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Report No: PAD2505

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 65.50 MILLION  
(US\$91.67 MILLION EQUIVALENT)

TO THE

KINGDOM OF CAMBODIA

FOR A

CAMBODIA AGRICULTURAL SECTOR DIVERSIFICATION PROJECT

January 9, 2019

Agriculture Global Practice  
East Asia And Pacific Region

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective August 31, 2018)

Currency Unit = Cambodia Riels (KHR)

KHR 4091.49 = US\$1

US\$1.4013 = SDR1

FISCAL YEAR  
January 1 - December 31

**ABBREVIATIONS AND ACRONYMS**

AC	Agricultural Cooperative
AEC	Advisory and Endorsement Committee
AIDOC	Agricultural Information and Documentation Centre
AIMS	Accelerating Inclusive Markets for Smallholders
AWPB	Annual Work Plan and Budget
BCR	Benefit Cost Ratio
BPI	Business Plan
BPr	Business Proposal
CARDI	Cambodian Agricultural Research and Development Institute
CASDP	Cambodia Agricultural Sector Diversification Project
CEN	Country Engagement Note
CPF	Country Partnership Framework
CRI	Core Results Indicator
DA	Designated Account
DACP	Department of Agricultural Cooperative Promotion
DAI	Department of Agro-Industry
DAF	Department of Accounting and Finance
DAL	Department of Agriculture Legislation
DAVC	Diversified Agriculture Value Chain
DLI	Disbursement-linked Indicator
DPI	Diversification Plan
DPr	Diversification Proposal
DPS	Department of Planning and Statistics
DSF	Department of Supply and Finance
EA	Executing Agency
EC	Evaluation Committee
ERM	Emergency Response Manual
ESMF	Environmental and Social Management Framework
FAO	Food and Agriculture Organization of the United Nations
FIG	Financial Institutions Group
FM	Financial Management
FMM	Financial Management Manual

GAP	Good Agricultural Practice
GAHP	Good Animal Husbandry Practice
GDA	General Directorate of Agriculture
GDAHP	General Department of Animal Health and Production
GDICDM	General Department of International Cooperation and Debt Management
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GMP	Good Manufacturing Practice
GRM	Grievance Redress Mechanism
IA	Implementing Agency
IAD	Internal Audit Department
ICT	Information and Communications Technology
ICR	Implementation Completion and Results Report
IDP	Industrial Development Policy
IFC	International Finance Corporation
IFR	Interim Financial Report
IPF	Investment Project Financing
IPPF	Indigenous Peoples Planning Framework
INDC	Intended Nationally Determined Contribution
IRR	Internal Rate of Return
M&E	Monitoring and Evaluation
MAFF	Ministry of Agriculture, Forestry, and Fisheries
MFD	Maximizing Finance for Development
MEF	Ministry of Economy and Finance
MFI	Microfinance Institution
MIS	Management Information System
MoC	Ministry of Commerce
MoiH	Ministry of Industry and Handicraft
MoWRAM	Ministry of Water Resources and Meteorology
MRD	Ministry of Rural Development
MSMEs	Micro, Small, and Medium Enterprises
NBC	National Bank of Cambodia
NGOs	Nongovernmental Organization
NPV	Net Present Value
NSDP	National Strategic Development Plan
PA	Productive Alliance
PCO	Project Coordination Office
PDAFF	Provincial Department of Agriculture, Forestry, and Fisheries
PDO	Project Development Objective
PFI	Participating Financial Institution
POM	Project Operations Manual
PMT	Project Management Team
PO	Producer Organization
PPSD	Project Procurement Strategy for Development
RDB	Rural Development Bank
RGC	Royal Government of Cambodia

RS	Rectangular Strategy
RPF	Resettlement Policy Framework
RUA	Royal University of Agriculture
SCD	Systematic Country Diagnostic
SMA	Small and Medium Agribusiness
SMEs	Small and Medium Enterprises
SNEC	Supreme National Economic Council
SOP	Standard Operating Procedure
SPS	Sanitary and Phytosanitary Standards
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TSP	Technical Service Provider
TWGAW	Technical Working Group on Agriculture and Water

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DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name	
Cambodia	Cambodia Agricultural Sector Diversification Project	
Project ID	Financing Instrument	Environmental Assessment Category
P163264	Investment Project Financing	B-Partial Assessment

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input checked="" type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
31-Jan-2019	31-Jan-2025

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

The proposed Project Development Objectives are to facilitate the development of diversified agriculture value chains in selected geographical areas in Cambodia, and to provide immediate and effective response in case of an eligible crisis or emergency.

**Components**

Component Name	Cost (US\$, millions)
Component 1: Enabling Agriculture Diversification	48.72
Component 2: Supporting Public Infrastructure	29.33
Component 3: Improving Agriculture Information Systems and Quality Control Management	13.83
Component 4: Project Management, Coordination, Monitoring & Evaluation	9.79
Component 5: Contingent Emergency Response	0.00

**Organizations**

Borrower:	Kingdom of Cambodia
Implementing Agency:	Ministry of Agriculture, Forestry and Fisheries (MAFF) Ministry of Economy and Finance (MEF) Ministry of Rural Development (MRD) Ministry of Water Resources and Meteorology (MoWRAM)

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	101.67
<b>Total Financing</b>	101.67
<b>of which IBRD/IDA</b>	91.67
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	91.67
IDA Credit	91.67

**Non-World Bank Group Financing**

Counterpart Funding	10.00
Borrower/Recipient	10.00



**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	91.67	0.00	0.00	91.67
<b>Total</b>	<b>91.67</b>	<b>0.00</b>	<b>0.00</b>	<b>91.67</b>

**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2019	2020	2021	2022	2023	2024	2025
Annual	0.50	5.50	7.27	20.00	30.00	27.90	0.50
Cumulative	0.50	6.00	13.27	33.27	63.27	91.17	91.67

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Agriculture

**Contributing Practice Areas**

Water

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Moderate





3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	● Moderate
10. Overall	● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10	✓	
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37	✓	
Projects on International Waterways OP/BP 7.50	✓	
Projects in Disputed Areas OP/BP 7.60		✓



## Legal Covenants

### Sections and Description

Institutional Arrangements (Section I.A, Schedule 2 of Financing Agreement): The Recipient shall maintain throughout the period of implementation of the project the following structure, all with functions, composition, staffing and resources acceptable to the Association: (1) the Project Steering Committee; (2) the Project Coordination Office (PCO) / Team at MAFF; (3) Project Teams within MAFF, MRD, MoWRAM and MEF.

### Sections and Description

Project Operational Manual (POM) (Section I.B, Schedule 2 of Financing Agreement): The Recipients shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the POM (provided, however, that in the case of any conflict between the arrangements and procedures set out in the said manual and the provisions of this Agreement, the provisions of this Agreement shall prevail), and as the Association shall otherwise agree in writing, shall not amend, abrogate or waive any provision of the said manual.

### Sections and Description

Annual Works Plans and Budgets (AWPB)(Section I.C.1 and 2, Schedule 2 of Financing Agreement): The Recipient shall furnish to the Association, no later than December 1 of each year, an annual work plan and budget for the Project for the following Fiscal Year, in a manner and substance satisfactory to the Association, and thereafter implement the activities under the Project during the relevant Fiscal Year in accordance with such plan and budget.

### Sections and Description

Contingent Emergency Response (CER) (Section F. 1, Schedule 2 of Financing Agreement). In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Emergency Response Part”), the Recipient shall prepare and furnish to the Association for its review and no-objection, an Emergency Response Manual (“ERM”) which shall set forth detailed implementation arrangements for the Emergency Response Part; afford the Association a reasonable opportunity to review the proposed ERM; promptly adopt the ERM for the Emergency Response Part as accepted by the Association; and ensure that the Emergency Response Part is carried out in accordance with the ERM; provided, however, that in the event of any inconsistency between the provisions of the ERM and this Agreement, the provisions of this Agreement shall prevail.

### Sections and Description

Subprojects (Section I.D, Schedule 2 of Financing Agreement): No Subproject shall be eligible for financing out of the proceeds of the Financing unless such Subproject has been prepared, approved and implemented in accordance with the criteria, guidelines and procedures set forth in the POM.

### Sections and Description

Safeguards (Section I.E.1, Schedule 2 of Financing Agreement): The Recipient shall implement or cause the Safeguards Instruments to be implemented in a manner and substance satisfactory to the Association.

## Conditions



Type	Description
Disbursement	<p>No withdrawal shall be made for Emergency Expenditures under Part 5 of the Project, unless and until the Association is satisfied that all of the following conditions have been met in respect of said expenditures: (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; (ii) the Recipient has ensured that all safeguards instruments required for said activities have been prepared, disclosed and consulted upon, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.F of Schedule 2 to the Financing Agreement; (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.F of Schedule 2 to the Financing Agreement, for the purposes of said activities; and (iv) the Recipient has adopted the ERM, in form and substance acceptable to the Association, and the provisions of the ERM remain - or have been updated in accordance with the provisions of Section I.F of Schedule 2 to the Financing Agreement so as to be - appropriate for the inclusion and implementation of the Emergency Response Part.</p>

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## I. STRATEGIC CONTEXT

### A. Country Context

1. **Cambodia grew at an average rate of 7.6 percent from 1994 to 2015 and became a lower-middle-income economy.** This growth was driven by exports of goods and services (mainly garments and tourism), which grew 19.6 percent a year over the same period. Around 3.6 million jobs in industry and services were created over the past two decades. Cambodia's growth has been pro-poor. The percentage of Cambodians living under the national poverty line fell from 47.8 percent in 2007 to 13.5 percent in 2014, according to official estimates. The Gini coefficient declined to 0.30 in 2014 from 0.34 in 2009. Cambodia has made significant progress in attaining the Millennium Development Goals. Since 1990, the country has more than halved extreme poverty and maternal mortality, achieved nearly universal primary education enrollment, and made significant progress in combating HIV/AIDS. Poverty reduction was particularly dramatic from 2007 to 2009, when poverty declined by 25 percentage points and 3.3 million people escaped poverty, owing in large part to an expansion of cultivated area and high international food prices which benefited both farmers and agriculture workers.

2. **Growth has also been driven by the country's rich and diverse natural capital, which supports the livelihoods of millions of Cambodians.** Agriculture, which depends heavily on natural resources and ecosystem services, contributed to a quarter of the annual gross domestic product (GDP) in 2016. More than five million people depend on agriculture and fisheries, to supplement their income and support their food security, and 88 percent of the population still relies on traditional biomass for cooking. Cambodians are also the largest consumers of freshwater fish per capita, with fish and other aquatic resources contributing to 37 percent of total protein consumption. Tourism, another engine of economic growth, is also becoming increasingly dependent on natural resources and environment.

3. **Going forward, Cambodia may not be able to rely on the same factors that drove strong growth and poverty reduction over the past two decades.** In the case of agriculture, the outlook for commodity prices is not positive, and Cambodia's scope for further gains in cultivated area is more limited nowadays, especially considering the need for environmental sustainability. Risks posed by the degradation of natural resources could affect economic sustainability. It is crucial to maintain and develop natural resources while strengthening climate resilience. Low prices for agricultural commodities along with rising salaries will require improvements in productivity to remain competitive. Given the continued importance of the agricultural sector to growth and poverty reduction, Cambodia will need to foster a gradual transformation of the sector through intensification, diversification, and value addition. The public sector could facilitate expanded irrigation, knowledge, and technology adoption in collaboration with the private sector and strategies of quality differentiation by enhancing systems for managing quality and food safety and introducing an overall coherent approach to 'brand' Cambodian food and agriculture.

### B. Sectoral and Institutional Context

4. **While the agriculture sector (including fisheries and forestry) contributed about a quarter to annual GDP, it was the source of 36.4 percent (or 3.1 million jobs) of all jobs in 2016.** Nearly 46.3 percent (or 3 million people) of the rural population still rely on agriculture for employment. Employment creation supplied by the agriculture sector grew at an annual rate of 2.8 percent from 2007 to 2011, driven by



agricultural development boosted by rising agriculture commodity prices and cultivated land expansion.<sup>1</sup> In 2009, the agriculture sector managed to absorb a large number of laid off factory workers caused by the collapse of the industry sector as the garment and footwear sector faltered during the 2008/09 global financial crisis. Owing to accelerated structural transformation, Cambodia has recently experienced a sharp decline in the share of the employed population working in agriculture. From 2011 to 2015, employment creation by the agriculture sector shrank by 5.8 percent a year caused by drought and depressed agricultural commodity prices.

5. **Since 2013, Cambodia’s agricultural value added has experienced very little growth, raising concerns about the sector’s underlying strength and competitiveness and its ability to provide remunerative livelihoods going forward.** External shocks, including a large drop in agricultural commodity prices that started in 2012 and extreme weather events in 2013 through 2015, played an important role in slowing progress in the sector. This has led to emerging questions about the underlying sustainability and quality of the earlier growth. Agriculture continues to depend heavily on natural resources and ecosystem services. The rapid agricultural growth, which was partly driven by the expansion of cultivated areas and practice of monoculture cropping at the early stage of agricultural development, had unfortunately also contributed to deforestation and soil degradation. Initial challenges facing the management of natural resources have resulted in depletion of some important aquatic resources including overfishing.

6. **Cambodia’s agricultural sector, particularly rice production, is vulnerable to climate impacts with temperature increases, changing rainfall patterns and variability, salinity intrusion, and flooding; all threats to the sector’s growth, stability, and sustainability.** Cambodia’s mean annual temperature has risen 0.8°C since 1960 and is projected to increase by 0.7°C to 2.7°C by 2060s.<sup>2</sup> Studies have shown that for increase of temperature by every 1°C, rice yields can be expected to decrease by 10 percent.<sup>3</sup> In addition, changes in rainfall patterns and variability will affect crops, especially those that are predominantly rain-fed like rice. Regionally, the Mekong Delta is one of the most vulnerable areas to climate impacts and faces increasing salinity intrusion and flooding, leading to decreasing freshwater supply. Climate impacts will, therefore, present numerous challenges to the agricultural sector and warrant significant action to increase climate resilience.

7. **Cambodian farmers still lack competitiveness in larger markets for agricultural products other than rice.** The development of the rice sector has seen significant support from the Royal Government of Cambodia (RGC) and donors, while other crops have also gained increased importance and potential, particularly for small- and medium-size farmers. A recent policy shift to include diversification as an objective for agriculture sector strategies addresses that. Many Cambodian producers, particularly small- and medium-size farmers, lack the knowledge and skills to successfully commercialize their agricultural output. They do not have access to the required technical assistance (TA) (extension services), financial services, and public infrastructure to participate in demand-driven diversification. Support provided to

<sup>1</sup> Cunningham, W., Hollweg, C.H., 2018. “Cambodia’s Future Jobs”, World Bank, Cambodia, Phnom Penh.

<sup>2</sup> World Bank Climate Knowledge Portal.

<sup>3</sup> Peng, S.B., J.L. Huang, J.E. Sheehy, R.C. Laza, R.M. Visperas, X.H. Zhong, G.S. Centeno, G.S. Khush, and K.G. Cassman. 2004. “Rice Yields Decline with Higher Night Temperature from Global Warming”. Proceedings of the National Academy of Sciences 101:9,971–75; Kala, N., B. Ny, and P. Kurukulasuriya. 2011. “Ricardian Analysis of the Impact of Climate Change on Agriculture in Cambodia.” Unpublished technical working paper prepared for UNDP Cambodia Human Development Report 2011. UNDP, Cambodia, Phnom Penh.



the agricultural sector has not always been designed in a participative way, listening and responding to the needs of farmers and their buyers.

8. **Cambodian small and medium enterprises (SMEs), including many of those involved in agro-processing, also have limited knowledge about and access to modern inputs and equipment and limited knowledge about and/or capacity to implement modern processing techniques that would respond to increasing market and quality demands at home and abroad.** SMEs and agro-processing firms face high costs of firm formalization, operation, and financing. Access to finance for small and medium agro-processors and farmers remains constrained. Lending to agriculture by commercial banks accounted for only 11 percent (US\$1.7 billion) of their total loan portfolio in 2017, while the construction sector, contributing only 12.4 percent of GDP received up to 26 percent (or US\$4.1 billion) of the total loan portfolio. The perceived riskiness of investment in the agriculture sector in relation to that in the construction sector may be the main reason behind the low financing going to the sector. Microfinance institutions (MFIs) have given more attention to the agriculture sector as they have provided 23.8 percent (US\$1.16 billion) of their total loan portfolio to the sector. While decreasing, interest rates of loans supplied by commercial banks and MFIs remain high. The 12-month weighted average interest rates were as high as 11.8 percent per year and 17.8 percent per year offered by commercial banks and MFIs in 2018, respectively.<sup>4</sup> Informal lenders charge even much higher interest rates.

9. **Infrastructure provision remains a challenge for sector development.** While road connectivity between Cambodia's main cities has considerably improved in the last decade, access to and from remote rural communities remains a challenge for their inhabitants. Farm to market roads ('agriculture roads') are in many places nonexistent or in poor condition, not allowing access to production sites or making access and transport often prohibitively expensive. This also constrains the aggregation efforts by traders and middlemen, further aggravating the marketing problems for poor rural smallholders. The situation is compounded by the limited existence of well-organized rural and urban markets where products could be managed, graded, and distinctively priced according to individual qualities. There remain large differences between low farm gate prices and retail prices of agricultural products, which is one of the important elements preventing local farmers from gaining more from their production.

