holders*

The Project will work with Government of the Kingdom of Cambodia's Agricultural and Rural Development Bank (ARDB) to provide financial support to graduated POs and its individual member with eligible investment proposals through the integration of credit line for business investment and results-based grants. Grants will be held in escrow accounts and will be released once loans are repaid. Therefore, the grant will act as a partial guarantee to ARDB and will reduce the need for other collateral. The borrower (a graduated PO or a farmer member of a graduated PO) submits a credit line application to ARDB based on a Business Plan approved by the MAFF (or such other agency/entity as delegated by MAFF) ARDB conducts screening and due diligence checks to ensure that the credit line application complies with all eligibility criteria and issues approval for the financing.

#### 5.1.2. *Sub Component 1.2 Enabling market infrastructure for Producer Organisations*

Enabling market infrastructure for Producer Organisations will finance physical infrastructure assets that will be owned, operated and maintained by the PO's own resources that are important for achieving competitiveness and sustainability but which cannot easily generate revenue and the costs of which cannot otherwise be met by the PO. These investments will only be available for POs that have not received similar project support in the past.

## **5.2 Component 2: Business Partnership and Market Access**

Business Partnership and Market Access will support public and private investment to increase the number and competitiveness of agri-businesses operating in priority value chains and the associated enabling public goods and services to support competitive export growth.

#### 5.2.1. *Sub Component 2.1 Strengthening private investment for agricultural market and trade development*

Sub-Component 2.1 will provide investment-oriented technical support to about 40 agri-businesses 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. Participating businesses will be facilitated to establish trading links with farmers and POs supported by the Project.

About 15 agri-businesses will receive financing for investments from a line of credit through the government's SME Bank directly and/or SME Bank partner institutions supported by credit guarantees from the Cambodia Credit Guarantee Corporation (CCGC).

#### 5.2.2. *Sub Component 2.2 Strengthening the enabling environment for competitive agricultural value chains and trade*

Sub-component 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 strengthening of the institutions and staff. Approval of investments will be subject to feasibility studies demonstrating compliance with criteria for effectiveness, viability and sustainability. Provisionally, the Project will finance a Post Harvest

Reference Centre; Export Quarantine Inspection Offices (up to 5); a Plant Health Reference Laboratory and Plant Health Research Stations (up to 3).

The sub-component will also support a review of policies and regulations affecting the priority sectors and proposals for adjustment to strengthen competitiveness.

### **5.3. Component 3: Aggregating Farmers and Integrating them in Value Chains**

Aggregating Farmers and Integrating them in Value Chains will support existing POs to achieve the scale and institutional capacity required to provide effective services to their members, be attractive partners for agri-business and to qualify for investment financing under Component 1. Candidate POs will be active in the target value chains in the Pro-Poor Value Chain areas and will include existing ACs as well as the BCs supported by AIMS and ASPIRE and other informal POs. Provincial Departments of Agriculture, Forestry and Fisheries (PDAFFs) will identify the POs and conduct the formal registration process. By the end of the Project it is anticipated that there will be approximately 500 participating "graduated POs" of which about 300 will be newly registered. There will also be about 35 Unions of Agriculture Cooperatives (UAC).

#### *5.3.1. Sub Component 3.1. Structure and Capacity of Producer Organisations*

It will assist POs to structure themselves in formal organisations and to increase their capacity in key functions.

Capacity development activities will be implemented by specialised service providers with a track record in support to POs. These service providers will be contracted by ASPIRE Secretariat but will work in close cooperation with PDAFFs in the Pro-Poor Value Chain Areas they are assigned responsibility for. One service provider will be recruited early in the Project with the dual role of (1) supporting capacity development of POs in the initial five Pro-Poor Value Chain Areas in Year 1; and (2) further developing procedures and working methods as a basis for recruiting up to four additional service providers based either on cluster areas or on specific value chains, from Year 2 onwards.

#### *5.3.2. Sub Component 3.2 Technical Advice and Centers of Excellence*

Sub-Component 3.2 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. The Centres of Excellence will be linked to the POs and farmers through a network of Lead Farmers.

