

Document: EB 2018/LOT/P.12  
Date: 9 August 2018  
Distribution: Public  
Original: English

E



Investing in rural people

## President's memorandum

Proposed additional financing to the Kingdom of Cambodia for the Agriculture Services Programme for Innovation, Resilience and Extension

### Note to Executive Board representatives

#### Focal points:

#### Technical questions:

Thomas Rath  
Country Director  
Asia and the Pacific Division  
Tel.: +84 (0)24 37265104  
e-mail: t.rath@ifad.org

#### Dispatch of documentation:

Deirdre McGrenra  
Chief  
Governing Bodies  
Tel.: +39 06 5459 2374  
e-mail: gb@ifad.org

---

For: Approval

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional loan and grant to the Kingdom of Cambodia for the Agriculture Services Programme for Innovation, Resilience and Extension, as contained in paragraph 19.

## Proposed additional financing to the Kingdom of Cambodia for the Agriculture Services Programme for Innovation, Resilience and Extension

### I. Background

1. The Agriculture Services Programme for Innovation, Resilience and Extension (ASPIRE) was approved by the Executive Board of IFAD in December 2014, as a US\$82.2 million programme. The financing included: (i) an IFAD loan of approximately US\$26.1 million; (ii) an Adaptation for Smallholder Agriculture Programme trust fund grant of approximately US\$15 million; (iii) contributions from the borrower, beneficiaries and the private sector of approximately US\$20.3 million; (iv) contributions from other cofinanciers of approximately \$8.46 million; and (v) a funding gap of approximately US\$12.37 million. This memorandum seeks the approval of the Executive Board to fill the funding gap of US\$12.37 million. This will enable IFAD and the Royal Government of Cambodia to scale up the programme and enhance the policy engagement and extension framework in the agricultural sector.
2. The financing agreement was signed on 5 March 2015 and became effective on the same date. The programme completion date is 31 March 2022 and the closing date is 30 September 2022.
3. ASPIRE was designed as an ambitious policy development programme by IFAD and the Ministry of Economy and Finance, IFAD's counterpart in Cambodia. It looked to reform and modernize the capacity of the Ministry of Agriculture, Forestry and Fisheries within the area of extension services. ASPIRE will develop the policy framework for the latter Ministry and allow it to coordinate and stimulate investments in the agricultural sector.
4. Agriculture in Cambodia has been an engine of growth, and continues to provide an important albeit decreasing share of rural incomes. Poverty rates are dropping fast and are at a historical low (about 14 per cent according to the latest World Bank estimates, for 2014). The diversification of the Cambodian economy and the transformation of its agriculture have been two mutually reinforcing trends over the past two decades, supported by public policies that promote market-driven growth, open trade and private investments. Agribusinesses are developing and need more products of better quality to be supplied on the market (such as rice, organic products, cashews, maize, vegetables, cassava, ginger and turmeric). Following the rural transformation in the country and the country strategy and programme evaluation (CSPE), undertaken in 2017, the IFAD programme shifted its focus from one of livelihoods to a market orientation approach. As an underpinning framework it focused on a broader approach of pro-poor rural service delivery and policy development, involving provincial governments and non-governmental actors.
5. Going forward, ASPIRE is seen as a cornerstone of the IFAD country programme, encompassing a series of ongoing and new projects. ASPIRE forms the platform for policy and delivery of services to farmers. AIMS (Accelerating Inclusive Markets for Smallholders) is developing market linkages in the provinces. Lastly, the new project to be designed for the Eleventh Replenishment of IFAD's Resources

(IFAD11) – Sustainable Assets for Agricultural Markets, Business and Trade (SAAMBAT) – will develop productive infrastructure and opportunities for youth.