10. **Farmers still lack access to on-demand irrigation and adequate water management, which is essential for successful crop diversification and competitiveness.** Though overall, Cambodia can be classed as having abundant water resources, its availability is highly variable both temporally and spatially. Even during the wet season, there can be long dry spells, and supplementary irrigation is required to avoid crop moisture deficits between rainfall events. Most of the existing irrigation schemes have been developed for rice cultivation and would have to be adapted for diversified cropping with different irrigation methods to be introduced, the specific method depending on the type of crop.

11. **Despite improvements in the overall food security, malnutrition remains a persistent human development challenge in Cambodia, mainly because of affordability issues of nutrient-rich diets.** At a national level, Cambodia achieved food security in the late 1990s and is now self-sufficient in rice, with a growing surplus being exported with limited value addition. The prevalence of undernourishment<sup>5</sup> (per

<sup>4</sup> Biannual report 2018, National Bank of Cambodia.

<sup>5</sup> Undernourishment here refers to the United Nations Food and Agriculture Organization indicator, calculated as the share of population unable to meet the country-specific minimum energy requirement for low physical activity (FAO Global Hunger Index, 2014). As such, undernourishment reflects population average caloric adequacy and can be used to complement anthropometric data and provide a more complete picture of the contribution of food security to undernutrition at the national level.



capita caloric insufficiency) declined from over 30 percent in 1992 to 16 percent in 2014 (Food and Agriculture Organization of the United Nations [FAO] 2015). However, these improvements have been accompanied by only small improvements in food access (namely geographic and economic access to a diverse, nutrient-rich diet). Severe food insecurity remains a challenge only in distinct subnational areas (largely poor and remote); rather the affordability of nutrient-dense foods poses a common challenge. Only 21 percent of households can afford a nutritious diet and poor agricultural households are the most food insecure. The national average daily cost of the staple-adjusted nutritious diet in Ratanakiri and Mondulakiri is nearly twice as high as the national average (US\$6.06 versus US\$3.62) and 66 percent of households in the northeast cannot afford a nutritious diet. Most agricultural households can meet their staple food (rice) needs but rely on income and foraging to obtain nutrient-dense foods. Unsurprisingly, child stunting (low height-for-age and a physical manifestation of chronic undernutrition) continues to affect one in three (32 percent) children under age five in 2014. Stunting is caused most proximately by low nutrient intake and high burden of disease and negatively affects children in achieving their physical, cognitive, and productive potential. More importantly, children in the bottom quintile are twice as likely to be stunted compared to children in the wealthiest quintile. A recent study<sup>6</sup> found that economic losses because of child stunting amounted to US\$130 million per year.

12. **Gender gaps in access to opportunities prevail in the sector.** Women still do not reap their proportional share of benefits from services and technological advances. Extension services and the market for technological inputs do not provide targeted solutions for female farmers and their problems in production, crop, and livestock choices. Cambodian rural women are increasingly finding alternative employment in the garment sector and the overall out-migration is high for both rural men and women (nearly 50 percent of both men and women migrated from rural areas, especially during 2012–2014 when the sector was hard hit by droughts and depressed food prices). At the same time, there is an increase in mechanization within agriculture. This leads to an increasing demand for financing technological improvements, also for women, who have even less access to formal financial markets than men. These changes to the rural life in Cambodia are creating an increased demand for services such as savings markets for remittances, childcare options, and the development of a formal agribusiness sector. Compared with neighbouring countries the bank account penetration for Cambodian women is only 20 percent, while Vietnam, Indonesia and Thailand experience 32 percent, 37 percent and 72 percent respectively.<sup>7</sup> The Cambodia Socio-Economic Survey (2014) identified a gender earnings gap of about 30 percent among those with low education. The data suggest that female-owned enterprises comprise more than half of the business establishments in Cambodia, but that these establishments are generally smaller, less profitable, and less likely to be registered than those owned by males. There is a need to create targeted approaches to ensure that men, women, and female heads of households actively participate in local public decision making, for example, in relation to the identification of local infrastructure needs.

13. **The voice and civic engagement of farmers and other rural actors remain limited in the decision making on the design and implementation of programs for value chain development.** Farmer organizations in Cambodia tend to be small, with limited official recognition (unless they are registered as cooperatives) by the local authorities. Nonetheless, they have the potential to play an important role in supporting farmers, to ensure that they have a voice in the design and implementation of programs and projects, which are designed to improve their livelihoods. Along with their small size, farmer organizations

<sup>6</sup> CARD, UNICEF and WFP, 2013, The economic consequences of malnutrition in Cambodia: A damage assessment report, Cambodia, Phnom Penh.

<sup>7</sup> The Global Findex Database 2014 - Measuring Financial Inclusion around the World, World Bank 2015.



in Cambodia are constrained by their limited human capacity. The main actors supporting farmer organizations in Cambodia are a range of nongovernmental organizations that are active at the provincial level to build both their technical and leadership capacity. There is a need to partner with these organizations to ensure that farmer organizations can act as an effective voice during the implementation of donor-financed rural development programs and ensure that the views of all (regardless of age, gender, and ethnicity) are well represented.

14. **Government reform agenda responding to challenges.** The country's Industrial Development Policy (IDP) was prepared to contribute directly to achieve the objectives of the Rectangular Strategy (RS) Phase III (2014–2018) and continues to be directly in line with next phase of RS VI (2019–2023). It proposes the launch of a new growth strategy, including for the rural economy and the agriculture sector, that responds to the structural transformation of the domestic economy and the changing regional and global economic architecture. Specifically, the IDP targets processed agriculture product exports as a share of total exports to increase from 8 percent in 2015 to 10 percent and 12 percent in 2020 and 2025, respectively. In addition, it highlights the role of the industrial sector to enhance the performance of core economic sectors, including agriculture, which will further contribute to boosting economic growth. The Ministry of Agriculture, Forestry, and Fisheries (MAFF)/Department of Agro-Industry (DAI) has prepared its own strategic plan complementary to the IDP.

15. **The RGC is paying strong attention to agriculture development.** Public spending in agriculture has increased significantly, albeit from a low level. Between 2007 and 2016, government funding to agriculture doubled, amounting to 0.54 percent of GDP. Together with donor funding, the overall public spending in agriculture rose to nearly 0.6 percent of GDP in 2016 (1.8 percent of GDP if irrigation spending is included). Public spending in agriculture in the region ranges from 0.66 percent of GDP for China, 0.48 percent of GDP for the Philippines, and 0.24 percent of GDP for Vietnam.<sup>8</sup> Agricultural spending has been well balanced between wage and non-wage recurrent expenditures and is mainly directed to the provision of public goods that benefit many Cambodian people. Despite this, more remains to be done to improve quality of investments in irrigation systems and underinvested areas including core technical and regulatory functions, including inspection services, compliance with sanitary and phytosanitary standards (SPS), plant and animal health, and agriculture research.

### C. Relevance to Higher Level Objectives

16. **The proposed project is in line with the Government's vision and the main features of national development policy and poverty reduction objectives laid out in the new RS IV and the National Strategic Development Plan (NSDP).** The RS IV aims to ensure development sustainability and poverty reduction in response to the aspirations of the people. The four pillars of the RS include (a) human resource development, (b) economic diversification, (c) promotion of private sector development and employment, and (d) inclusive and sustainable development. The NSDP prioritizes one chapter devoted to the agriculture sector and describes the activities required to transform the sector from being primarily dependent on the expanded use of available land and water resources and traditional agricultural inputs, into one which primarily depends on the application of new techniques, new technologies, mechanization, and irrigation to improve productivity; commercialization; and diversification into high-value crops, livestock, and aquaculture in an environmentally sustainable manner.

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<sup>8</sup> 2018 Public Expenditure Review, World Bank.





17. **The proposed project would likewise help in achievement of the following Sustainable Development Goals:** (a) to end poverty in all its forms everywhere; (b) to end hunger, achieve food security and improved nutrition and promote sustainable agriculture; (c) to ensure healthy lives and promote well-being for all at all ages; (d) to achieve gender equality and empower all women and girls; (e) to promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all; (f) to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation; (g) to ensure sustainable consumption and production patterns; and (h) to take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.

18. **The World Bank Group’s Cambodia Country Engagement Note (CEN) for FY2016–2017 (CEN: 104843-KH) aims at improving service delivery and reducing vulnerability.** The project is consistent with both the Agriculture Sector Strategic Development Plan and the CEN, responding directly to the pathways for development identified in the Systematic Country Diagnostic 2016 (SCD: Report No. 115189-KH) . The World Bank Group has prepared an SCD to help identify opportunities and challenges, as well as priority development areas for ensuring strong, inclusive, and sustainable growth, and shared prosperity in Cambodia going forward. The two pillars to which the proposed project will directly respond are (a) enhancing export competitiveness and economic diversification to sustain strong growth and create jobs and (b) ensuring a more sustainable growth pattern by investing in natural capital and climate resilience. The project will also respond to the third pillar: building human assets to facilitate economic mobility and shared prosperity, by improving household food and nutrition security and the availability and accessibility (affordability) of nutritious diets and improved knowledge and skills. The interventions under the proposed project are also aligned with the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity and contribute to the same key RGC longer-term objectives of poverty reduction. The project will contribute to the overall goal of decreasing rural poverty, enhancing rural employment, increasing the resilience of farmers, and enhancing the competitiveness of small-scale farmers and small businesses. The new Country Partnership Framework (CPF) for Cambodia 2019-2023 is currently under preparation, and agriculture is among the main areas of focus as highlighted already in the current SCD.

19. **The proposed project is well positioned to contribute to the climate change policies and measures of Cambodia, outlined in its Intended Nationally Determined Contributions (INDC).** Cambodia’s INDC identify agriculture as one of the sectors most affected by and vulnerable to climate change. The INDC’s priority actions include developing climate-proof agriculture systems for adapting to changes in water variability to enhance crop yields; scaling up climate-smart farming systems; and repairing and rehabilitating the existing road infrastructure and ensuring effective operation and maintenance, considering climate change impacts. The project provides a framework to achieve some of the INDC commitments, by promoting investments, both at the private and public level that will decrease the vulnerability to climate variability.

20. **Finally, the proposed project follows the Maximizing Finance for Development (MFD) framework.** The project will address market failures by using an inclusive business model to improve links among smallholders and firms of all sizes, where producers and off-takers maximize mutual gains. The Government will have a facilitation and coordination role and will ensure that contracts and agreements between parties are fair, transparent, and market driven as well as support the capacity of smaller actors to engage gainfully and pragmatically in commercial agricultural value chains. The project will improve incentives and reduce private sector transaction costs and risks by investing in public infrastructure based



on clear private sector needs, strengthening food safety systems, and improving coordination among value chain actors. It will also reduce private sector investment risk and support farmers and agribusinesses' access to finance.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

21. **Project Development Objective (PDO) statement.** The proposed Project Development Objectives are to facilitate the development of diversified agriculture value chains in selected geographical areas in Cambodia, and to provide immediate and effective response in case of an eligible crisis or emergency.
22. **PDO-level indicators.** The achievement of the first part of the PDO will be measured through the following indicators: (a) increase in the volume and value of gross sales at benefitting farms (percentage), (b) increase in the value of gross sales of benefitting agribusinesses (percentage), and (c) share of non-rice production area of participating farmers (percentage).

### B. Project Components

23. **The proposed Cambodia Agricultural Sector Diversification Project (CASDP) comprises the following five components:** (a) Enabling Agriculture Diversification; (b) Supporting Public Infrastructure; (c) Improving Agriculture Information Systems and Quality Control Management; (d) Project Management, Coordination, and Monitoring and Evaluation; and (e) Contingent Emergency Response.
24. **The proposed project is designed to enhance market opportunities through an inclusive, beneficiary-led, market-driven approach leading to enhanced competitiveness and increased capacity to manage climate risks.** With an overall investment requirement of US\$101.67 million, including a US\$91.67 million IDA credit, the project will have four components, plus a fifth zero-allocation component for the case of an eligible crisis or emergency. The first two components are closely linked and represent the largest part of the investments and will be modular and scalable and adaptable to geographical areas and commodity/value chains. The third component focuses on institutional strengthening and seeks to enhance the impact of the investments made under the first two components in the medium and long term, ensuring sustainability and possible expansion of benefits across the country.
25. **The compilation of value chain support, including extensive technical assistance (TA), productive infrastructure, and financial support services under Component 1, emphasizes the proposed project's close ties between direct support to farmers, producer organizations (POs), and small and medium agribusinesses (SMAs) and the public investments in roads and irrigation infrastructure under Component 2.** All public infrastructure investments of Component 2 will be prioritized and implemented as described in selected diversification plans (DPIs) prepared under Component 1, applying new civil works codes that reduce vulnerability to climate risks.

**Component 1: Enabling Agriculture Diversification (total estimated cost US\$48.72 million; to be fully financed by IDA Credit).**

26. Component 1 will use a holistic value chain approach that is market and demand driven to build diversified competitive value chains, in which the POs and their members can access rewarding domestic



and international markets, and SMAs (such as aggregators, processors, input suppliers, distributors, and wholesalers) can have access to better quality raw material on a consistent basis, while increasing their absorptive capacity and achieving the quality standards that the markets require. This component is competitive and mostly private sector driven, with the Government having mainly a facilitating role, while providing certain market-linked agricultural extension services (in which it has a comparative advantage) leading to the adoption of new technologies to increase productivity and to enhance resilience to climate risks. The farmers' POs and SMAs will be in a position to determine the type of services and infrastructure and the delivery mechanisms that responds to their needs.

*Subcomponent 1.1: Supporting the Preparation and Implementation of Diversified Agricultural Value Chains.*

27. The subcomponent will finance (a) awareness raising campaigns, (b) support for teaming up of stakeholders, (c) support for the preparation and evaluation of Diversification Proposals (DPr); (d) support for the preparation and evaluation of a full-fledged DPI) for selected DPr; (e) implementation support, and (f) technical support.

- (a) **Awareness raising campaigns.** The project will finance the preparation and implementation of an awareness raising strategy to promote an understanding of the project's scope and objectives through outreach to potential stakeholders and beneficiaries. Awareness raising and dissemination activities will be supported by nongovernmental organizations (NGOs) or firms to ensure that potential beneficiaries have all the information and knowledge about project processes and eligibilities.
- (b) **Support for teaming up of stakeholders.** Once the project is known by the public, the project will finance the organization of business networking events, including business roundtable forums and local workshops, for supporting the formation of strategic partnerships among key stakeholders along priority selected value chains, leading to teams that want to conduct business together (such as the POs, SMAs, larger agribusinesses and buyers, and financial lenders). Dedicated awareness raising material and events will be used to ensure access, including for women, to all information needed to encourage stakeholders' active participation in the project.
- (c) **Support for the preparation and evaluation of DPr.** Following the awareness raising and information dissemination campaigns in the project provinces, there will be a general Call for Proposals, and interested POs and SMAs can submit initial Diversification Proposals following a standard format. The DPr will consist of one or several business proposals (BPr), one for each PO and SMA, describing the intended private investments and the required public infrastructure investment support (financed under Component 2) needed to support the implementation of the BPr. The BPr will state the business objective and include all involved stakeholders, including the financial lender (ideally participating in the credit line described in Subcomponent 1.2). It will also include an assessment of the knowledge and investment gap and broadly include the investments and TA that would be needed at the farm, PO, and SMA level, including their cost and a simple financial analysis. When needed, POs and SMAs will receive support from a TSP, employed by the project. The DPr and associated BPr will be evaluated by an evaluation committee (EC) led by the Ministry of Economy and Finance (MEF) and including the MAFF, following clear evaluation criteria and judging technical feasibility and contribution to improving



nutrition, financial viability, and social and environmental sustainability, as well as to enhance climate resilience. The detailed criteria are elaborated in the Project Operational Manual (POM) and include scored marks for explicit incorporation of GAP/GAHP/GMP, job creation, inclusion of women and youth, and nutrition sensitivity of the proposals. Competitively selected DPr will be endorsed by an Advisory and Endorsement Committee (AEC) for further elaboration, with support from the TSP, into a fully-fledged DPI.

- (d) **Support for the preparation and evaluation of a full-fledged DPI for selected DPr.** The project will ensure provision of TA to teams for the preparation of detailed DPI. Each DPI will have a detailed public infrastructure plan and include one or several detailed business plans (BPI), one for each PO and SMA. Each selected BPI should be technically feasible, financially viable, economically profitable, socially responsible, and environmentally sustainable, and should, when implemented, contribute to a consistent and timely supply of sufficient quantities of quality produce to buyers while providing a reliable income to farmers. Proposed production and processing systems will be designed with the purpose of strengthening resilience and introducing climate smart techniques. TA and infrastructure provision will support adaptation of respective practices. The DPI and associated BPI will be evaluated and selected by the EC and thereafter endorsed by the AEC. Priority will be given to BPIs that can also contribute to closing key nutrient gaps in the domestic food system (as identified in the Fill the Nutrient Gap analysis) or exploit improvements in nutrition outcomes through collaboration with other relevant, respective projects. Additionally, criteria prioritize also resilience and climate responsiveness of proposed production and processing systems through a scoring system.
- (e) **Implementation support.** In addition to the core public services to be provided to the BPI beneficiaries as outlined in the DPI, support will be provided to the POs and SMAs to make sure that all the investments and TA are implemented as planned and to the highest standards possible. The objective is to strengthen the implementation readiness at the farmer, PO, and SMA level. This support also includes financial literacy to increase the procurement and financial management (FM) capacity of the POs and SMAs.
- (f) **Technical support.** The BPI beneficiaries will also receive core public technical services: (i) training in areas such as agricultural cooperatives (ACs) and contract farming; (ii) TA in areas such as postharvest management, organic farming, climate smart agriculture practices, agricultural machinery, and food safety; (iii) participation in workshops, fairs, and exchange visits; and (iv) training in environmental and social safeguards.