## **II. Implementation Arrangements**

### *6. Lead Project Agency.*

The Ministry of Agriculture, Forestry and Fisheries (MAFF) will be the Project Executing Agency and will assign Project management responsibilities to the existing ASPIRE Secretariat, thus making use of established capacity, ensuring continuity and facilitating implementation of the Project readiness action plan.

### *7. Project Oversight Committee.*

ASPIRE-AT will be overseen by a Joint Country Programme Steering Committee chaired by MEF and also responsible for oversight of the current ASPIRE, AIMS and SAAMBAT. Following this established practice, the Joint Country Programme Steering Committee will set the policy and technical direction of the Project, ensure alignment with Government of the Kingdom of Cambodia policy and with interventions financed by other donors, and facilitate synergies between IFAD portfolio projects following the Programme Based Approach.

### *8. Project Management Unit.*

ASPIRE Secretariat responsibilities will include (1) project planning and reporting; (2) project financial management and procurement; (3) monitoring and evaluation; (4) social, environment and climate change risk management; (5) guide implementation of the Gender Transformative Approach; and (6) mainstream adoption of digital technology in all components.

## 9. *Implementing partners.*

### 9.1. Implementing Agencies

**ARDB** will finance investments in Sub-Component 1.1 through (1) management of project funds to finance loans and grants to eligible farmers and graduated POs; (2) screening of credit line application; (3) financing loans and grants to eligible farmers and graduated POs; (4) reporting to ASPIRE Secretariat. ARDB will sign a sub-agreement with MEF to specify the loan terms and condition, financial management and reporting obligations.

**SME Bank** will finance investments in Sub-Component 2.1 through (1) management of project funds to finance loans and/or provide credit guarantees in partnership with CGCC, as applicable; (2) screening of credit line application; (3) financing of loans backed by credit guarantees in partnership with CGCC; and (4) reporting to ASPIRE Secretariat. SME Bank will sign a sub-agreement with MEF to specify the loan terms and condition, financial management and reporting obligations.

### 9.2 Other implementing partners

**General Directorate of Agriculture (GDA)** will be responsible for technical guidance in key areas including (1) formation and capacity building of ACs and UACs; (2) registration of UACs; (3) selection, design and implementation of public service investments under component 2.2; (4) development of relevant policy and regulation, particularly to expand trade and market access in target value chains; (5) coordination of the project ICT strategy; and (6) management of Centres of Excellence.

**Provincial Departments of Agriculture, Forestry and Fisheries (PDAFF)** will (1) conduct mapping of pro-poor value chains and producer organisations; (2) conduct formation and registration of Agriculture Cooperatives; (3) manage and coordinate networks of Lead Farmers including identifying training needs; (4) cooperate with regional service providers for business development services to graduated POs; (5) Project planning, monitoring and reporting at Provincial level.

**Graduated POs (ACs, UACs and other types of formal producer organisation)** will (1) ensure compliance with good governance and inclusivity criteria; (2) prepare business plans; (3) develop partnerships with agri-businesses; (4) prepare applications for investment financing under Component 1; (5) counter-sign and monitor implementation of farmer loan and grant agreements; (6) directly implement PO loan and grant agreements; (7) conduct community procurement to identify preferred suppliers for farmer and PO investments; (8) monitor implementation of enabling infrastructure investments; (9) operate enterprises and cash-generating activities; (10) operate and maintain enabling infrastructure; and (11) report on activities, outputs and outcomes via the project MIS.

**Agricultural Cooperative Business Development Service Providers** will be recruited by the project based on proven track record and expertise in working with POs, in specific value chains and specific geographic areas. It is envisaged that between 3 – 5 service providers will be recruited according to TORs to be included in the PIM, with one service provider recruited in Year 1 responsible for developing procedures and training curricular, and the remainder service providers recruited in Year 2. The roles of these service providers will include (1) strengthening governance and inclusiveness of the POs, with particular regard to promoting women's voice and leadership roles; (2) strengthening administrative and financial management capacity of the POs; (3) facilitating partnerships with between POs and agri-businesses; (4) supporting preparation of PO Business Plans through a participatory process with PO members and in consultation with private sector partners;

(5) supporting preparation of investment proposals for Component 1 financing; and (6) an ongoing coaching and backstopping role during implementation of the Business Plan.