## II. Justification and rationale

6. ASPIRE performance was rated as moderately satisfactory at the midterm review in 2017, as well as by the latest partial supervision mission in February/March of 2018. ASPIRE has now successfully established provincial extension subprogrammes in 11 provinces (out of a total of 24, excluding Phnom Penh). It is moving to a more market-led approach to extension planning, and will cooperate closely with the AIMS project, to the mutual benefit of both projects. IFAD's support to the Ministry of Agriculture, Forestry and Fisheries through ASPIRE has also enabled partnerships with key development partners. A memorandum of understanding is currently being finalized between ASPIRE and the French Development Agency. The ASPIRE model is also being used to develop a partnership with the European Union, through collaboration under the framework of an agriculture master plan. Lastly, through the aid effectiveness technical working group, IFAD and ASPIRE are promoting greater policy dialogue with development partners. The World Bank is preparing an agriculture diversification project, including a substantial extension component to be delivered through the Provincial Department of Agriculture, Forestry and Fisheries, using an approach that is compatible with ASPIRE. The IFAD country team is leveraging these partnerships and synergies to achieve greater effectiveness and impact in the country programme under IFAD11 and beyond.
7. ASPIRE was designed as a national programme; the policy and capacity development components will have a national scope, once the funding gap is filled. The design plan was to expand the programme to more provinces in phase III (2019-2021). During the results review of the country strategic opportunities programme and pipeline mission from 22 April to 8 May 2018, the Royal Government of Cambodia indicated the path to sustainability for the ASPIRE model. It consists of rolling out the planning and budgeting framework nationwide and smoothing the transition to government budget financing of the extension subprogrammes once IFAD financing phases out. This includes 13 provinces that do not receive ASPIRE funding at present, of which nine provinces are within the coverage area of AIMS. During meetings between the IFAD handover mission and the Ministers of Economy and Finance and of Agriculture, Forestry and Fisheries at the end of May 2018, both Ministers confirmed and commended the key role played by ASPIRE and requested that it be strengthened prior to the next phase. These two ministries reiterated that the policy framework established in the next phase of ASPIRE will be a platform for mobilizing initiatives and resources from development partners for the agricultural sector. Partnerships forged through ASPIRE will enable IFAD to play a lead role in policy engagement in the country and potentially raise cofinancing for the IFAD11 cycle. The Ministry of Economy and Finance has expressed its desire to borrow funds under IFAD11 (and for the present financing gap), based on their partnerships with IFAD. This is significant, given that Cambodia is enforcing a rigorous new debt policy restricting its loan-financed development assistance. (This was also highlighted in the back-to-office report following the May handover mission). The Ministry of Economy and Finance is willing to borrow to finance extension- and policy-related activities (such as those under ASPIRE), which shows their trust in IFAD and the project, and in its effectiveness and potential for the country.
8. The recent agreement at completion point of the CSPE, as well as the key priorities discussed at the meeting between the Minister of Economy and Finance and the President of IFAD (April 2018), include a two-pronged strategy to support market linkages for advanced farmers, while also supporting the coping strategies of the poor, and to balance investments in human capital and rural organizations with investments in tangible items. The scope of ASPIRE's activities and the use of the

additional funds for the financing gap are well aligned with these agreements. The CSPE also highlighted the need for scaling-up approaches in line with this funding proposal and the proposed approach for synergizing investments across the programme.

9. The additional financing is in line with the ongoing programme and the strategy of the Royal Government of Cambodia. Filling this financial gap entails no substantive changes to the ongoing programme.

### III. Description of the proposal for implementation of additional financing

10. The additional financing of ASPIRE will allow the Provincial Agriculture Strategic Plan and extension subprogramme to be rolled out to all 24 provinces. As a national-level programme, ASPIRE will be a cornerstone of the country programme, forming a platform for policy and the delivery of services to farmers. AIMS will develop market linkages in the provinces, and the new project to be designed for IFAD11 (SAAMBAT) will develop productive infrastructure and opportunities for youth.
11. The additional financing will (i) fill the design funding gap; (ii) allow the Provincial Agriculture Strategic Plan and extension subprogramme to be rolled out nationwide; (iii) achieve full coverage of the AIMS target area, enhancing complementarity; (iv) provide complementarity with a new project focused on infrastructure, markets and business development for smallholder agriculture; and (v) provide potential complementarity with a new World Bank project to be implemented through the Ministry of Agriculture, Forestry and Fisheries.
12. ASPIRE has five components: (i) knowledge-based policy; (ii) capacity development for extension services; (iii) improved extension services; (iv) infrastructure supporting climate-resilient agriculture; and (v) the ASPIRE secretariat. The loan portion of the additional financing will be used to support the scaling up of two ASPIRE components (component 3 and component 4) and will finance subcomponent 3.1 (provincial extension subprogrammes) under component 3. The additional financing grant will finance component 5.

### IV. Programme costs, financing and benefits

13. IFAD will provide a highly concessional loan of US\$12.06 million and a grant of US\$0.20 million. The Royal Government of Cambodia will finance the equivalent of US\$2.47 million. See the cost tables below.