28. **Prioritization of nutrition-sensitive BPIs.** The selection criteria for the DPr are designed to prioritize financing the implementation of nutrition-sensitive BPIs. Nutrition-sensitive value chains will be defined as those that can contribute to reducing undernutrition in the Cambodian population. Details for the nutrition-sensitive selection criteria are outlined in the POM.

29. **The MAFF will implement activities (a) through (f) of the subcomponent with the support of NGOs and/or technical service providers (TSPs) allocated to specific geographical project areas, as further defined in the POM.** The TSPs will be competitively selected private firms or institutions. In addition, the MAFF will be supported by the services of specialized technical consultants, as required for implementation.



*Subcomponent 1.2: Financing Agriculture Diversification*

30. To facilitate the financing of the productive investments and TA identified in the approved DPI and associated BPI, the project will set up a credit line, complemented by a matching grant facility predominantly intended for the POs, aiming to link to value chains. The financial instruments will underpin the overall thrust of the project, which is diversification into higher-value crops and commercialization of the agriculture sector. The financial instruments will therefore finance a broad range of investments at the farm/PO/SMA level as identified in the DPI and BPI, related to agriculture diversification, including processing equipment, on-farm irrigation equipment (drip, microjet, sprinkler, on-farm water storage, and so on), agricultural machinery, (cold) storage, vehicles, packaging and trading equipment, information and communications technology (ICT) solutions, agricultural inputs, and other eligible investments. Development for diversified, irrigated farming will focus on one or more blocks in the existing irrigation schemes where on-farm irrigation equipment will be installed. Diversified agriculture will for most sub-projects require pumped on-farm irrigation rather than gravity rice irrigation. The project will provide technical advice to beneficiaries to ensure that water and energy efficient technologies will be applied, in particular solar power. Some of the POs may develop small irrigation schemes outside the existing irrigation schemes. These schemes will typically be around 20 ha and will use groundwater or surface water from small streams. The credit line and matching grant facility will be available to finance viable schemes.

31. **Credit line.**<sup>9</sup> The credit line (approximately US\$30 million), which will be managed by a treasury bank (tentatively the Rural Development Bank; RDB), on behalf of the Government, as described in paragraph 34 below, will have two windows, one supporting a broad-based development of the sector while a second one will support value chain development by financing the BPI of the POs and SMAs from the selected DPI of Subcomponent 1.1. A general window (tentatively US\$20 million), which will cater to a broad range of potential borrowers borrowing through the participating financial institutions (PFIs), will be open to the POs and SMAs and other actors supporting a diversified and competitive agriculture sector. Funding will be available for viable business plans, accepted by PFIs. This window will provide investments and limited working capital loans for diversified agribusiness development. The second DPr window (approximately US\$10 million) will be earmarked for the value chains supported/established under Subcomponent 1.1, and will, therefore, aim to finance entire value chains, from producers to the market. Under this window, the value chain participants (including the SMAs, POs, or others) will borrow for investments in production facilities and assets, for contract farming arrangements, and other suitable value chain financing arrangements. For the POs, the credit line will complement the matching grants received, while for the SMEs it will cover most of the BPI. Overall, it is expected that the maximum loan size/exposure to a value chain will reach up to US\$1 million in cases of financing entire value chains or agribusiness investments (where a precondition will be linking farmers to markets). The credit line would be channeled through selected qualified banks, financial institutions and deposit-taking MFIs (PFIs), selected through a due diligence process using criteria agreed with the World Bank, at the outset of the project. Criteria for acceptance and inclusion as a PFI include general compliance with required coverage

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<sup>9</sup> The subcomponent will collaborate closely with the financial instruments in Cambodia's financial sector implemented by the Financial Institutions Group (FIG) of the International Finance Corporation (IFC). Ways to leverage the IFC FIG's financing program to financial institutions for subloans financed under the CASDP will be sought. The project's matching grant program will benefit subborrowers under the IFC FIG's programs, toward achieving the CASDP's objectives, provided the relevant financial institution has been qualified for participation under the CASDP.



and available staff resources, financial prudential standards, corporate governance and managerial standards.

32. **Matching grant facility.** The matching grant facility (approximately US\$10 million) will provide matching grants to the POs (and their members) involved in selected DPLs supported by the project, to facilitate their links with diversified and competitive value chains led by SMAs or larger agribusinesses and buyers (such as aggregators, agribusinesses, processors, distributors, wholesalers, retailers, and exporters), creating links back to the POs and providing their access to markets. The matching grants will finance up to 40 percent of the portion of the BPI related to the activities of the POs (a cap in the absolute amount is further defined in the POM). Only investments and TA will be eligible for the matching grant co-financing. The remaining 60 percent would be financed either by the beneficiary savings/equity or borrowing from the project's credit line of the DPrs window. The matching grant facility will be administered by the MAFF, including disbursements to the accounts of the final beneficiaries. Matching grants will be approved by the AEC when approving the DPI and BPI. The AEC will also be responsible for ensuring that investments<sup>10</sup> comply with the environmental and social safeguards requirements of the World Bank.

33. Subprojects would help beneficiaries to respond better to market demands through climate-smart investments and innovations, including adoption of practices to increase resilience to climate change, such as: increasing use of integrated pest management, introduction of new crop varieties, counter-seasonal production methods and technologies, establishment of greenhouse and other mechanisms for soil management and increasing soil fertility, introduction of more efficient irrigation and water harvesting methods and alternative (small-scale) sources of energy, development of integrated landscape models (livestock, crops and forestry), improvement in stock breeding and management, reduction of post-harvest losses and increase food quality. These subprojects will also contribute to the project's net carbon balance through: sequestration from afforestation/restoration of degraded areas and the transition from set aside/degraded lands to perennials (agro-forestry, orchards, gardens, tree crops, etc.); and through emission reductions from improved management of agro-forestry, livestock (e.g. feeding), and cropping systems.

34. **The implementation of the credit line will be regulated by the Credit Line Operational Manual, and the implementation of the matching grant facility will be regulated by the Matching Grant Facility Operational Manual.** Both the manuals will set forth detailed eligibility criteria for beneficiaries and investments, procedures, and responsibilities of all involved parties for the implementation of the respective financial instruments. An Onlending Agreement will be signed between the MEF and the Treasury Bank (tentatively the RDB), Subsidiary Loan Agreements will be signed between the Treasury Bank and qualified PFIs, and a Subloan Agreement between the PFIs and beneficiaries under the credit line. Matching grants will be extended to the eligible beneficiaries on the basis of Sub-Grant Agreements signed between the MAFF and the POs. All the manuals and legal agreements will be subject to IDA 'no objection' before the start of the disbursements.

35. **PFI training.** The project will support a capacity-building program for the PFIs involved in the project, given the novelty of the nontraditional financial products to support value chain development. The training program will cover value chain financing products, assessing the suitability and effectiveness of these new financial products, and mitigation of the related risks. The training will be for about five days

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<sup>10</sup> This includes subproject investments and infrastructure investments.



and will target loan officers and branch managers of PFIs. An international bank training company will be hired, under the project, to do the initial training and transfer this specific knowledge to a local bank training company,<sup>11</sup> which will take over the training activities at the later stages of the project. For the PFIs trying to test value chain financing products, longer-term (resident) TA will be provided to ensure that the PFIs can appropriately structure the deal and manage the risks. In addition, the RDB and all PFIs will have to undergo training on the environmental and social safeguards requirements of the World Bank and on establishing environmental and social risk management systems.

**Component 2: Supporting Public Infrastructure (total estimated cost US\$29.33 million; US\$23.33 million financed by IDA Credit)**

36. The component will support government/public actors providing demand-driven, improved infrastructure, such as rural roads and higher-order irrigation infrastructure, for which private sector services are generally not available or accessible. These include off-farm irrigation infrastructure and rural market access roads, identified by the stakeholders in the approved DPLs under Component 1, to improve the PO's ability to diversify crop production through improved and on-demand water availability and transport produce to the markets in an efficient manner that speeds up delivery and minimizes losses. The component will also finance consulting services for design and construction supervision. Climate-resilient engineering of construction works will be ensured. Removing bottlenecks for productive investments and the provision of public infrastructure is also part of the proposed project's efforts to facilitate MFD intervention by private sector stakeholders.

*Subcomponent 2.1: Supporting Irrigated Agriculture*

37. Many of the POs are expected to develop diversified agriculture in the existing irrigation schemes. Led by the Ministry of Water Resources and Meteorology (MoWRAM), the project will finance selective rehabilitation or upgrading of irrigation water conveyance and distribution systems identified in the DPL prepared under Subcomponent 1.1. The project will not invest in large-scale irrigation infrastructure, and investment support will be provided only in combination and coordination with other value chain diversification measures. Thus, investments under the project will be limited to selective canal lining, construction of control structures, installation of new gates, and so on to ensure that the water can reach the irrigation blocks where the POs practice diversified agriculture on a demand rather than supply-driven basis. It will also include the TA and training to water user communities and municipalities to strengthen their capacity to operate and maintain the financed irrigation infrastructure, and financing of consulting services, as needed, to design and supervise the infrastructure investments. Finally, the project will support the MoWRAM and MAFF with the introduction of modern technologies, such as remote sensing and drones, to improve irrigation water management and its monitoring.

*Subcomponent 2.2: Supporting Agriculture Roads*

38. Led by the Ministry of Rural Development (MRD), the project will support the enhancement of connectivity through improving farm-to-market roads (rural roads) identified in the DPL prepared under Subcomponent 1.1. Based on the needs described in the DPL, the existing rural roads will be improved,

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<sup>11</sup> A local bank training company will be hired under the project for the purposes of transfer of relevant knowledge by the international training company, to ensure that the local training company can take over the provision of the training. The project will also work with the Association of Commercial Banks and the Association of MFIs to ensure transfer of knowledge, as suggested by the NBC.



either paved or unpaved, to increase the impact on productivity and market access of investments delivered as part of Subcomponent 1.2 and contribute to the overall competitiveness of the agriculture sector. The engineering road design will follow adequate civil works codes taking into account the need to ensure resilience of the infrastructure to climate change and extreme weather events. Improved traffic flows on rehabilitated/upgraded roads will decrease GHG emissions per unit transported.

**Component 3: Improving Agriculture Information Systems and Quality Control Management (total estimated cost US\$13.83 million; to be fully financed by IDA Credit)**

39. The objective of Component 3 is to strengthen foundational knowledge, data analysis capacities, and regulatory delivery systems within the public sector and their implementation and enforcement. These will contribute to broad and transparent knowledge and improved decision making of public sector and private actors, with impacts reaching beyond the supported farmers, POs, and SMAs. Agriculture information and quality control management systems will benefit direct stakeholders as well as farmers, POs, and SMAs that operate in areas not included in the project communes and provinces. The component will also fund analytical and policy advisory work to guide government investments in support of agriculture sector development.

*Subcomponent 3.1: Agriculture Information Systems*

40. Funding will be provided for investments in the further development and improved use of soil/agroecological maps, agricultural early warning systems, food production and agricultural statistics/census data (agricultural market intelligence and marketing information systems), and potentially others. New technologies in ICT will be promoted to ensure broadest dissemination and best use of available data and information for public and private sector stakeholders' planning and decisions regarding climate smart production, processing, and marketing of agriculture products, and services and support will be given for market intelligence to identify medium- and long-term opportunities for suitable products. Funding will be provided for targeted information provision through new and appropriate technologies to reach the participating women farmers with limited access to written material. Information dissemination will include nutrition-related messages and materials relevant to strengthen the nutrition outcomes of the project.

- (a) **Technical information collection and dissemination.** The existing system in the MAFF will be strengthened to ensure that quality extension information is available to all stakeholders, in particular to and through extension works directly to farmers, POs, and agribusinesses. TA will be provided to update and upgrade the ICT work and collaborate with mobile network providers, the MAFF's agriculture extension website, its YouTube channel and Facebook tools, and other communication channels that are currently in use or could be of future importance. Support activities will be aligned and coordinated with the support that other development partners have provided the MAFF. Collection and dissemination of technical information will also be coordinated with regard to the quality management requirements (for example, for the Association of Southeast Asian Nations good agricultural practice [GAP]) and as developed under Subcomponent 3.2. This aspect will include elements that support private sector agribusiness investment, such as seed and fertilizer catalogs, phytosanitary reporting, water resources and user registries, and publication of regulatory requirements. Efforts will be made to align the frequency and types of data to enhance the contributions of the agriculture sector to the overall national multisectoral nutrition agenda. The project will support the





establishment and operation of a repository of all technical, policy, and legal (agriculture) documents relevant to the sector for internal and external access and use.

- (b) **Market intelligence.** The project will further enhance the existing system of providing up-to-date market/price information to stakeholders. The system of market price information and dissemination will be reviewed and demand-based improvements in coverage and outreach will be implemented. Support will be given for market intelligence to also identify medium-and long-term opportunities for suitable products. Data and information on farming systems and economics will be systematically collected and analyzed to improve the economic planning and production advice provided to farmers, POs, and agribusinesses. The existing system will be upgraded to include information to allow strategic decisions on long-term investments in perennials (for example fruit trees, spices) and livestock. Support measures will be geared toward ensuring that new and/or improved value chains provide more sustainable and financially viable alternatives in the medium and long term.
- (c) **Analytical and policy planning works.** The subcomponent will also fund research and studies through the Supreme National Economic Council (SNEC) and in collaboration with the MAFF. Support will include the funding of studies, policy planning, and consultation workshops. Specific research and studies will include a study on the identification of Cambodia's medium-and long-term competitive and comparative advantage for agriculture value chains/products and production systems, including the most appropriate crops and varieties to improve nutrient availability, the preparation of a feasibility study for the establishment of a wholesale market for quality controlled products in Phnom Penh, and a study on the most appropriate crops and varieties to improve nutrient availability.

#### *Subcomponent 3.2: Quality Control Management*

41. Investments to strengthen the effectiveness of plant protection and phytosanitary, animal health, and food safety surveillance, reporting, and inspectorate systems and systems to enforce agricultural input regulations will be supported. This will include support for the development of certification, licensing, and other quality control and management services, development and application of regulations on GAPs and organic products, good animal husbandry practices (GAHPs), use of geographic indicators, and so on.

42. **Focus of the activities will be on areas under the MAFF's responsibility and jurisdiction.** Support for strengthening research and surveillance to comply with food safety and SPS as applied under the trade facilitation regime will follow a holistic approach by paying attention to activities ranging from the production stage to postharvest management stage. Specific attention will be given to pest surveillance, diagnostic, identification, and management systems needed to fulfil requirements under regional and international trade agreements. Significant efforts have been made in recent years to enhance the SPS regime and notable improvement in SPS-related testing and diagnostic infrastructures have been achieved. The project will further strengthen the system to be adequate for meeting modern demands. Funded areas will include animal health, enforcement of agricultural-input regulations, enhancing public awareness on law and regulations of agrochemical management and its impact on public health, animals and environment, agriculture products surveillance, MAFF laboratories, equipment for quarantine stations and regional plant quarantine offices, operationalization and enforcement of sanitary and phytosanitary and animal health and hygiene laws and regulations, GAP, GAHP, and CamGAP/Association



of Southeast Asian Nations GAP, promotion of participatory guarantee systems, and local labeling/branding. In particular, the promotion of and training on GAP, GAHP, and good manufacturing practices (GMPs) will be supported to open possibilities for Cambodian products in regional and international markets, requiring basic minimum international quality and hygiene certifications.

43. **Responding to an identified constraint to the development of quality products, the project will provide TA to strengthen the use and promotion of good varieties and quality seed and propagated materials.** The project will actively search for an interested PO and/or SMA to establish seed multiplication groups and building their capacity to select good varieties and quality seeds. Technical and material assistance to such alliances/cooperation would follow the approach and conditions as described in Component 1.

**Component 4: Project Management, Coordination, and Monitoring and Evaluation (total estimated cost US\$9.79 million; US\$5.79 million financed by IDA Credit)**

44. As the lead executing agency (EA), the MAFF will be responsible for overall project management/coordination and for the implementation of all four components. The MAFF will closely cooperate with the technical units of the MRD and MoWRAM as implementing partners that will take responsibility for the construction of rural infrastructure. Support will be provided for the establishment of a MAFF-led project coordination and implementation unit and supported by the Secretariat of the Technical Working Group on Agriculture and Water (TWGAW). The establishment of a high-level Steering Committee is envisaged to advise on and deal with emerging cross-sectoral issues. The details are elaborated in the POM.

45. **Component 4 will support overall project management through** (a) providing necessary key contract staff and consultants in the coordination and implementation unit to assist the MAFF in managing project implementation in cooperation and coordination with the TWGAW and with other projects, (b) monitoring and evaluation (M&E) of project implementation, and (c) hiring TA to support project implementation and capacity building of the MAFF and other key stakeholders.

**Component 5: Contingent Emergency Response (US\$0 million)**

46. The objective of the contingent emergency response component, with a provisional zero allocation, is to allow for the reallocation of financing to provide immediate response to an eligible crisis or emergency, when/if needed. An Emergency Response Manual (ERM) will be developed for activities under this component, detailing streamlined FM, procurement, safeguard, and any other necessary implementation arrangements. In the event the component is triggered, the Results Framework would be revised through formal restructuring to include appropriate indicators related to the emergency response activities.