10. *Monitoring and Evaluation.*

M&E of ASPIRE-AT will be based on (1) an Outcome Survey conducted at household level, with baseline, mid-term and endline measurement; and (2) a Management Information System (MIS) based on an upgrade of the existing ASPIRE MIS which can capture information on production and sales at farm level.

All implementing agencies will be responsible to provide data to update the ASPIRE-AT MIS which will track data at the following levels: (1) individual farmers; (2) POs; (3) agri-businesses; (4) PDAFFs; and (5) other agencies with implementing responsibilities.

11. *Knowledge Management.*

A Communications Plan for the Project will be developed and implemented by ASPIRE Secretariat in coordination with IFAD communications specialists. Knowledge sharing will be primarily through digital means (avoiding expenditures on hard-copy publications). The Project will establish and regularly update a web-site and will develop a range of web-based knowledge products including blogs, policy and technical briefs and video segments. ASPIRE Secretariat will also reach out to stakeholders including individual farmers by making use of mobile applications to communicate simple messages and to invite feedback. Due regard will be paid to appropriate acknowledgement of IFAD financing and support to the Project and also to the need to protect IFAD from reputational risk.

12. *Project Implementation Manual.*

A Project Implementation Manual (PIM) has been prepared and includes Terms of Reference (TORs) for key service providers.



## Schedule 2

### Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Highly concessional loan amount (expressed in USD)	Blend loan amount (expressed in USD)	Ordinary Loan amount (expressed in USD)	Percentage
Vehicles	-	150 000	-	100% net of taxes, Government contribution and other co-financiers
Goods, services & inputs	500 000	2 850 000	-	100% net of taxes, Government contribution and other co-financiers
Credit and Guarantee Funds	10 500 000	-	12 750 000	100% net of taxes, Government contribution and other co-financiers
Training	11 700 000	-	-	100% net of taxes, Government contribution and other co-financiers
Consultancies	-	8 200 000.0	1 250 000	100% net of taxes, Government contribution and other co-financiers
<b>TOTAL</b>	<b>22 700 000</b>	<b>11 200 000</b>	<b>14 000 000</b>	

The terms used in the Table above are defined as follows:

- (i) Goods, service & inputs means the costs relating to procurement of goods and services, Studies and Survey costs.
- (ii) Credit and Guarantee Funds means the costs relating to lines of credit carried out by ARDB and SME banks.
- (iii) Training is the costs relating to training and capacity building.
- (iv) Consultancies means the costs relating to Technical Assistant fees (Secretariat) and consultancy.

(b) 1.As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures incurred as of 01 January 2023 until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to five hundred thousand US dollars (USD 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 specified in Section E.3 are fulfilled.

2. Audit arrangements. The annual financial statements for the Project shall be subject to annual audit by an external auditor to be appointed by the Ministry of Economy and Finance (MEF) as acceptable to IFAD.

### Schedule 3

#### *Special Covenants*

#### **I. General Provisions**

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
4. *Indigenous People Concerns.* The Borrower shall ensure that the concerns of IPs are given due consideration in implementing the Project and, to this end, shall ensure that:
  - (a) the Project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
  - (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
  - (c) IP rights are duly respected;
  - (d) IP communities, participate in policy dialogue and local governance;
  - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected<sup>3</sup>; and
  - (f) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.
5. *Land tenure security.* The Borrower shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
6. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
8. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:
  - (a) all vehicles and other equipment procured under the Project are allocated to;

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<sup>3</sup> Refer to ILO 169, 1989 when ratified.

- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

9. IFAD Client Portal (ICP) Contract Monitoring Tool. The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project/Program.