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

<i>Component</i>	<i>Additional loan</i>		<i>Additional grant</i>		<i>Borrower/ counterpart</i>		<i>Total Amount</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
iii. Improved extension services	10.43	83	-	-	2.14	17	12.57
iv. Infrastructure supporting climate-resilient agriculture	1.63	85	-	-	0.29	15	1.92
v. ASPIRE secretariat	-	-	0.20	83	0.04	17	0.24
<b>Total</b>	<b>12.06</b>	<b>82</b>	<b>0.2</b>	<b>1</b>	<b>2.47</b>	<b>17</b>	<b>14.73</b>

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

<i>Expenditure category</i>	<i>Additional loan</i>		<i>Additional grant</i>		<i>Borrower/ counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Consultancies	1.75	76	0.17	7	0.39	17	2.31
Goods, services and inputs	0.36	84	-	-	0.07	16	0.43
Grants and subsidies	8.79	83	-	-	1.76	17	10.55
Workshops	0.27	75	0.03	8	0.06	17	0.36
Operating costs	0.89	82	-	-	0.19	18	1.08
<b>Total</b>	<b>12.06</b>	<b>82</b>	<b>0.2</b>	<b>1</b>	<b>2.47</b>	<b>17</b>	<b>14.73</b>

## V. Financial management

14. During the partial supervision mission in March 2018, the quality of financial management was rated as satisfactory and procurement assessment was rated as moderately satisfactory. Financial management arrangements at programme level are adequate. Implementation of the programme is mostly in line with the provisions of the financing agreement and with the "Standard Operating Procedures for All Externally Financed Projects/Programs in Cambodia" issued by the Ministry of Economy and Finance in 2012, which are used as the financial programme implementation manual. Management of additional financing will use the existing tools and control mechanisms in place, under terms and conditions that are already established by the programme. No changes in the organizational arrangements are required to manage the additional financing. The annual financial statement and audit report will cover all sources of funds, including the additional financing. The financial management, procurement and governance presented in the President's report (EB 2014/113/R.17/Rev.1) will remain unchanged.

## VI. Proposed amendments to the programme financing agreement

15. Subject to approval by the Executive Board, the programme financing agreement will be amended to include the provisions for additional financing. The additional financing will be available upon signature of the related amendment by IFAD and the Royal Government of Cambodia. This additional financing will not involve any changes to the programme objectives or target group. The main changes to the original financing agreement involve revisions to schedule 2 to cover the additional financing.

## VII. Legal instruments and authority

16. An amended financing agreement between the Kingdom of Cambodia and IFAD will constitute the legal instrument for extending the proposed additional financing to the borrower.
17. The Royal Government of Cambodia is empowered under its laws to receive financing from IFAD.
18. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VIII. Recommendation

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

RESOLVED: that the Fund shall provide an additional loan on highly concessional terms to the Royal Government of Cambodia in an amount equivalent to twelve million and sixty thousand United States dollars (US\$12,060,000), 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 an additional grant to the Royal Government of Cambodia in an amount equivalent to two hundred thousand United States dollars (US\$200,000), upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

# Logical framework

Results Hierarchy	Indicators					Means of Verification		Assumptions
	Name	Baseline	Status (end 2017)	End Target (MTR)	Revised End Target	Source	Frequency and Responsibility	
<b>Project Goal</b> Reduced Poverty and Increased Resilience of Poor and Vulnerable Smallholder Farmers in Cambodia	<b>Average household assets of 120,000 targeted households increased by 25%</b>					Impact survey (MTR, final)	Sec	
	Household asset value increase - Percentage (%)	Average/ HH = US\$ 2,277.		25% for 120,000 hh	25% for 144,000 hh	Impact survey (MTR, final)	Sec	
<b>Development Objective</b> By 2021 an enhanced Cambodian model of agriculture services is demonstrated as effective for assisting a diversity of smallholder farmers to contribute to broad-based economic growth through profitable and resilient farm businesses and is adopted as policy	<b>Average household agricultural production value of 120,000 targeted households increased by 20%; An evidence based Cambodian Model of Agriculture Extension Services is defined in policy and services are fully financed by Programme Budget by 2021</b>					Policy and budget documents	Annual, Sec	
	Production value increase - Percentage (%)	Average/HH = US\$ 1,168		20% for 120,000 hh	20% for 144,000 hh			
	Policy - Number	0	1	1	1			
<b>Outcome</b> The Policy framework and public institution for agriculture services provision in Cambodia are strengthened	<b>Extension Services in all provinces are implemented through GESS guideline and fully financed by Programme Budget (PB) by 2021</b>					Project report	Annual, Sec	A: RGC overall policy direction prioritizes smallholders R: General direction of PFM reforms is unchanged
	provinces - Number	0	5	25	25			
	<b>At least two significant development partners in addition to IFAD support PAEC through Programme Budgeting mechanism; Value of financing raised through development partners</b>					project report	Annual, Sec	
	partners - Number	0	2	0	2			
<b>Output</b> First five-year review of PAEC conducted/ finalized	<b>PAEC review finalized</b>					MoUs/ project report	Annual, Sec	
	review - Number	0	0	1	1	project report	Annual, Sec	
<b>Output:</b> At least two policies/ regulations / laws and two strategy papers addressing smallholders' needs approved, ratified or amended	<b>Strategy and policy papers approved</b>					project report	Annual, Sec	
	paper/strategy - Number	0	0	4	4			
<b>Output:</b> Strategy and implementation plan of PAEC endorsed	<b>PAEC strategy and implementation plan</b>					project report	Annual, Sec	
	strategy/plan - Number	0	In progress	1	1			
<b>Output</b> Public actors at national and provincial level have increased capacity to plan and monitor policy implementation	<b>MAFF ASDP new cycle released to effectively allocate resource for implementation of PAEC</b>					project report	Annual, Sec	
	ASDP cycle - Number	0	0	1	1			
	<b>No. of provinces that are able to prepare and report strategic plans through online system</b>					project report	Annual, Sec	
<b>Outcome</b> The Policy on Agriculture Extension in Cambodia is operational, with required service delivery capacity and a human resources development strategy in place	<b>Main institutions defined by PAEC are operational</b>					project report	Annual, Sec	
	AEC - Number	0	1	1	1			
	Extension portal - Number	0	1	1	1			
	Number of farmers covered (indicator added in June 2018)	0	TBD	TBD	TBD			
<b>Output</b> Quality Assurance of existing material / content are operational	<b># of extension materials accessible through the Extension Portal</b>					Extension Portal recording	Real time, GDA	
	extension materials - Number	0	190	800	800			