**Project Cost and Financing**

47. **The lending instrument will be Investment Project Financing with a six-year implementation period.** The total estimated project cost is US\$101.67 million, including price and physical contingencies. An IDA credit financing equivalent to US\$91.67 million would be provided. The Government's support will be in the form of counterpart financing amounting to US\$10.00 million, including the equivalent of US\$4



million as in-kind contributions, such as office space, staff costs, and utilities expenses and US\$6 million contributing to Component 2 of public infrastructure support on a pro rata basis.

**Table 1. Breakdown of Project Cost by Component**

Project Components	Project Cost (US\$, millions)	IDA Financing (US\$, millions)	% IDA Financing	Counterpart Funding Cash and In-kind (US\$, millions)	% of Counterpart Financing
1. Enabling Agriculture Diversification	48.72	48.72	100.00	0.00	0.00
2. Supporting Public Infrastructure	29.33	23.33	80.00	6.00	20.00
3. Improving Agriculture Information Systems and Quality Control Management	13.83	13.83	100.00	0.00	0.00
4. Project Management, Coordination, and Monitoring and Evaluation	9.79	5.79	59.00	4.00	41.00
5. Contingent Emergency Response	—	—	—	—	—
<b>Total Project Costs</b>	<b>101.67</b>	<b>91.67</b>	<b>90.00</b>	<b>10.00</b>	<b>10.00</b>
<b>Total Financing Required</b>	<b>91.67</b>				

### C. Project Beneficiaries

48. **Geographical targeting.** The project will operate in 12 provinces, plus in Phnom Penh. The provinces have been chosen for their suitable agroecological conditions for high-value products, with Phnom Penh as the location of many potentially participating SMAs. The provinces include Battambang, Monduliri, Stung Treng, Ratanakiri, Preah Vihear, Kampong Cham, Tboung Khmum, Kratie, Siem Reap, Kandal, Kampong Speu, and Kampong Chhnang. Six of these provinces have high rates of stunting and are expected to simultaneously benefit from interventions under the planned Cambodian Nutrition Project. Within the provinces, eligible project sites are expected to be located in areas with (a) existing, organized, active producer groups; (b) reliable multi-season water availability; and (c) existing tracks with a distance of maximum 10 km to an all-weather road.

49. **Beneficiary targeting.** The project’s direct beneficiaries are small and medium-size farmers, organized in POs or cooperatives, and showing potential and interest to develop their farming business; and SMAs that are interested in direct cooperation with farmers and POs to jointly develop their business/value chain. The project will have targeted information material and campaigns to reach out to female farmers and business owners. Additional indirect beneficiaries are all users of infrastructure improvements in market links, roads, and irrigation water. Improvements in data and information availability and access to quality assurance mechanisms (regulatory framework and infrastructure) will have sector-wide benefits.

### D. Results Chain

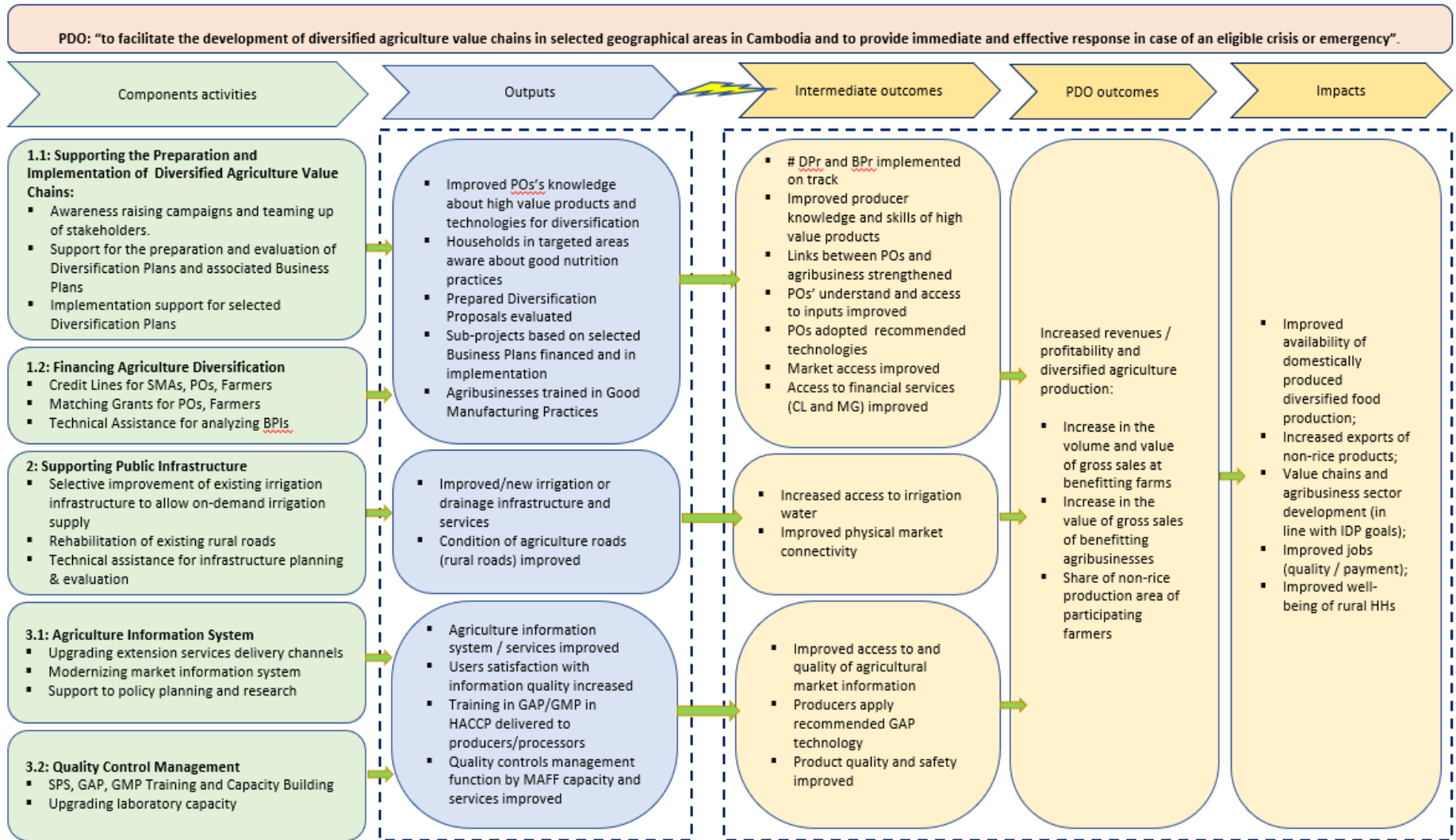
50. **The impact chains supporting the achievement of the PDO are described in the ‘Theory of Change/logical model in figure 1.** The description of the PDO indicators and the intermediate results indicators are reflected in section VI (Results Framework). The development hypothesis is that if there is an improved link between farmers and markets, then there will be an increased diversification into higher-value crops, improved value addition, and improved productivity along the value chain. Sustainability will



be supported by providing TA and infrastructure support that ensures climate change resilience of production and processing systems. In addition, there are improved quality management services available for farmers and agribusinesses, and improved decision making of both public and private actors made possible owing to an improved agriculture information system, that will lead to a more diversified and competitive agriculture sector. Furthermore, the hypothesis is that the improved diversification and competitiveness of the agriculture sector can be measured by the increase in the volume and value of gross sales at benefitting farms, by the increase of the value of gross sales of benefitting SMAs, and by the share of non-rice production area of the participating farmers.



Figure 1. Theory of Change of Component 1, 2, and 3





## E. Rationale for World Bank Involvement and Role of Partners

51. **Rationale for World Bank Involvement.** This proposed Agricultural Sector Diversification Project aims to complement (and add value to) other projects and advisory services supported by the World Bank. Geographical convergence, in particular with the proposed World Bank-supported nutrition project, will provide an opportunity to exploit synergies with interventions that work on related issues for rural and agriculture growth and for poverty reduction and improved livelihoods. The successful existing approaches would be further refined and scaled up to broaden impacts and exploit existing and upcoming production and marketing opportunities. The project will hence contribute directly and indirectly to the Government's reform agenda and to the proposed sector strategies and objectives. The project is also a contribution to and part of the World Bank's support to Cambodia as laid out in the CEN.

52. **World Bank experiences with Productive Alliance (PA) interventions show that there is a strong rationale for public sector financial support of 'private investments' to facilitate quick adaptations, reduce risks for involved stakeholders, and stimulate additional private investments in line with the MFD principles.** Smallholder farmers often face difficulties taking part in commercially demanding value chains, such as those involving agro-processors, large wholesalers, exporters, and so on. Smallholders often do not have access to credit, not even when organized in associations or cooperatives. Experience has shown that the aggregation schemes aimed at linking farmers to markets require initial public support to offset part of the start-up costs and lower risk for private financiers. The Government will benefit from the World Bank's support to perform this public sector's role in providing and co-financing the provision of modern technologies to smallholders. Both types of public support, that is, to aggregation entities and smallholder farmers are usually justified based on market failure arguments related to information asymmetries and economies of scale.

53. **Role of partners.** Cooperation and synergies with other projects, development partners, NGOs, and the private sector include (a) planning and implementation in close cooperation with and involvement of the TWGAW; (b) complementing other initiatives that deal with same/similar issues with other stakeholder; (c) the MAFF being put in the lead but with strong private sector involvement to support/fund agribusiness development; and (d) NGO involvement to facilitate social mobilization, integrate technical expertise, and exploit cross-benefits.

54. **At the field level, many farmers and POs have benefitted from different forms of collaboration and support from NGOs and/or development partner projects.** The project, that is, the activities planned and implemented under the BPIs, will build on, or integrate those partner activities to exploit synergies and add further value to project activities. Where still active and relevant, those partners will be fully integrated in the planning and implementation process of BPRs and BPIs.

55. **At the project management level, the TWGAW Secretariat will provide technical and management support to the Project Coordination Office (PCO) located in the MAFF and, where needed and possible, also to the project teams in the MoWRAM and MRD.** The TWGAW will actively contribute/share its technical and management expertise, where possible, contribute to management operations, and ensure coordination and harmonization of subprojects with other relevant programs.



## F. Lessons Learned and Reflected in the Project Design

56. **The project builds on the experience from World Bank-supported ‘PA’ projects, including lessons from the successfully implemented Vietnam Agriculture Competitiveness Project.** The Vietnamese project focused on giving the rural poor access to technology and innovation, financing, and markets, complemented by the upgrading of rural infrastructure. Lessons after completion included the following: (a) transformative impacts are increased if technology, partnership, and infrastructure interventions are more strategic and geographically clustered; (b) facilitating partnership requires a set of soft skills that may not be readily available at the level of provincial agricultural departments and it is recommended that other modalities, such as TSP, NGOs, or management companies be considered; and (c) promoting complex relationships between the POs and agribusinesses is better done in stages. For newly formed groups, the initial focus should be on developing core management skills and effective governance arrangements and undertaking a few basic functions. For this project, the approach is adapted to the Cambodian context, broadening the potentially supported forms of cooperation between value chain actors and providing different forms of financial support to different beneficiaries, limiting subsidies/co-financing and offering targeted credit lines, and stimulating private sector investments. Target groups of the project do not include explicit subsistence farmers but small- and medium-size farmers who are ready for or have taken steps toward commercialization already.

57. **A major conclusion emerging from a recently published study ‘Linking Farmers to Markets through Productive Alliances: An Assessment of the World Bank Experience in Latin America’ (World Bank 2016)<sup>12</sup>** is that the approach can be a cost-efficient way to boost productivity, expand production, improve competitiveness, and link farmers to markets. The completed PA projects have shown satisfactory financial rates of return and largely achieved their objectives. The PA approach is flexible and can be adapted to many different target groups, value chains, and production environments. The PA has been an effective tool not only for targeting established producer groups and value chains but also for fostering the inclusion of disadvantaged groups in markets. Main lessons include competitive subproject selection based on clearly defined technical evaluation criteria; financial and technical support provided to stakeholders during the implementation of their subprojects; and embedded cooperation with the private sector are part of successful projects supported by other projects, NGOs, and donors.

## III. IMPLEMENTATION ARRANGEMENTS

### A. Institutional and Implementation Arrangements

58. **Project’s institutional arrangements.** The project will be implemented over a period of six years. Institutional arrangements for implementation will follow the Government’s institutional structure, with the MAFF in the lead as the EA, and will include the MRD and MoWRAM as implementing agencies (IAs) for the related public infrastructure support. The MEF will oversee the financial services support. The EA and IAs will establish implementation project team(s) with experts and expertise from direct and relevant technical, administration, environmental and social safeguards, procurement, and finance units. Strategic direction and guidance for the management and operation of the project will be provided by a high-level Project Steering Committee, chaired by the MAFF. Coordination support for day-to-day planning and

<sup>12</sup> World Bank Group. 2016. *Linking Farmers to Markets through Productive Alliances: An Assessment of the World Bank Experience in Latin America*. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/25752> License: CC BY 3.0 IGO.”



implementation will be provided by the TWGAW Secretariat. Roles, responsibilities, and procedures are detailed in the POM. Competitively hired TSPs (firms and NGOs) allocated to specific geographical project areas, will support the MAFF in the implementation of Subcomponent 1.1. For technical-level implementation, the provision of services and infrastructure will follow beneficiaries' guidance as elaborated in the DPLs. The POs and SMAs determine and express their needs in the DPLs and BPLs, with government institutions (and private service providers) accountable for delivering on public infrastructure and services, while the POs and SMAs will hire private service providers for delivering private infrastructure and services.

59. **Planning and implementation of diversified agriculture value chain (DAVC) activities under the CASDP will integrate a civic engagement approach to** (a) encourage social accountability of all stakeholders; (b) ensure transparency in its implementation, decision making, and action; (c) encourage the active engagement and participation of the whole beneficiaries community through beneficiary-led empowerment in a market-driven environment; (d) ensure timely disclosure of appropriate information in appropriate formats; (e) provide assistance and support for active participation by involved and interested stakeholders; and (f) apply mechanisms to tackle abuses and counter corruption. The project is planning to engage civil society organizations as partners in project implementation, with the explicit role of empowering farmers and POs, as well as small agribusinesses, to engage with public and private sector service providers and ensure that they can hold service providers to account, by building the capacity of these organizations to voice their concerns and, where necessary, acting as advocates on their behalf. The Civic Engagement Framework in annex 2 provides more details.

60. **Project's Financial Management (FM).** The General Department of International Cooperation and Debt Management (GDICDM) of the MEF, the Department of Accounting Finance (DAF) of the MAFF, and the Department of Supply and Finance (DSF) of the MRD are responsible for the project FM and disbursement of their respective parts. The MoWRAM assigns an FM team comprising staff from its departments in the project team, which is an organized unit established by MoWRAM to implement this project.

61. **Funds flow and accountabilities for financial reporting.** Segregated Designated Accounts (DAs) at the NBC are maintained by the MEF, MAFF, MRD, and MoWRAM to receive funds from the World Bank. Loans to the RDB are approved by the MEF and funds are transferred to the RDB from the MEF's DA. The MEF transfers funds from its DA to the RDB account as an advance based on the six-month disbursement forecast. The RDB will onlend to selected PFIs that will provide subloans to the SMAs/POs. To document prior advance, the RDB submits to the MEF a statement of expenditures on the subloans that have been disbursed by the PFI to eligible final beneficiaries. Funds to matching grant beneficiaries are transferred from the MAFF's DA. A six-month unaudited interim financial report (IFR) and annual audit report are required to be submitted to the World Bank no later than 45 days after semester-end and six months after fiscal year-end, respectively.

62. **Project's procurement.** The EA and each IA, with the support of individual procurement consultant(s), will carry out procurement activities financed under their respective components and subcomponents themselves. The POs and their members will carry out small procurement activities financed under the matching grant facilities administered by the MAFF following the commercial practices being consistent with the World Bank's Core Procurement Principles. Procurement activities financed under the credit line facilities, which will be channeled through the PFIs (eligible financial intermediaries), will not be governed by the World Bank Procurement Regulations for IPF Borrowers.





63. **Project Operations Manual (POM).** The project would adopt the adapted POM prepared for the project. It explains the processes, roles, and responsibilities of all relevant stakeholders and it remains a living document, which can be adjusted as promptly as needed during project implementation with the written 'no objection' of IDA and the MEF. The keys areas include basic project management, institutional responsibilities, financial procedures and management fiduciary responsibilities, staff selection and management, results M&E, risk assessment and mitigations, environmental and social safeguards, and any other specific reporting requirements imposed by the World Bank and RGC policies. The POM presents the guidelines on financial and administrative policies and procedures for managers, administrators, staff, and consultants. These guidelines are based on an agreement between the RGC and the World Bank, and all expenditures of the project funds must comply with these guidelines. The POM also includes a Civic Engagement Framework and a communication strategy that addresses specific challenges in awareness and outreach to all stakeholder groups, in particular, female farmers. The implementation of the credit line will be regulated by the Credit Line Operational Manual, and the implementation of the matching grant facility will be regulated by the Matching Grant Facility Operational Manual, which are annexes to the POM. The POM will include a chapter or annex to cover the provisions for activating and implementing the CERC, as to facilitate implementation in case of a disaster leads to the decision to activate the component.