10. The Key Project Personnel of ASPIRE Secretariat are: a Project Director, a Project Manager, a Team Leader; a Gender and Social Inclusion Specialist; a Social, Environment and Climate Change Specialist, a M&E and Planning Specialist, a ICT Specialist, a Finance and Accountant Specialist and a Procurement Specialist. The change of Key Project Personnel will require IFAD's endorsement.

In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the ASPIRE Secretariat in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project.

## **II. SECAP Provisions**

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plans.

2. The Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Framework (ESCMF), Environmental, Social and Climate Management Plans (ESCMPs), the FPIC Implementation Plan, the Indigenous Peoples Plan (IPP), and the Cultural Heritage Management Plan (the "Management Plans"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the ESCMPs and Management Plans, unless agreed in writing by the Fund and if the Borrower has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plans.

3. The Borrower shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans.

4. The Borrower shall disclose the ESCMF and all other relevant Management Plans with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

5. The Borrower shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plans.

6. The Borrower will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

7. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project -affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project -level grievance mechanism according to the SECAP requirements; and

- Propose changes, including corrective measures to the Management Plans, in accordance with the findings of such assessment and consultations, for approval by IFAD.

**Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and - violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

8. The Borrower shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plans are respected.

9. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plans on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans promptly after becoming aware of such a breach.

10. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plans as the Fund considers appropriate depending on the scale, nature and risks of the Project.

11. In the event of a contradiction/conflict between the Management Plans and the Financing Agreement, the Financing Agreement shall prevail.

## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	<b>1 Persons receiving services promoted or supported by the project</b>				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				
	<b>1.a Corresponding number of households reached</b>				Project MIS	Annual	PMU	
	Households - Households	0	50000	125000				
	<b>Corresponding number of households reached</b>				Project MIS	Annual	PMU	
	Landless or land-poor – Households - Number	0	10000	25000				
<b>1.b Estimated corresponding total number of households members</b>				Project MIS	Annual	PMU		
Household members - Number of people	0	200000	500000					
<b>Project Goal</b> 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.	<b>Declining rural poverty rate</b>				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				
	<b>Agriculture value added growth of 3% per annum (ADP Policy Indicator 1)</b>				National Accounts	Annual	National Institute of Statistics	
Average growth of value added in agriculture sector - Percentage (%)	4	3	3					
<b>Development Objective</b> Inclusive and sustainable agriculture sector growth based on exports and domestic markets has increased incomes of rural producers and workers.	<b># of rural households with household income increased by at least 20%</b>				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				
	<b>IE.2.1 Individuals demonstrating an improvement in empowerment</b>				Outcome Survey		Service Provider	
	Total persons - Number of people	0	10000	25000				

<b>Outcome</b> Stakeholders Feedback	<b>SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers</b>				Outcome survey	BL, MT, EL	Service provider	Responsive and accountable governance of ACs.
	Household members - Number of people	0	100000	225000				
	<b>SF.2.1 Households satisfied with project-supported services</b>				Outcome survey	BL, MT, EL	Service provider	
	Household members - Number of people	0	126000	315000				
	Households (number) - Households	0	28000	70000				
<b>Outcome</b> Outcome 1 Smallholders' and PO's Investments in productive assets have increased their productivity and competitiveness in domestic and exports-based value chains.	<b># beneficiary households with labour productivity increasing in line with ADP target (8% p.a.)</b>				Outcome survey	BL, MT, EL	Service provider	50% of supported households able to achieve this increase.
	Total number of household members - Number	0	80000	200000				
	<b>2.2.5 Rural producers' organizations reporting an increase in sales</b>				MIS	Annual	PMU	
	Number of Rural POs - Organizations	0	180	450				
<b>Output</b> 1.1.1 Financial support provided to PO with bankable investment	<b>Number of rural producers benefiting from loan-financed investments by AC / PO</b>				MIS	Annual	PMU	POs willing to accept risks of investing if suitable assistance
	Rural producers benefiting - Number	0	20000	50000				
<b>Output</b> 1.1.2 Financial support provided to smallholders with bankable investment proposals in productive and resilient assets	<b>1.1.3 Rural producers accessing production inputs and/or technological packages</b>				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	3000				
<b>Output</b> 1.2 Enabling market infrastructure for Producer Organisations	<b># members of PO/AC with access to physical infrastructure assets provided by the project.</b>				MIS	Annual	PMU	
	Total PO/AC members - Number	0	16000	40000				
<b>Outcome</b> 2. PO's partnerships with agribusinesses have been enhanced and their market access improved	<b>2.2.2 Supported rural enterprises reporting an increase in profit</b>				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	9				
	<b>2.2.1 Persons with new jobs/employment opportunities</b>				Outcome survey	BL, MT, EL	Service provider	
Total number of persons with new jobs/employment	0	10000	25000					