Results Hierarchy	Indicators					Means of Verification		Assumptions
	Name	Baseline	Status (end 2017)	End Target (MTR)	Revised End Target	Source	Frequency and Responsibility	
<b>Output:</b> Agriculture Educational Institutions providing training in line with PAEC and the HR development strategy	<b>No. of institutions providing diploma and training</b>					project report	Annual, Sec	
	institutions - Number	0	3	3	3			
<b>Output</b> Extension staff (Ext.Hub, PDA, and DAO) receive training to improve their skills and perform according to their approved job descriptions	<b>Percentage of Extension staff (Ext.Hub and 11 PDAFF) annual performance evaluation done</b>					project report	Annual, Sec	
	extension staff - %	0%	19%	70%	20 PDAFF			
	<b>Percentage of Extension staff (ext. hub and 11 PDAFF) received training in line with HRDS</b>					project report	Annual, Sec	
	extension staff - %	40%	43%	50%	20 PDAFF			
<b>Outcome</b> Agriculture services demonstrate effectiveness in supporting smallholder farm businesses to increase profits and resilience to climate change	<b>At least 90,000 smallholder farm businesses with increased profits through applying techniques learned through participation in ASPIRE extension activities</b>					MIS	Real time, DPS	A: strong internal control system in place
	Households - Number		2,973	90,000	108,000			
	<b>At least 70,000 climate vulnerable smallholders using infrastructure financed by PBCR/SPC</b>					MIS	Real time, DPS	
	Households - Number		10,000	70,000	84,000			
<b>Households reporting adoption of climate-resilient technologies and practices</b>					MIS	Real time, DPS		
Households - Number		3,418	60,000	72,000				
<b>Output</b> Public resources allocated in response to farmer needs need and market opportunities	<b>Marketing groups formed/strengthened</b>					MIS	Real time, DPS	
	IGRF +AC group - Number	0	(15 +57)	(689 + 202)	(689 +250)			
	<b>marketing groups with women in leadership positions</b>					MIS	Real time, DPS	
	Number			804	809			
<b>Output</b> Climate Change Resilience Strategy integrated in the local planning	<b>District Climate Change Resilience Strategy integrated into District Development Plan in target districts</b>					project report	Annual, Sec	
	districts - Number		16	24	32			
	<b>Percentage of Commune Development Plans which have the Vulnerability Reduction Analysis integrated (all target districts)</b>					project report	Annual, Sec	
CDP in C4 districts - %		89	100	100%				
<b>Output</b> Smallholders trained in improved climate-smart agriculture techniques learned through an efficient mix of delivery models (SC 3.1)	<b>Persons trained in production practices and/or technologies</b>					project report	Real time, DPS	
	Men/ women trained in crops		9,482 + 11,480	12,014 + 13,548	15,000 +17,000			
	Men/ women trained in livestock		9,677 +9,945	12,014 + 13,548	15,000 +17,000			
	<b>Community groups engaged in NRM and climate risk management activities</b>					PID	Real time, NCDD	
	Groups - Number			500	500			
<b>Poor smallholder household members supported in coping with the effects of climate change</b>					PID	Real time, NCDD		
Household members - Number	0		120,000	144,000				
<b>Output:</b> Profitability and resilience of smallholder farm businesses enhanced by access to climate-resilient productive infrastructure (C4)	<b>Farmland under water-related infrastructure constructed/rehabilitated</b>					PID	Real time, NCDD	
	Hectares of land - Area (ha)	0		35,000	42,000			