## **B. Results Monitoring and Evaluation Arrangements**

64. **Project M&E arrangements.** The processes and institutional roles and responsibilities for M&E are described in the POM. At least one M&E consultant or dedicated staff will be recruited and appointed with each IA. The individual project teams will have M&E focal persons responsible for information and data collection. In the MAFF, an international consultant will be recruited to support the M&E activities and reporting responsibilities of the project. The project would also recruit a specialized consultant or consulting firm to assist the PCO in developing and managing the project M&E system, consolidating information from the components, and preparing the quarterly M&E reports.

65. **Impact evaluation.** The project will hire a consulting firm to set up a baseline study to establish and/or update the socioeconomic situation in the project sites and prepare a concept for an ongoing impact evaluation right from project start. This will be done by preparing a baseline ex ante for each financed DPI. A methodologically sound impact evaluation will provide the necessary information at midterm and at the end of the project to decide on necessary adjustments and on a continuation and scaling up, respectively. Dedicated surveys at project start, midterm, and end of project will provide the necessary data and information for the impact evaluation.

66. **Institutional arrangement and utilization of M&E.** The MAFF would be responsible for planning and coordinating the project's M&E activities, with support and inputs from the MRD and MoWRAM. Quarterly provincial implementation reviews would be undertaken to assess the physical and financial progress and performance based on the annual work plan and budget (AWPB) and address issues and constraints in implementation and management. A semiannual M&E report would be submitted to the World Bank according to the agreed dates, usually in time for the implementation support missions. The project M&E system would be supported by a computerized management information system (MIS) that is supported by database, software, and dedicated national and provincial M&E officers. A community-based approach is at the center of the DPIs owned by beneficiaries helping strengthen transparency, ownership, and accountability. This will include annual reviews of the performance of service providers, private and public, by project beneficiaries to inform project management on the effectiveness, efficiency,



and satisfaction of beneficiaries. The M&E results would be used to inform management of the project performance and guide budget allocation, planning, and decision making.

### C. Sustainability

67. **The project will rely on strengthened government (administrative) structures providing demand-based services as part of the project's approach to sustainability.** On the economic side, the support to high-value, highly profitable value chains will ensure that costs for maintaining the required public (and private) services and infrastructure can be covered by increased and adequate revenues to providers. Stimulating private sector investment through the provision of credit lines and matching grants will also contribute to long-term growth and sustainability. The financial instruments will be complemented by training of the PFIs, to increase the technical capacity of the PFIs to assess farming and agribusiness loan proposals and to continue provision of similar loans after the project closes. Technically, this approach will be supported by ensuring that solutions are climate change responsive and build on best practices in new technology adaptation and adoption.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic, and Financial Analysis

#### Technical

68. **To support the achievement of the PDO and increase sustainability of investments, the technical approaches and strategies, which will be implemented under the project, are expected to be mostly innovative in nature, responsive to climate change challenges, but at the same time thoroughly evaluated for technical feasibility and implementability.** All subprojects are defined by the needs of the POs and SMAs and will be accompanied by TA provided by government (extension) services and through private sector experts. It is understood that export-oriented value chains will often require technologies and management practices that might be new to many stakeholders. In particular, hygiene and respective certification requirements might, in the beginning, be challenging for value chain actors. However, with a demand-oriented identification and implementation of production and processing technologies, the risks for expensive and overcomplicated solutions are small. The remaining challenges will be addressed through targeted TA that will also take into account climate resilience and gender-differentiated requirements in extension messages and methods.

69. **Support to SMAs.** The project has a focus on strengthening competitiveness of the products, producers, and processors along the selected value chains and BPIs. Key functions for improving the tradability and trade of agricultural products lie with SMAs that will be trained and assisted in complying with international standards. Technical and financial support to SMAs will provide the necessary inputs to move businesses from low-level local markets to higher-value domestic and international opportunities.

70. **Supporting GAP/GAHP/GMP.** The introduction of GAPs, GAHPs, and GMPs, supported by the project, will not only strengthen the trade position of the participating POs and SMAs but also the sector as a whole. Improving awareness and providing training and access to respective certifications is crucial for producers, processors, and exporters. Strengthening the MAFF's role in the quality assurance system of agriculture and livestock products is expected to complement other projects' efforts and add additional value not only to the PAs under the CASDP.



71. **Credit line.** As required, the project's credit line underwent an Financial Intermediary Lending compliance review. The credit line was deemed compliant with the requirements of Paragraph 15 of the Bank Policy: Investment Project Financing.

72. **Infrastructure design and implementation.** The design of infrastructure investments will be based on detailed, tested engineering solutions. Construction will follow the required/defined technical standards and specifications. Design considerations will follow modern codes, including important factors such as climate proofing and resiliency. Higher-value crops are typically water sensitive and thus need good irrigation. The project will focus both on higher-order infrastructure to be able to provide the required water at the block level and within the block by developing efficient irrigation methods as well as field-level storage. Together with proper crop and water planning (for example, the project will use water accounting and drones to understand the seasonal availability of water resources) the impact of future climate change can, to a large extent, be mitigated. Planning and implementation experience in the responsible ministries, MoWRAM and MRD, will ensure technical suitability of irrigation technologies and road construction. In addition, the project will employ consultants where needed.

73. **Nutrition.** The proposed project will support identifying and financing activities in the BPIs that, when possible, will facilitate translation of diversified production and farming systems and the associated increase in income into improved access to and consumption of high-quality diets among beneficiary households and in project regions in general. This may include incorporating nutrition-sensitive choices in value chain identification and funding endorsement and activities that promote diet and nutrition outcomes in mothers and children, and the cooperation with other nutrition-related projects within the same geographical project region. The recent Fill the Nutrient Gap analysis<sup>13</sup> (World Food Programme 2017) identified nutrient availability and accessibility (including economic accessibility) across four main regions. This analysis will be used to identify agricultural products that can close key nutrient gaps in the Cambodian diet and guide 'nutrition sensitive' value chain choices.

74. **The proposed project will not only be in line with the World Bank's support for a broader food security and nutrition agenda but will directly contribute to the National Strategy for Food Security and Nutrition (2014–2018) and the Cambodia Nutrition Results Framework (under preparation) by increasing the availability and access to safe and nutritious food through intensified and diversified smallholder farming systems and improved links to markets.** The project would also identify and support activities that would facilitate translation of diversified production and farming systems and the associated increase in income into an improved food security and nutrition status among beneficiaries and in project regions in general. To this end, the supported Agriculture Information System will also include nutrition-relevant information.

75. **Gender.** The nature of the proposed project allows and supports the design of specific measures that strengthen the role of, and benefits to, women in agriculture value chains. This includes both their role as dedicated and reliable producers of quality agriculture products and their involvement as entrepreneurs in SME agribusinesses. Cooperation will be prioritized with associations of women entrepreneurs. Monitoring arrangements will ensure that gender-specific outcomes are captured and that project activities could potentially be adjusted to further strengthen gender aspects. The content and delivery methods of extension messages, for farmers, and business support, for female-owned SMAs, will contribute to closing identified gender gaps. The project will monitor the success with gender-

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<sup>13</sup> Nutrition Division (OSN). 2017. Fill the Nutrient Gap: Cambodia: Summary Report. Rome: World Food Programme.



disaggregated monitoring of key project outcomes and indicators in the areas of production and incomes as well as in the access to services, including formal financial services, that is, bank loans.

76. **Civic engagement.** Broader citizen engagement has so far been mainly absent from planning and implementation of these types of agriculture sector projects. The proposed project activities that concern direct interventions at smallholder and service provision levels will be designed and implemented on the basis of consultation with direct beneficiaries and other stakeholders, and feedback incorporated to strengthen technical aspects and facilitate implementation. The supported cooperation model is strongly oriented toward the needs and expectations of the intended beneficiaries as it is demand driven in nature. To strengthen civic engagement further, a systematic feedback mechanism will become part of the regular project monitoring activities, and a grievance redress mechanism will be set up and made known to all stakeholders. These approaches will complement and enhance more traditional forms of monitoring.

### **Economic and Financial Analysis**

77. **Project benefits.** The project investments in agriculture diversification are expected to generate direct and indirect financial, economic, and environmental benefits. Potential direct benefits are (a) improved and sustainable agriculture profitability; (b) reduction in foreign currency spending on imports of vegetables, fruits, and livestock products; (c) increased export earnings from cashew nuts and pepper; (d) increased tax revenues from agriculture; (e) improved food security and nutrition status through availability and affordability dimensions; (f) jobs creation; (g) improved environmental sustainability of land and water resources; (h) climate co-benefits resulting from adoption of improved production and processing practices, technologies, and farming systems; (i) increased profits to PFIs from provision of lending services to agriculture; and (j) increased incomes of farm and agribusiness communities benefiting from improved agriculture information system, policies and regulations, and quality control management. The project is expected to generate indirect benefits to other sectors through multiplier and spillover effects.

78. **The economic and financial analysis** examines feasibility of the project investments based on benefits (a) and (g) only, from the previous paragraph. The potential benefits are measured through indicative investment models representing the POs, ACs, and SMAs in selected value chains with commercial potential. The representative value chains are vegetables, pepper, cashew nuts, and pork. The overall project returns are calculated by aggregating benefits to individual investment models that will be financed for the original credit line and matching grant facility and loan reflows over the period of 20 years. The project benefits are assessed for a period of 38 years, a period which allows capturing potential benefits to investments financed for the post-project reflows, in 2018 financial prices, using a discount rate of 5 percent and at a 50 percent success rate.

79. **Financial analysis** suggests that after reaching full maturity the investments in selected value chains will generate incremental annual margins in the range of US\$13,200 and US\$583,000. Financial internal rate of returns (IRRs) are estimated to vary from 16 percent to 35 percent, net present values (NPVs) from US\$64,500 to US\$1.8 million, and benefit to cost ratios from 1.0 to 3.6. All investments, except the new organic pepper farm, are expected to generate positive cash flows suggesting that the POs, ACs, and SMAs would serve loans and interests without constraints. Whereas the new organic pepper farm will generate negative cash flow in the second year suggesting that either intercropping needs to be introduced in the early years and/or a grace period needs to be considered. The project as a whole is



expected to generate a financial IRR of 13.6 percent, financial NPV of US\$186.0 million, and a benefit cost ratio (BCR) of 4.5.

80. The economic analysis estimates an overall economic IRR of 14.4 percent, an NPV of US\$202.2 million, and a BCR of 5.64, excluding the CO<sub>2</sub> sequestration. When the CO<sub>2</sub> balance co-benefits at the high shadow prices for CO<sub>2</sub>e are accounted for, the economic IRR is estimated at 16.5 percent, economic NPV at US\$240.6 million, and BCR is at 6.52. When the low shadow prices for CO<sub>2</sub>e are assumed, the economic IRR is estimated to be at 15.3 percent, the economic NPV at US\$193 million, and the BCR at 5.43.

81. **The results of sensitivity analysis suggest that the project is sensitive to delays in the benefit accumulation and diversion of the post-project reflows; moderately sensitive to simultaneous increases in project costs and reduction in benefit scopes is moderate; and is negligibly sensitive to increases in costs, reduction in benefit scopes, and in reflow rates.** When the two years delay in benefit accumulation and diversion of the post-project reflows are assumed, the economic IRRs remain above 10 percent but economic NPVs reduce to below US\$100 million. The economic IRR drops to 11.4 percent and economic NPV to US\$100.6 million when the simultaneous 20 percent increase in costs and decrease in benefits are assumed. All in all, the economic IRRs remain above 5 percent and NPVs are positive when the project returns are tested for all sensitivity variables.

82. **Climate co-benefits.** Because the subprojects under Component 1 will be demand driven and competitive. The ex-ante climate co-benefits are assessed based on projections for agricultural diversification as well as for terms and conditions assumed for the credit line and reflows. Components 1 and 2 are expected to provide climate change co-benefits derived from (a) adaptation, by improving irrigation management systems and practices to reduce vulnerability to climate change, reducing water in land preparation and loss in crop growth stages, and promoting technologies that improve water management efficiency, as well as by upgrading the existing roads to climate-resilient design standards and (b) mitigation, by promoting sustainable water management practices that promote water use efficiency, improving traffic flows, and reducing GHG emissions per unit transported.

83. **GHG accounting.** It is the World Bank's policy to quantify the GHG mitigation potential of its projects as an important step in managing and ultimately reducing emissions. The EX-ACT tool is used to estimate GHGs emitted or sequestered because of the proposed project compared to the without project scenario. Technical analyses for the proposed project resulted, over 38 years (20 years for actual project implementation and 18 years for capitalization of its effects, which is in line with the project's economic and financial analysis), in the project's carbon emissions savings estimated at 439,254 tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>-eq) in total, or 11,559 tCO<sub>2</sub>-eq per year. The details of technical analyses have been prepared as a stand-alone technical annex. The task team also undertook the climate and disaster risk screening.

84. **The overall project follows the MFD approach.** The project focuses on opening the sector to new private business opportunities through the focus on diversification, new ways of reaching these opportunities through piloting the value chain approach and removing key existing institutional constraints to private sector investment by improving the access to market information in the agriculture sector and improving the quality management system in the sector. Under the Financing Agriculture Diversification subcomponent, the project aims to pilot an integrated approach to value chain development, demonstrating a more systematic way of doing business in the agriculture sector, which



would bring more sustained benefits to all value chain participants. Subcomponent 1.1 (Supporting the Preparation and Implementation of Diversified Agricultural Value Chains) promotes an inclusive business model to improve links among smallholders and firms, having a private sector-oriented approach to diagnostics.<sup>14</sup> Subcomponent 1.2 (Financing Agriculture Diversification) facilitates access to formal sources of finance, which is a constraint for women, and co-funding productive investment. This is expected to demonstrate a ‘better way of doing business in the agriculture sector’ and trigger private funding of activities and assets downstream and upstream in the project-supported value chains, and—in the future—in the broader sector. To ensure uptake, as well as sustainability and replication of the value chain financing instruments, the project will ensure training of the PFIs.

85. **Collaboration between the World Bank and IFC.** Cambodia has been a member of IFC since 1996, with the first project financed in 1999, and first investment in 2000. IFC’s total commitments in the country as of June 30, 2018, was US\$521 million, of which US\$519 million was mobilized from other lenders. IFC provides financing support to financial institutions, the airport, education, retail, and services with a big financing program to financial institutions including banks and MFIs. The IFC FIG has an existing portfolio of three banks (ACLEDA Bank, ABA Bank, and BRED Bank) and three MFIs (HKL, Amret, and Prasac) in Cambodia. The investments include equity, long-term debt financing, and risk mitigation products, such as interest rate swap and short-term trade finance facility to address the financing needs of micro, small, and medium enterprises (MSMEs), women-led MSMEs, micro-borrowers, and farmers. The IFC FIG portfolio clients such as ACLEDA Bank, HKL, Amret, and Prasac have around 30 percent of their loan portfolio in the agriculture sector. Thus, all facilities to the financial institutions have been used for onlending to agri-related borrowers and farmers. Because agribusiness is an important sector in Cambodia, with continued financing support from the IFC FIG, financial institution clients would be able to address the sector's financing need and help the sector develop further. The project would help agri-related MSMEs and farmers become more bankable and make it easier for them to get financing to grow their business.

86. IFC’s advisory service in Cambodia has been focused on agriculture, trade and competitiveness, and financial sectors, and recently expanded to corporate governance and logistic and tourism sectors through Public Private Partnership (PPP) transaction advisory services. In agriculture, IFC helped improve the competitiveness of the Cambodia rice export sector on key processes along the value chain, covering farming, milling, and exporting practices. Currently, IFC partners with large international off-takers, like Mars and top rice exporters such as AMRU Rice and BRICo, to bring the Cambodia rice sector to strategic and sustainable growth. Building on the highly successful experiences in the rice sector, IFC is exploring the opportunity to develop the Cambodian cassava and pepper sectors. In the financial sector, IFC supported the establishment of the first commercial-credit reporting bureau, which was launched in 2012. IFC also introduced movable-asset financing allowing borrowers to use goods, inventory, and equipment as collateral for loans. More recently, IFC is looking to support the Government to strengthen the insolvency framework. In trade and competitiveness, IFC has supported the Government to establish the Cambodia Arbitration Centre and simplify the export procedures, resulting in reduction in time and cost of export processing/licensing.

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<sup>14</sup> The project uses a market-driven approach that improves the coordination among key stakeholders along the value chain and supports the horizontal (collective action) and vertical integration (links to markets through commercial agreements) of smallholders.



87. The World Bank and IFC collaborated closely on preparation of this project, with a joint project team including the World Bank and IFC staff and consultants. Going forward, the project and IFC will look for complementarities in implementation by leveraging the IFC FIG's financing program for the subcomponent credit line to qualified financial institutions. IFC has been looking into potential interventions in pepper and cassava sub-sectors, which are also two key diversification crops under the project. Further collaboration on jointly supporting the financial sector will see IFC continuing to improve the business environment and facilitate private sector investment in the economy, for and beyond the project's participating SMAs and POs.

## B. Fiduciary

### Financial Management

88. **Planning and budgeting.** The project will follow the Government's budgeting principles as outlined in the Standard Operating Procedure (SOP)/Financial Management Manual (FMM) for externally financed projects issued by Sub-Decree No. 74 dated May 22, 2012, and its subsequent amendments, if any. The EA and IAs will prepare their respective work plans and budget for implementing activities leading to achievement of the project objective. The MAFF is responsible for consolidating the AWPB for submission to the MEF for approval and then for obtaining 'no objection' from the World Bank.