	opportunities - Number of people							
	<b>Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment</b>				Outcome survey	BL, MT, EL	Service provider	
	Number - Number	0	1	3				
<b>Output</b> 2.1.1. Private investments for agricultural market and trade development promoted and facilitated	<b>2.1.1 Rural enterprises accessing business development services</b>				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				
<b>Output</b> 2.1.2 Digital and financial technology service providers supported to develop and / or scale up use of digital applications.	<b>Number of smallholder farmers using digital applications promoted by the project</b>				MIS	Annual	PMU	Digital applications available for roll-out / scale up.
	Number of smallholder farmers - Number	0	4000	10000				
<b>Output</b> Output 2.1.3 Financial support provided for agribusinesses to invest in increased processing capacity	<b># rural enterprises accessing financial services</b>				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				
<b>Output</b> 2.2.1 Strategic infrastructure for agriculture trade facilitation established (Post Harvest Reference Centres, Quarantine Inspection Offices, Plant Health Reference Laboratories etc.)	<b>Number of facilities completed and operational with sustainable management and financing plans.</b>				MIS	Annual	PMU	Sustainable business model for facilities identified
	Facilities - Number	0	3	7				
<b>Output</b> Output 2.2.2 Review of policy and regulatory framework supported to strengthen competitiveness	<b>Policy 1 Policy-relevant knowledge products completed</b>				MIS	Annual	PMU	Govt willing to engage on policy dialogue -this will likely not happen in fact.
	Number - Knowledge Products	0	1	3				
<b>Outcome</b> 3. Smallholders have been organised and coordinated in Agriculture Cooperatives and other Producer Organisations, and have been enabled	<b>2.2.4 Supported rural producers' organizations providing new or improved services to their members</b>				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.	<b>2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities</b>			MIS	Annual	PMU	potential benefits of forming ACs / POs  Enterprises willing to enter partnerships with ACs and UACs
	Number of POs - Organizations	0	150				
	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>			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				
<b>Output</b> 3.1 Producer organisations / Agriculture Cooperatives (AC) established and strengthened	<b>2.1.3 Rural producers' organizations supported</b>			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				
	<b>2.1.4 Supported rural producers that are members of a rural producers' organization</b>			MIS	Annual	PMU	
Total number of persons - Number of people	0	40000	100000				
<b>Output</b> 3.2.1 Centres of excellence and Lead Farmers established and supported for development and dissemination of improved agricultural, post-harvest and processing technologies	<b>1.1.4 Persons trained in production practices and/or technologies</b>			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

<b>Country Context</b>	<b>Moderate</b>	<b>Low</b>
<b>Political Commitment</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> The project is strongly aligned with the agriculture sector policy of GoKC, which is expected to remain stable.		
<b>Governance</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> Private agribusiness unwilling to invest because of governance concerns, for example hidden transaction costs associated with agriculture processing and exporting.	Moderate	Low
<b>Mitigations:</b> 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.		
<b>Macroeconomic</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> 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
<b>Mitigations:</b> (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.		
<b>Risk:</b> 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
<b>Mitigations:</b> (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.		
<b>Risk:</b> Agriculture sector, particularly export markets, severely impacted by macroeconomic instability, perhaps due to external events	Moderate	Moderate
<b>Mitigations:</b> Project will balance focus on export and domestic value chains, with domestic VC less vulnerable		
<b>Fragility and Security</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> IFAD team will monitor the situation closely and take necessary actions on time.		
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<b>Policy alignment</b>	<b>Low</b>	<b>Low</b>