89. **Accounting policies and procedures and internal control.** The project will adopt a cash basis of accounting and adopts the RGC's chart of accounts. The Sage accounting software will be used as the FM tool to manage financial transactions and produce timely and reliable financial reports for the EA and IAs. Supplementary FM guidelines and procedures will be prepared to include some FM areas such as cash advances/petty cash to each provincial department of the MAFF, MRD, and MoWRAM; coordination in FM operations among the EA and IAs; and types of expenditures to be incurred by each provincial department, matching grants/subloans, and so on.

90. **Funds flow.** Funds from IDA will be channeled directly to the segregated U.S. dollar-denominated DA maintained by the MEF, MAFF, MRD, and MoWRAM at the NBC. Funds from the RGC to co-finance infrastructure in Component 2 will be channeled to the RGC counterpart fund bank account denominated in U.S. dollars and maintained at the NBC, and the project is authorized to administer this bank account. Details of fund flows to the RDB, PFIs, SMAs/POs, and matching grant beneficiaries are described in the fund flow diagram in annex 1.

91. **Financial reporting and auditing.** The EA and each IA are responsible for preparing IFRs on a semester basis and submitting the same to IDA within 45 days after the end of each calendar semester, starting from the first semester following the project's first disbursement. Each IA will send a copy of the IFR to the EA for information and consolidation.

92. **An independent external auditing firm would be engaged by the MEF under the external audit bundling to audit the project's annual financial statements in accordance with terms of reference acceptable to IDA.** The audit will include a review of credit lines to the SMAs and matching grants to the POs and integrate a review of the post-review procurement packages carried out by the POs at a percentage based on the auditor's risk assessment, but not less than 5 percent of the total post-review procurement packages. The audit fee is paid by the MAFF. The audited financial statements and



management letters are required to be submitted to IDA within six months after the end of each fiscal year.

93. **Key FM risks.** The main risks are associated with (a) appointment of staff who do not have experience in the project’s operations to manage the project’s FM, (b) the lack of experience in FM and disbursement in implementing World Bank-financed projects; (c) civil works contract management including payment for the required quality of the civil work, and (d) management of matching grants/credits. The risk mitigating measures with their target dates are detailed in the POM.

94. **Oversight and monitoring arrangements.** The performance of FM is monitored by regular review of the IFR, discussions with FM teams, and specific FM missions twice per year to reassess FM risks and performance. Time-bound action plans will be prepared for implementation to mitigate any identified control weaknesses and risks.

95. **Disbursement arrangements for Components 1–4.** Each DA of the MAFF, MRD, and MoWRAM has a fixed ceiling amounting to US\$3 million, US\$1.5 million, and US\$0.5 million, respectively. The DA ceiling of the MAFF and MRD can be increased up to US\$4 million and US\$2.5 million, subject to the project needs and the World Bank’s concurrence. The MEF’s DA has a variable ceiling equaling two-quarter cash projection. The disbursement methods will be reimbursement, advances, special commitment, and direct payments. Supporting documentation required for eligible expenditures paid from the DA is the Statement of Expenditures. The IDA Credit proceeds will be disbursed against eligible expenditures as shown in table 2.

**Table 2. Allocations of Credit Proceeds**

Category	Amount of Financing Allocated (US\$)	Amount of Financing Allocated (SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, training and operating costs under other parts of the project	49,970,000	35,744,000	For works, 100% of the financing’s agreed share of the cost specified in the AWPB and 100% for other expenditures
(2) Matching grants and subloans under Part 1.2 (i) and (ii) of the project	41,700,000	29,756,000	100% of amounts disbursed
(3) Emergency expenditures under Part 5 of the project	0	0	100%
Total Amount	91,670,000	65,500,000	

**Procurement**

96. **Applicable procurement rules and procedures.** Except for the procurement activities financed under the credit line facilities, which will be channeled through PFIs (eligible financial intermediaries), all the other procurement activities financed under the project will be governed by the World Bank Procurement Regulations for IPF Borrowers, July 2016 and revised November 2017 and August 2018. Procurement under National Procedures will be carried out in accordance with the Government of the Kingdom of Cambodia’s Updated Standard Operating Procedures and Procurement Manual for All





Externally Financed Projects/Programs, promulgated through the Sub-decree 74 dated May 22, 2012, which is issued pursuant to Article 3 of the Government of the Kingdom of Cambodia's Law on Public Procurement dated January 14, 2012, subject to the additional provisions that will be included in the Procurement Plan. Systematic Tracking of Exchanges in Procurement (STEP), which is a web-based tool for procurement planning and tracking, streamlining and automation, and monitoring and reporting, will be applicable for this project.

97. **Procurement arrangements.** The detailed procurement arrangements, the first 18 months Procurement Plan, and a summary of the Project Procurement Strategy for Development (PPSD) are included in annex 1. The agreed first 18 months' Procurement Plan will be published in the World Bank's external website through STEP.

98. **The procurement risk assessment.** Key procurement risks identified include (a) possible coordination challenges among the EA, IAs, and their technical departments; (b) limited knowledge and experience of the assigned procurement staff with the World Bank's Procurement Regulations for IPF Borrowers and possible unavailability of qualified procurement and technical consultants when needed; (c) possible delay of technical inputs for procurement; (d) lengthy government internal procurement reviewing and approval processes that could cause delays in project implementation; (e) most of the procurement of consulting firms taking significantly longer time than scheduled; (f) demand-driven nature of the project causing unrealistic scopes and schedules of some procurement activities, particularly the rural infrastructure procurement; and (g) governance risks including corrupt practices in procurement.

99. **The risk mitigation measures proposed.** These include, but are not limited to the following:

- (a) The EA and IAs will procure qualified individual procurement consultants and other key procurement items following the agreed Procurement Plan. They will need to prepare terms of references, specifications, and procurement documents of the key procurement items needed for starting the project before project effectiveness, and to start the procurement process sufficiently ahead the need for consultants.
- (b) Put in place an effective procurement monitoring system to ensure an effective internal procurement review process through sufficient delegation of authority to the members of all procurement committees and in compliance with the internally agreed service standard.
- (c) The World Bank will provide procurement training on the basis of need.
- (d) Each procurement document will provide for channels and contacts of both the Government and World Bank through which interested parties can lodge their procurement complaints.
- (e) The EA and IAs will establish a joint project website for the publication of procurement opportunities, contract award notices, and receiving possible complaints for this project.
- (f) The EA and IAs will assign focal persons for effective coordination within the EA/IAs and across the ministries, particularly for the coordination of the procurement of rural infrastructure. A PPSD jointly prepared by the EA and IAs identifies similar risks and mitigation measures.



100. **Procurement oversight and monitoring arrangements.** The procurement supervision will be part of the semiannual project implementation support mission and procurement clinics/consultations based on need. In addition to the prior review by the World Bank based on the prior thresholds, which are subject to change according to the result of risk assessment carried out during the project implementation, the World Bank will carry out the annual procurement ex post review on a sample of at least 10 percent of all post review contracts financed by the project at the national level. An external auditor engaged by the borrowers will be tasked to carry out the integrated FM audit and procurement ex post review of the procurement activities under the matching grant facility. STEP will help the World Bank monitor the procurement progress and take appropriate supportive actions in due course. The Excel procurement tracking form of the Government will be used by the EA and IAs, in addition to STEP, for the Government's internal procurement monitoring.

### C. Safeguards

101. **The Environmental Category is 'B', given that the project does not foresee any potential large scale, significant, and/or irreversible impacts.** The potential environmental and social impacts are moderate, temporary, small-scale, and reversible.

102. **Environmental and Social Management Framework (ESMF).** The project has prepared an ESMF as the actual subproject and public works sites are yet to be determined in the selected project provinces. The ESMF is to ensure that the CASDP's subprojects are screened for any negative social and environmental impacts and mitigating measures are considered in design and implementation. The ESMF is also applied to all subproject investments financed by the PFI under credit lines and/or matching grants. The ESMF includes (a) requirements for subprojects and for the PFIs, which would receive credit lines; (b) applicable legal environmental, social, and cultural resources protection requirements that may apply to the subprojects; (c) training and capacity-building activities; and (d) supervision and reporting requirements.

### Environmental Safeguards

103. **The project triggers five environmental safeguard policies.** Environmental Assessment (OP/BP 4.01), Pest Management (OP 4.09), Physical Cultural Resources (OP/BP 4.11), Safety of Dams (OP/BP 4.37) and Projects on International Waterways (OP/BP 7.50). These safeguard policies are triggered because of the anticipated impacts from (a) TA and civil works such as irrigation investments, farm to market roads, farm mechanization, and infrastructure services and (b) potential application of pesticides or chemicals for increased agricultural production under Components 1 and 2.

104. **Environmental Assessment (OP/BP 4.01).** This policy is triggered due to technical assistance and potential adverse impacts under infrastructure investments including diversified and intensified agricultural production systems, increasing productivity and developing processed and high value food products and markets, providing, supporting infrastructure, tertiary roads and irrigation structure rehabilitation, and upgrading laboratories.

105. **Pest Management (OP/BP 4.09).** The project is promoting on GAPs and organic products, however, this policy is triggered because the project involves the usage of the purchase of pesticides, fertilizers, or chemical substances for the agricultural production. The Recipient has included a pesticide



management plan (PMP) in the project-ESMF to address any potential risks from pesticide-related activities.

106. **Physical Cultural Resources (OP/BP 4.11).** This policy is triggered as the project funds rural infrastructure such as road and irrigation rehabilitation, which can impact on unknown, physical cultural resources as defined by OP/BP 4.11. A chance find procedure of physical cultural resources has been integrated in the ESMF and will be included in the construction contracts as preventive measures.

107. **Safety of Dams (OP/BP 4.37).** This policy is triggered as the project finances irrigation rehabilitation that include investments which could be classified as "small dams" defined under OP/BP 4.37. The rehabilitation of small irrigation schemes not more than 15 meters in height is not expected to include medium to large scale dams. The sub-project owner (e.g. MOWRAM) adopted generic dam safety in the design and implementation of rehabilitation/ improvement of irrigation structures in accordance with OP/BP4.37.

108. **Projects on International Waterways OP/BP 7.50).** The policy is triggered because a number of irrigation schemes are abstracting water from tributaries of the Mekong River, an international waterway. However, the proposed project activities fall under the exception to the notification requirement under paragraph 7(a) of OP 7.50. Most of the project sites will be developed in existing irrigation schemes that are currently used for rice irrigation. Irrigation of rice is typically on a supply basis with low efficiencies. The project targets higher-value crops that need different irrigation from rice and the irrigation blocks will be equipped with efficient irrigation methods, including drip, microjet, and sprinkler irrigation. These irrigation methods are much more efficient than rice irrigation. The change from rice irrigation to higher-value and less water-demanding crops using more efficient irrigation methods will reduce the water use in that part of the scheme that will be developed for diversified agriculture. That saved water may either be used in other parts of the scheme or abstraction will reduce. However, there will be no adverse changes to water flows. The project development will either be neutral or there will be some positive changes to the quantity of water flows in the rivers as more water will remain in the river that will be available for downstream purposes. It is also expected that the water quality will not to be affected, but will possibly be improved, as integrated pest management practices will be introduced, and extension services will improve the farmers' agricultural practices.

109. **A few POs may develop small irrigation schemes outside the existing irrigation schemes.** These schemes will typically be around 20 ha and will use groundwater or surface water from small streams that will be non-international waterways.

### Social Safeguards

110. The project triggers two social safeguards policies, Involuntary Resettlement (OP/BP 4.12) and Indigenous Peoples (OP/BP 4.10). Labor influx related to infrastructure activities will be limited to a small number of skilled workers who will be subject to worker codes of conduct on community relations.

111. **Indigenous Peoples (OP/BP 4.10).** This project has a nationwide scope and will mostly be operating in provinces where there may be a presence of indigenous communities, who in turn may be direct beneficiaries of project activities. To this end an Indigenous Peoples Planning Framework (IPPF) has been developed to guide the design and execution of site-specific activities during implementation. The preparation of this instrument was informed by a preliminary social analysis of the barriers and risks



(including insecure land tenure) to small producers from indigenous communities participating in agricultural value chains. This analysis was informed by a desk review of relevant documents and interviews with the Government and nongovernment stakeholders at the national level, as well as focus group discussions with male and female producers in indigenous communities. The main challenges identified to indigenous farmers engaging in high-value agriculture chains include access to water, the exclusion of indigenous people from decision-making processes, limited understanding of how to market and price produce (due in part to low literacy levels), and limited access to affordable credit. The Ministry for Rural Development has a dedicated Ethnic Minority Development Department that will advise on engaging with ethnic minority and indigenous communities, including the preparation and implementation of indigenous peoples plans, based on the IPPF.

112. **Involuntary Resettlement (OP/BP 4.12).** Because Component 2 of the project will finance a number of public infrastructure investments (for example, in irrigation, agricultural roads, and market infrastructure), it is possible that minor land acquisition or displacement of private assets (such as informal structures, crops, or productive trees) may be necessary. To this end a Resettlement Policy Framework (RPF) has been prepared with the cooperation of the General Department of Resettlement and cleared by the MEF's Inter-Ministerial Resettlement Committee. This framework includes the voluntary land donation protocols. The resettlement plans will be prepared as needed.

113. **Safeguards implementation arrangement.** The implementation of the environmental and social safeguards will follow the project implementation arrangements. The MAFF will be responsible for overall safeguards implementation and effectiveness coordination, management, and reporting with the relevant ministries for related public infrastructure, credit lines, and TA activities. To manage social and environmental risks, the MAFF, in collaboration with the MoWRAM, MRD, and MEF, has prepared a RPF, an IPPF based on a preliminary social assessment, and an ESMF. Furthermore, environmental and social safeguards focal persons have been appointed by the MAFF, MoWRAM, MRD, and MEF for the project preparation and implementation. The focal persons will monitor and record the implementation of the ESMF, RPF, and IPPF.

114. **For the credit line, officers in the RDB and PFIs will be trained in the application of the World Bank's environmental and social safeguards requirements, to investment proposals.** For the PFI officers, the focus will be on conducting due diligence on the environmental and social performance of enterprises participating in the credit line and screening investment proposals for potential adverse environmental and social impacts. For the RDB, this will also include training on conducting due diligence on the PFIs, in terms of their track record in environmental and social risk management, and supervising the performance of the PFIs on the implementation of the requirements of the ESMFs. In addition, the Matching Grant Approval Committee will include the MAFF environmental and social safeguards focal persons, who will be responsible for verifying and documenting that the environmental and social safeguards requirements of the project have been complied with, before approving matching grants.

115. **Public consultation and disclosure.** All the safeguard instruments for the project were consulted with the stakeholders during the safeguards and technical preparation missions and the stakeholders' consultation workshop was conducted in July–August 2018. The final safeguards instruments (ESMF, IPPF, RPF) were initially disclosed locally in Khmer and in English at the MAFF, MRD, MoWRAM, and MEF offices and on the Internet at <http://www.maff.gov.kh>, and were also disclosed on the World Bank's external website on September 10, 2018. Consultations will continue during implementation.



116. **Other safeguards.** The project is deemed to comply with Paragraph 15 of the Bank Policy: Investment Project Financing on 'Projects Involving Financial Intermediaries'. The compliance note explains the financial sector context for the proposed credit line, potential interest and demand for funds, as well as the key proposed terms and conditions. The respective documentation and compliance note have been prepared and approved. The compliance note is kept in the project file.

117. **Grievance redress mechanisms.** Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## V. KEY RISKS

118. **Overall risk rating and explanation of key risks.** The overall project risk is considered Substantial.

119. **Technical Design of Project and Institutional Capacity for Implementation and Sustainability (Substantial).** The required multistakeholder design and limited experience of the lead IA, MAFF, in managing complex projects at national and decentralized levels leads to initially substantial risks with the technical design and institutional capacities. The project intends to address the risks with TA support and strong capacity-building activities. There are no other major risks identified at this stage.

120. **Fiduciary (Substantial).** The fiduciary risks at this stage are considered 'Substantial'. Though the MEF, MAFF, MRD, and MoWRAM have implemented several World Bank-funded projects, those projects were implemented through different Project Implementation Units (PIUs). For the proposed project, the MAFF and MRD will implement their respective procurement and FM activities through their own government procurement and finance units, while the MoWRAM and MEF will implement their procurement and FM activities through an assigned project implementation team comprising staff from relevant departments of the MoWRAM and MEF, respectively. The GDICDM/MEF has extensive experience in project monitoring, but does not have much experience in project implementation. The proposed procurement and FM staff from the four ministries have some procurement and FM capacity, but limited knowledge and experience with the World Bank Procurement Regulations for IPF Borrowers (July 2016, revised in November 2017 and August 2018) and FM for externally funded projects. Technical assistance and capacity building activities will mitigate fiduciary risks.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Cambodia

Cambodia Agricultural Sector Diversification Project

Project Development Objectives(s)

The proposed Project Development Objectives are to facilitate the development of diversified agriculture value chains in selected geographical areas in Cambodia, and to provide immediate and effective response in case of an eligible crisis or emergency.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets		End Target
			1	2	
<b>Increased revenues/profitability and diversified agriculture production</b>					
Increase in the value of gross sales at benefitting farms (Percentage)		0.00	5.00	15.00	30.00
Increase in the value of gross sales at benefitting female owned farms (Percentage)		0.00	5.00	15.00	30.00
Increased in the volume of gross sale of benefitting farms (Percentage)		0.00	5.00	15.00	30.00
Increased in the volume of gross sales of benefitting female owned farms (Percentage)		0.00	5.00	15.00	30.00
Increase in the value of gross sales of benefitting agribusinesses (Percentage)		0.00	5.00	15.00	30.00
Increase in the volume and value of gross sales of benefitting female owned agribusinesses (Percentage)		0.00	5.00	15.00	30.00



Indicator Name	DLI	Baseline	Intermediate Targets		End Target
			1	2	
Share of non-rice production area of participating farmers (Percentage)		0.00	20.00	45.00	65.00

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Component 1: Enabling Agriculture Diversification</b>							
Number of diversification proposals submitted and evaluated (Number)		0.00	50.00	100.00	150.00	150.00	150.00
Number of business plans under implementation (Number)		0.00	20.00	70.00	120.00	200.00	200.00
Number of nutrition sensitive business plans under implementation (Number)		0.00	4.00	10.00	15.00	20.00	20.00
Beneficiaries reached with financial services (CRI, Number)		0.00	3,000.00	5,000.00	9,000.00	13,000.00	17,000.00
Number of SMAs with a line of credit. (Number)		0.00	5.00	10.00	20.00	30.00	40.00
Number of female-owned SMAs with a line of credit. (Number)		0.00	2.00	4.00	8.00	12.00	16.00
Percentage of previously unbanked adults reached		0.00	5.00	10.00	20.00	40.00	60.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
with transaction accounts - female. (Percentage)							
Beneficiaries that feel project investments reflected their needs (Percentage)		0.00	60.00	65.00	70.00	75.00	75.00
<b>Component 2: Supporting Public Infrastructure</b>							
Area provided with new/improved irrigation or drainage services (CRI, Hectare(Ha))		0.00	2,000.00	4,000.00	6,000.00	10,000.00	12,000.00
Area provided with improved irrigation or drainage services (CRI, Hectare(Ha))		0.00	2,000.00	4,000.00	5,000.00	8,000.00	10,000.00
Area provided with new irrigation or drainage services (CRI, Hectare(Ha))		0.00	0.00	0.00	1,000.00	2,000.00	2,000.00
Roads rehabilitated (CRI, Kilometers)		0.00	0.00	50.00	100.00	200.00	250.00
Roads rehabilitated - rural (CRI, Kilometers)		0.00	0.00	50.00	100.00	200.00	250.00
<b>Component 3: Improving Agriculture Information Systems and Quality Control Management</b>							
Number of users of agriculture information system (Number)		0.00	2,000.00	5,000.00	8,000.00	10,000.00	10,000.00
Users satisfied with information quality (Percentage)		0.00	30.00	40.00	50.00	60.00	65.00
Number of producers and processors trained in GAP implementation rules (Number)		0.00	500.00	1,500.00	2,500.00	3,000.00	3,000.00





Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Producers and processors trained in GAP implementation rules - Female (percentage) (Percentage)		0.00	30.00	40.00	40.00	40.00	40.00
Number of quality controls confirmed GAP compliance (Number)		0.00	50.00	100.00	120.00	150.00	150.00
<b>Component 4: Project Management, Coordination, and Monitoring &amp; Evaluation</b>							
Percentage of complaints solved by the Grievance Redress Mechanism of the project (Percentage)		0.00	20.00	80.00	90.00	90.00	90.00

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Increase in the value of gross sales at benefitting farms	Gross sales at participating farming households; averages at benefitting POs assessed (disaggregated by crops / livestock, and disaggregated by gender of household head) (percentage);	Annually	Baseline survey; yearly sample survey. Target are expected at the intermediate	Baseline survey, yearly updated by sample surveys assessing amounts and values of farm sales	MAFF Project Team



			target date.		
Increase in the value of gross sales at benefitting female owned farms	Gross sales at participating farming households; averages at benefitting POs assessed (disaggregated by crops / livestock, and disaggregated by gender of household head) (percentage)	Annually	Baseline survey; yearly sample survey. Target are expected at the intermediate target date.	Baseline survey, yearly updated by sample surveys assessing amounts and values of farm sales	MAFF Project Team
Increased in the volume of gross sale of benefitting farms	Sales volumes at participating farming households; averages at benefitting POs assessed (disaggregated by crops / livestock, and disaggregated by gender of household head) (percentage)	Annually	Baseline survey; yearly sample survey. Target are expected at the intermediate target date.	Baseline survey, yearly updated by sample surveys assessing amounts and values of farm sales	MAFF Project Team
Increased in the volume of gross sales of benefitting female owned farms	Sales volumes at participating farming households; averages at benefitting POs assessed (disaggregated by crops / livestock, and disaggregated by gender of household head) (percentage)	Annually	Baseline survey; yearly sample survey. Target are expected at the	Baseline survey, yearly updated by sample surveys assessing amounts and values of farm sales	MAFF Project Team



			intermediate target date.		
Increase in the value of gross sales of benefitting agribusinesses	Gross sales (revenues) of participating/benefitting SMAs are measured through their accounting systems (for tax purposes). (gender-disaggregated according to business ownership) (percentage)	Annually	Small and Medium Agribusinesses Account (SMAA)	Review Annual Financial Statement	MAFF Project Team
Increase in the volume and value of gross sales of benefitting female owned agribusinesses	Gross sales (revenues) of participating/benefitting SMAs are measured through their accounting systems (for tax purposes). (gender-disaggregated according to business ownership) (percentage)	Annually	Small and Medium Agribusinesses Account (SMAA)	Review Annual Financial Statement	MAFF Project Team
Share of non-rice production area of participating farmers	Cultivated area of the products produced at participating farms. (percentage)	Annually	Baseline survey; yearly updated by sample survey	Baseline survey, yearly sample surveys, assessing production value (including subsistence/home consumption amounts)	MAFF Project Team



**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of diversification proposals submitted and evaluated	Number of diversification proposals submitted by producer organizations and/or SMAs, and complying with formal requirements.	Semi-Annually	Semi-Annual Progress Report	Counting compliant business proposal	MAFF and MEF Project Team
Number of business plans under implementation	Number of business plans, elaborated and accepted for funding; with first planned activities being implemented.	Semi-Annually	Yearly Progress Report	Survey among POs and SMAs	MAFF Project Team
Number of nutrition sensitive business plans under implementation	Among those business plans with first planned activities being implemented, the number that are nutrition sensitive according to the MAFF guidelines	Semi-Annually	Semi-Annual Progress Report	Survey among POs and SMAs. MAFF will develop a list of priority nutrition-sensitive value chains based upon the nutrient gaps outlined in the Fill the Nutrient Gap analysis and the crops/products that can contribute to closing these for the domestic population. The indicator will be a count of the number of plans under implementation that meet the nutrition	MAFF Project Team



				sensitivity criteria.	
Beneficiaries reached with financial services		Semi-Annually	Semi-Annual Progress Report	Survey. This indicator measures the number of farmers, POs, and SMAs that gain access to financial support (loans, matching grants) under the project. (gender-disaggregated numbers)	MEF and MAFF Project Team
Number of SMAs with a line of credit.	Number of agribusinesses that benefit from a line of credit provided by the project.	Semi-Annually	Semi-Annual Progress Report	Survey: This indicator measures the number of SMAs that gain access to financial support (loans) under the project. (gender-disaggregated numbers)	MEF and MAFF Project Teams
Number of female-owned SMAs with a line of credit.	Number of female-owned agribusinesses that benefit from a line of credit provided by the project.	Semi-Annually	Semi-Annual Progress Report	Survey	MEF and MAFF Project Teams
Percentage of previously unbanked adults reached with transaction accounts - female.	Percentage of female project beneficiaries who opened their first bank account facilitated by the project.	Semi-Annually	Semi-Annual Progress Report	Survey: This indicator measures the percentage of farmers that open their first bank account - female. (gender-disaggregated	MEF and MAFF Project Teams



				percentage: 60% are women)	
Beneficiaries that feel project investments reflected their needs	Percentage of beneficiaries that express satisfaction with services and infrastructure that provided by the project.	Annually	Progress reports	Beneficiary sample survey	MAFF Project Team
Area provided with new/improved irrigation or drainage services	This indicator measures the total area of land provided with irrigation and drainage services under the project, including in (i) the area provided with new irrigation and drainage services, and (ii) the area provided with improved irrigation and drainage services, expressed in hectare (ha).	Annually	Annual Progress Report	This indicator measures the total area of land provided with irrigation and drainage services under the project, including in (i) the area provided with new irrigation and drainage services, and (ii) the area provided with improved irrigation and drainage services, expressed in hectare (ha).	MoWRAM and MAFF Project Team
Area provided with improved irrigation or drainage services	Measures in hectares the total area of land provided with new or improved irrigation or drainage services in operations supported by the World Bank.	Annually	Annual Progress Report	This indicator measures the total area of land provided with irrigation and drainage services under the project, including in (i) the area provided with new irrigation and drainage services, and (ii) the	MoWRAM and MAFF Project Team



				area provided with improved irrigation and drainage services, expressed in hectare (ha).	
Area provided with new irrigation or drainage services	Measures in hectares the total area of land provided with new or improved irrigation or drainage services in operations supported by the World Bank.	Annually	Annual Progress Report	This indicator measures the total area of land provided with irrigation and drainage services under the project, including in (i) the area provided with new irrigation and drainage services, and (ii) the area provided with improved irrigation and drainage services, expressed in hectare (ha).	MoWRAM and MAFF Project Team
Roads rehabilitated		Annually	Annual Progress Report	This indicator measures the length (km) of rural roads that are rehabilitated under the project. Expected road length includes an estimated 250km (170km of DBST and 80km of laterite)	MRD Project Team



Roads rehabilitated - rural		Annually	Annual Progress Report	MRD Records: This indicator measures the length (km) of rural roads that are rehabilitated under the project.	MRD Project Team
Number of users of agriculture information system	Number of users accessing online information services at MAFF's AIS websites	Semi-Annually	Semi-Annual Progress Report	Evaluating website statistics	MAFF Project Team
Users satisfied with information quality	Satisfaction rate of online users of AIS (gender-disaggregated) (percentage)	Semi-Annually	Semi-Annual Progress Report	Short online satisfaction survey amongst online users	MAFF Project Team
Number of producers and processors trained in GAP implementation rules	Number of participants in training courses (gender-disaggregated; disaggregated according to topics)	Semi-Annually	Semi-Annual Progress Report	Training course records, participant lists	MAFF Project Team
Producers and processors trained in GAP implementation rules - Female (percentage)	Percentage of participants in training courses (gender-disaggregated; disaggregated according to topics)	Semi-Annually	Semi-Annual Progress Report	Training course record, participant lists	MAFF Project Team
Number of quality controls confirmed GAP compliance	The indicator measures the number of documented quality controls conducted by GDA and confirming compliance with GAP standards	Semi-Annually	Semi-Annual Progress Report	Evaluating MAFF GDA records	MAFF Project Team





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Percentage of complaints solved by the Grievance Redress Mechanism of the project	This indicator measures the percentage of complaints that have been solved by the project's Grievance Redress Mechanism of the project.	Semi-Annually	Semi-Annual Progress Report	Progress review on all complaints	MAFF Project Team
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## ANNEX 1: Implementation Arrangements and Support Plan

### I. Project Institutional and Implementation Arrangements.

1. **Project institutional arrangements.** The project will be implemented over a period of six years to allow for a necessary and intensive start-up period, that is, the awareness raising and planning work envisaged under Subcomponent 1.1. The institutional arrangements for implementation will follow 'Government Structure', with the MAFF in the lead as the EA, and including the MRD and MoWRAM as IAs for the related public infrastructure support. The MEF will oversee the financial services support. No separate or parallel structures will be created for implementation. The EA and IAs will establish implementation project team(s) with experts and expertise from direct and relevant technical, administration, procurement, and finance units. Where and when necessary, the teams will be supported by consultants and/or contract staff. Strategic direction and guidance for the management and operation of the project will be provided by a high-level Project Steering Committee, chaired by the MAFF. Coordination support for day-to-day planning and implementation will be provided by the TWGAW Secretariat. Roles, responsibilities, and procedures are detailed in the POM.

2. **Project procurement.** The EA and each IA with the support of individual procurement consultant(s) will carry out procurement activities financed under their respective components and subcomponents themselves. The POs and their members will carry out small procurement activities financed under the matching grant facilities administered by the MAFF following the commercial practices being consistent with the World Bank's Core Procurement Principles. Any procurement activities financed under the credit line facilities, which will be channeled through the PFIs (eligible financial intermediaries), will not be governed by the World Bank Procurement Regulations for IPF Borrowers (July 2016, revised in November 2017 and August 2018).

3. **The four ministries have implemented several World Bank-financed projects and other development partner-funded projects, using separate PIUs, based in the ministries' departments managing the projects.** The PIU arrangements left very limited procurement capacity and sustainability for later projects implemented by different departments. The procurement capacity assessment for this project revealed that only one assigned procurement staff of the MAFF has good operational knowledge and experience with World Bank-funded procurement activities, while the assigned procurement staff of other ministries have no operational experience with the World Bank funded procurement activities. The World Bank Procurement Regulations for IPF Borrowers is new to all the assigned procurement staff of the four ministries. A detailed procurement capacity and risk assessment, including mitigation measures is on file.

4. **The POM details procurement arrangements, including responsibilities of each ministry, and a procurement risk mitigation action plan.** It refers to the World Bank Procurement Regulations for IPF Borrowers (July 2016, revised in November 2017 and August 2018) applicable to this project, a PPSD and Procurement Plan, and Public Procurement Law (January 2012) and SOPs including the Procurement Manual for all Externally Funded Projects/Programs in Cambodia (Sub-Decree No. 74 dated May 22, 2012) of the RGC with the additional provisions for use of national procedures under the World Bank-financed projects in Cambodia.



## **Roles and Responsibilities**

5. **Steering Committee.** The Steering Committee will deal with policy issues and legal and regulatory framework issues/decisions, provide strategic guidance, and support problem solving. Semiannual meetings will discuss and decide on issues where policy, procedural, and/or inter-ministerial cooperation issues are concerned. The Steering Committee will be the last resort for solving conflicts and complaints that cannot be resolved by the technical project teams or through the intervention of the PCO/team. The Steering Committee meetings will be supported by the PCO/team and its secretarial support services.

6. **Membership at the Steering Committee under the MAFF leadership includes the MoWRAM, MRD, MEF, and the TWGAW Co-chair.** Where and as needed, coordination and implementation support and advice could and would be requested from the development partner's donor facilitator, Ministry of Industry and Handicraft (MoIH), Ministry of Commerce (MoC), Ministry of Women Affairs, MFI/banks, and RDB representation, or others, as needed.

7. **PCO.** Supported through the TWGAW Secretariat, a Project Management Team (PMT) will be responsible for the overall coordination of project implementation and external communication, including the agreed reporting to World Bank. The PCO will be led by a coordinator from the MAFF, with senior officials assigned from the MRD, MoWRAM, and MEF as members of the team. The PCO will also include members from the main technical units involved in project implementation, including senior staff responsible for FM, procurement, M&E, and communication. Consultants and contract staff could, where and when needed, fill capacity gaps in the team. The PCO will be physically located in the MAFF. However, as the project is implemented through the existing government (MAFF, MoWRAM, MRD) structure, including the line departments of IAs, the PCO staffing will be limited in number but with efficient and effective personnel. The PCO will work under direct guidance of the project director appointed by the MAFF.

8. **Project team(s).** Project teams will be established to support the planning and implementation of subprojects (DPIs and BPIs). The project teams at the MAFF, MoWRAM, MRD, and MEF will include technical staff to address practical and specialized issues arising during planning and implementation. These will be teams from specific government units at the national and provincial levels. A subproject will in practice include support by and cooperation with different project teams from different ministries, depending on the type of value chain and on the types of public infrastructure and services that are included. The work of project teams will be guided by the BPIs. They will provide field visit reports on the progress and achievements to the PCO.

9. **The MAFF** will be responsible for implementing the technical advisory services in coordination and collaboration with other line ministries and departments and with management and advisory support from the TWGAW Secretariat. The involved technical units/departments (see paragraph 20 below) will establish their own technical support teams, in particular, for providing the necessary high-quality field-level support to farmers and their organizations and partners (SMAs). Where necessary, the project will fund the necessary expertise/consultants to enable the MAFF, its project teams, and its involved technical and management units to provide the required quality services. For the implementation of Subcomponent 1.1, the MAFF will be supported by competitively hired TSPs (firms and NGOs) allocated to specific geographical project areas, as further defined in the POM.



10. **MoWRAM.** For the implementation of Component 1, the MoWRAM advises on selection of specific project locations and the availability of sustainably functioning higher order irrigation infrastructure. It will be responsible for the detailed planning and implementation of irrigation works as part of the approved DPs. It will also collaborate on rehabilitation works of the tertiary and quaternary canals and regarding on-farm water management TA. The MoWRAM will establish a project team within its cooperating unit(s) that will be responsible for the planning and implementation of activities under Subcomponent 1.1 and Component 2 that are under the MoWRAM's role and responsibility. The project will fund the necessary strengthening of the MoWRAM's project team, that is, through capacity-building activities and through funding of consultants.