<b>Risk:</b> Change in government policy e.g. on agriculture trade, ACs etc.	Low	Low
<b>Mitigations:</b> Project aligned with current policy, and no major changes expected.		
<b>Policy Development and Implementation</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> Risk: Key policies (trade, ACs, etc) not effectively implemented.	Moderate	Low
<b>Mitigations:</b> Project interventions are diverse and not over-dependent on a single aspect of policy.		
<b>Environment and Climate Context</b>	<b>Moderate</b>	<b>Low</b>
<b>Project vulnerability to environmental conditions</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> Social, Environmental and Climate risk assessments applied to investments and appropriate criteria applied.		
<b>Project vulnerability to climate change impacts</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> Assessment of climate risks per value chain and promotion of climate-smart varieties and production techniques.		
<b>Project Scope</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Project Relevance</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Technical Soundness</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Risk:</b> 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><b>Mitigations:</b> 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><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Institutional Capacity for Implementation and Sustainability</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Implementation Arrangements</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b> 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><b>Mitigations:</b></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.		
<b>Risk:</b> 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
<b>Mitigations:</b> Project will work with a skilled service provider to prepare financing applications and feasibility studies, reducing the workload on the PFI.		
<b>Monitoring and Evaluation Arrangements</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> Insufficient capacity to collect sufficient / reliable data on project outcomes and impacts.	Moderate	Low
<b>Mitigations:</b> Data collection based on established MIS used in ASPIRE and will collect data through the ACs.		
<b>Project Financial Management</b>	<b>Moderate</b>	<b>Low</b>
<b>Project Organization and Staffing</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Project Budgeting</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> Bank staff shall be trained on preparation of AWPB, budget and cash forecast.		
<b>Project Funds Flow/Disbursement Arrangements</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Project Internal Controls</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> Ensure bank internal control is aligned with IFAD financial control requirement		
<b>Project Accounting and Financial Reporting</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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

<b>Mitigations:</b> Customization of Accounting software to adapt with next phase is recommended. IFR shall be fully adapted with ASPIRE AT.		
<b>Project External Audit</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Project Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Legal and Regulatory Framework</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Accountability and Transparency</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The Corruption Perceptions Index (CPI) for 2021 remains below 30 (score at 23/100, ranked 157th out of 180 countries).	Moderate	Moderate
<b>Mitigations:</b> Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.		
<b>Capability in Public Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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).		
<b>Public Procurement Processes</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.	Moderate	Low
<b>Mitigations:</b> 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.		
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<b>Biodiversity Conservation</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> 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><b>Mitigations:</b> 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><b>Resource Efficiency and Pollution Prevention</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Cultural Heritage</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b> 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><b>Mitigations:</b> Do not approve projects to located in or around sacred forests and community groves and archaeological sites.</p>		
<p><b>Indigenous People</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Labour and Working Conditions</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b> 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><b>Mitigations:</b> 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><b>Community Health and Safety</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b> 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><b>Mitigations:</b></p>		



Road safety will be included in the construction package. Project will promote implementation of GAP and sustainable soil fertility management.		
<b>Physical and Economic Resettlement</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> No activity from the project involves with physical and economic resettlement.	Low	Low
<b>Mitigations:</b> n/a		
<b>Greenhouse Gas Emissions</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> The project is not expected to have a significant impact on greenhouse gas emissions.	Low	Low
<b>Mitigations:</b> n/a		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> 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
<b>Mitigations:</b> 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.		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<b>Stakeholder Engagement/Coordination</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> Insufficient consultation / engagement with stakeholders on key project interventions.	Moderate	Low
<b>Mitigations:</b> Stakeholder engagement based on ACs, with governance benchmarks including consultation and engagement to be achieved as criteria for investments.		
<b>Stakeholder Grievances</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> No effective channel established for investigation and redress of stakeholder grievances.	Moderate	Low
<b>Mitigations:</b> Multi-level grievance redress mechanism to be established and information made available to project affected persons through multiple channels (online, information leaflets, meetings).		