11. **The MRD** implements rehabilitation and upgrading works on farm-to-market roads. The MRD will establish a project team within its main responsible unit/department. The project team's tasks will include the detailed technical planning of any road upgrading as suggested in the approved and supported DPs. Implementation responsibilities for all rural roads upgrading, including procurement and quality assurance will be the responsibility of the MRD's project team.

12. **MEF.** The MEF will play a key role in the assessment and endorsement of the comprehensive DPr and DPI and the individual BPr and BPI. The MEF's project team will include staff to lead the EC, assessing and recommending DPr, and the AEC that will approve the DPI.

13. **The TWGAW Secretariat** will support planning and implementation coordination and collaboration through the TWGAW mechanism. In day-to-day support, the TWGAW Secretariat will also act as the secretariat to the PCO. It is expected to facilitate donor (and NGO) support and mobilize (additional) TA as necessary by the MAFF (teams) and other IAs. The project would fund the necessary additional technical and managerial staff/consultants to ensure that the TWGAW Secretariat can perform its additional role effectively and efficiently.

14. **The TWGAW** will be invited to provide reviews and recommendations to the PMT. The PCO will be invited to regularly report on project implementation progress at TWGAW meetings. As being part of the TWGAW mechanism, donors and other members will be invited to contribute experience and experts where and when needed.

15. **Private sector and NGOs.** Being a private sector-driven project, the private sector will be at the forefront of the project, as a beneficiary of the DPI and by providing services directly to the project, or indirectly as a larger buyer participating in a DPI and for the private sector providing supporting services, such as transport and logistics companies. On the other side, there are several NGOs already present and active in the project area, providing technical and management support to farmers and POs, and assisting in farming systems and value chain developments. They are expected to become partners for their supported POs that could potentially become the beneficiaries of the project. Both NGOs and private sector actors will provide complementary services to the project stakeholders. First, they will compete to be a TSP, supporting the MAFF in the implementation of Subcomponent 1.1. Second, they will be hired by the POs and SMAs, through Subcomponent 1.2, to provide TA at various stages of the agriculture value chains. And third, they will be hired as consultants to support the project in implementing various tasks throughout the components. The local-level involvement of the private sector and NGOs will also support effective and efficient implementation performance. In cooperation with provincial, district, and commune authorities/institutions, they will also be invited to contribute complementary services and



extensions that add value to the technical, financial, and social, including nutrition, outcomes of the project.

16. **PO.** Competitively selected POs and SMAs in the DPI will be the main implementers and beneficiaries of the project. With support from the Government, the TSP, and other actors, such as NGOs, they will prepare DPr and BPr and subsequent DPI and BPIs and they will implement approved plans. Where this has not yet happened, the POs will form registered organizations, usually ACs, to be able to enter into formal partnerships with SMAs, larger buyers, and financial institutions. The registered POs will be responsible for their members' contributions and compliances. They will also be the entry point for government and private sector services under the project.

17. **SMA.** SMAs will enter into formal agreements with the POs. This may be in the form of contract farming agreements or other supply or service relationships. Where such a function is not directly performed by a PO itself, SMAs will be the commercialization link for the project. In cooperation with the Government and private sector, they will provide services needed for successful and mutually beneficial commercialization. Jointly with the POs, and supported by the project, they will be responsible for preparing DPrs and BPIs and subsequently DPIs and BPIs, and for implementation of approved and funded interventions. The benefitting SMAs will themselves get into a partnership with at least one buyer (wholesaler, distributor, retailers, exporter, importer, and so on).

18. **Commercial financial institutions.** The MFIs and banks will play a crucial role in providing the required funding support to farmers, POs, and SMAs. The PFIs will participate in the review of DPr/BPr and DPI/BPI and, where endorsed, provide the approved funding to the ultimate beneficiaries. Where necessary, the project will provide capacity building to facilitate their review and assessment of (agro-) BPIs. The PFIs will eventually provide co-funding of BPIs, where matching grants are provided to eligible project beneficiaries. Separately, the RDB has been selected to act as a Treasury Bank under the project, to wholesale and administer the credit line on behalf of the MEF.

19. **Provincial line departments.** Provincial institutions execute oversight and responsibility for subprojects (DPs, BPIs, and infrastructure provision). The provincial and district staff of line departments will ensure coordination at the provincial and district levels and are responsible for main field-level monitoring activities. Main support for the mainly technical assignments will come from relevant project teams in the MAFF, MoWRAM, and MRD. Where and if necessary, they will be supported through TA/capacity building to facilitate and strengthen smooth project implementation.

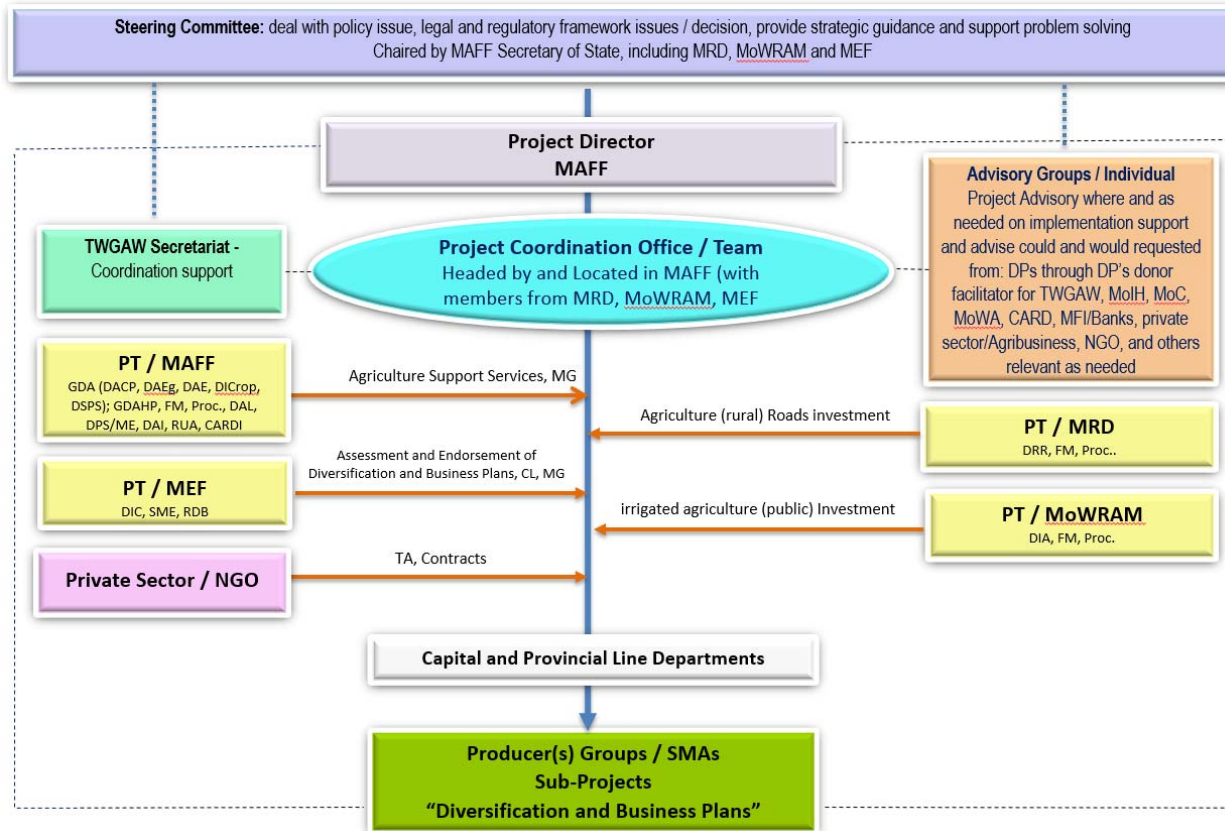
20. With the MAFF being the main project owner and IA, its departments and related units will play significant roles in ensuring technically sound planning and implementation of project activities at all levels. The main units involved in the project and their roles in technical services and management includes the following:

- **General Directorate of Agriculture (GDA).** The GDA, the MAFF's largest unit, will be responsible for the institutional implementation of the measures strengthening the SPS regime. Its different departments will also support the selection (assessment) and introduction of different crops in higher value chains.



- **General Department of Animal Health and Production (GDAH)**. The GDAH will be responsible for the support of livestock value chains. In addition to the production advice and support, this will particularly include the assurance of hygiene and quality standards in production and processing.

Figure 1.1. Organizational Structure



Note: DACP = Department of Agricultural Cooperative Promotion; DAL = Department of Agriculture Legislation; RUA = Royal University of Agriculture; CARDI = Cambodian Agricultural Research and Development Institute; DIC = Department of Investment and Cooperation; DICrop = Department of Industrial Crops; DSPS = Department of Sanitary and Phytosanitary; DRR = Department of Rural Road; DIA = Department of Irrigated Agriculture; DAI = Department of Agro-Industry; DAEng = Department of Agriculture Engineering; DAE = Department of Agriculture Extension.

- **DACP of the GDA.** The DACP will be responsible for organizational and management support to the POs and to the already registered ACs. This will ensure that the POs and ACs can be lawful partners in the cooperation approach that is promoted under the project. In addition, the DACP will also be responsible for strengthening the institutional capacity of the ACs and POs as well as promoting the businesses of the ACs and POs.
- **Department of Agriculture Engineering of GDA.** Their role will be to advise and support in the identification and implementation of appropriate postharvest technologies and supporting farmers and SMAs in minimizing losses and maximizing qualities.



- **DAL.** The DAL will cooperate on ensuring awareness raising on legislation that affects input and output qualities.
- **Department of Planning and Statistics (DPS).** The DPS will support the GDA in coordination of planning and M&E activities. They will jointly with the Agricultural Information and Documentation Centre (AIDOC) lead the work in implementing the agricultural markets' information tasks and in supporting the project's policy work.
- **AIDOC.** The AIDOC with the DPS will jointly implement the activities on technical and market information and publish and maintain the agricultural data/information/documents along with the regular MAFF information and data on the MAFF's website and at the e-Library.
- **DAI.** The DAI will play a key role in awareness raising and training on contract farming arrangements and on food quality and safety, including Hazard Analysis Critical Control Points (HACCP) training. Its agro-processing training center will support improvements in quality management. It will disseminate technology information and information on agricultural economics to producer groups and SMAs, promoting commercial partnerships, including contract-farming arrangements.
- **Agriculture colleges/school/university; CARDI.** The Prek Leap National Agricultural School, Kampong Cham National Agricultural School, RUA, and CARDI could, on request, contribute their research expertise to assist farmers and SMAs in solving production and processing issues faced by farmers, POs, and SMAs.

**Table 1.1. Implementation Arrangements for Each Component**

Components	Subcomponent	Activities	Responsibility
1. Enabling Agriculture Diversification	1.1 Supporting the Preparation and Implementation of Diversified Agricultural Value Chains	<ul style="list-style-type: none"> <li>• Awareness raising campaigns</li> <li>• Support of teaming up of stakeholders</li> <li>• Support for the preparation and evaluation of DPR</li> <li>• Support for the preparation and evaluation of full BPI for selected proposals</li> <li>• Implementation support</li> <li>• Technical support</li> </ul>	DACP/GDA/MAFF  PDAFF/DACP/GDA/MAFF  PDAFF/DACP/GDA/MAFF, MEF PDAFF/DACP/GDA/MAFF
	1.2 Financing Agriculture Diversification	<ul style="list-style-type: none"> <li>• Credit lines for SMAs, POs, farmers</li> <li>• Matching grants for POs, farmers</li> <li>• PFI Training</li> </ul>	MEF/RDB/Banks/MFI MAFF/MEF
2. Supporting Public Infrastructure	2.1: Supporting Irrigated Agriculture	<ul style="list-style-type: none"> <li>• Irrigated agriculture (public investment – off farm irrigation)</li> </ul>	MoWRAM
	2.2 Supporting Agriculture Roads	<ul style="list-style-type: none"> <li>• Rehabilitating rural roads (public investment)</li> </ul>	MRD
3. Improving	3.1: Agriculture	<ul style="list-style-type: none"> <li>• Technical information collection and</li> </ul>	DPS/GDA/GDAHP/MAFF,



Components	Subcomponent	Activities	Responsibility
Agriculture Information Systems and Quality Control Management	Information System	dissemination <ul style="list-style-type: none"> <li>• Market intelligence</li> <li>• Policy advisory services</li> <li>• Strengthening analytical and planning capacity</li> </ul>	MoWRAM  DPS/MAFF DPS/MAFF, SNEC/MEF DPS/DAL/SNEC
	3.2: Quality Control Management	<ul style="list-style-type: none"> <li>• SPS, GAP, GMP, GAHP training and capacity building</li> <li>• Laboratory and equipment</li> </ul>	DAI/GDA/GDAHP/MAFF  GDA/GDAHP/DAI/MAFF
4. Project Management, Coordination, and Monitoring and Evaluation		<ul style="list-style-type: none"> <li>• Planning and implementation; coordination</li> <li>• MIS</li> <li>• M&amp;E System</li> </ul>	MAFF, MoWRAM, MRD, MEF

Note: PDAFF = Provincial Department of Agriculture, Forestry, and Fisheries.

### Implementation Arrangement for Component 1

21. **Supporting the Preparation and Implementation of Diversified Agriculture Value Chains.** To raise awareness about the project, its scope, and participation eligibility, the MAFF, supported by a consultant and through the TSPs, will prepare and implement a comprehensive information dissemination campaign at the national level and in project provinces with the support of a consultant. Information dissemination will also include NGOs, donors (and their supported projects), and the private sector, in particular agribusiness associations. The MAFF will hire TSPs (firms and/or NGOs), allocated to specific geographical project areas, as further defined in the POM, to assist the MAFF in the preparation and implementation of DAVCs. This includes (a) support for organizing business roundtables and workshops to facilitate the team building of key stakeholders, such as the POs, SMAs, larger agribusinesses and buyers, and financial lenders; (b) general training and TA for interested teams for the translation of business ideas into viable DPRs; (c) TA to teams for the preparation of detailed DPLs; (d) training to the EC to increase their capacity; and (e) implementation support to the POs and SMAs. Templates and written guidelines will be available in the Matching Grant Manual. The submitted DPRs and DPLs will be evaluated by an EC chaired by an MEF representative and comprising technical representatives from all IAs. The EC will decide which DPRs will be recommended for further elaboration into full DPLs, and which DPLs will be selected for financing. These selected DPRs and DPLs will be endorsed by the AEC. A large majority of the selected DPRs are expected to receive funding.

22. **Applicants** (POs, SMAs) who will prepare comprehensive DPRs and associated BPRs will be supported through a dedicated project officer appointed by the PMT. Invitation for the submission for a full subproject proposal may include the assignment of a prequalified (private sector consultant) BPL preparation specialist (TSP). Where applicable, the MRD and MoWRAM will provide the detailed planning for road and irrigation infrastructure improvements applied for and included in the DPL. The detailed templates and preparation guidelines will be available to invited groups. Elaborated BPLs will be evaluated by the AEC and chaired by the MEF. The committee will evaluate the technical soundness and financial viability of the proposals. It may recommend amendments to strengthen implementation plans. Support by technical experts appointed by the PMT will be available for the evaluation as required.

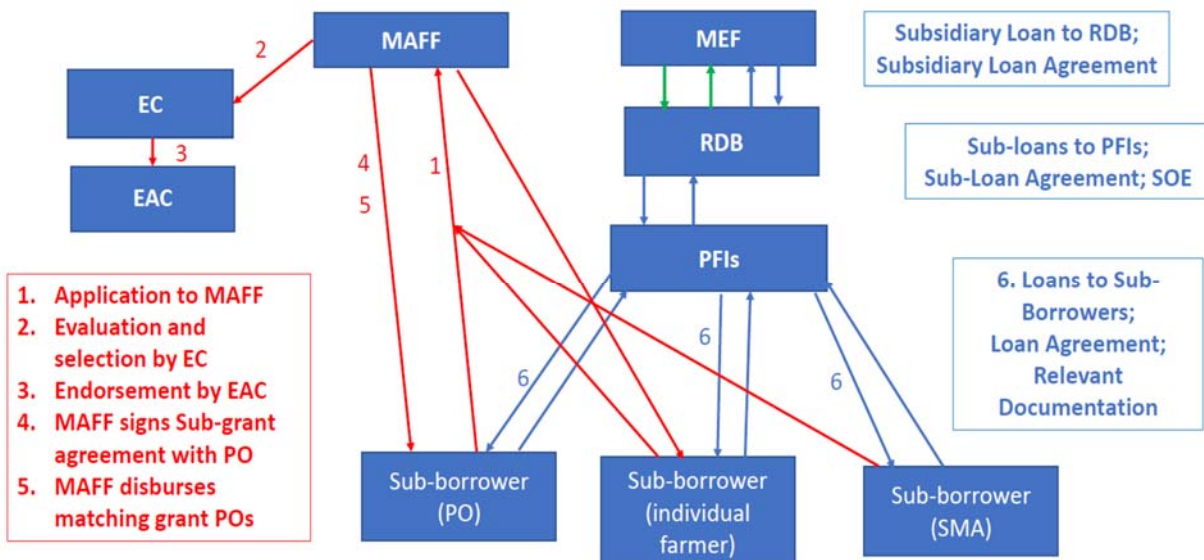




23. **The endorsed DPRs and BPIs (subprojects) will be implemented by the benefitting POs and SMAs and their individual members, farmers and entrepreneurs, the involved line ministries, and the supporting NGOs and private sector institutions and experts.** Most of the subproject activities will be directly managed and implemented by the PO and/or SMA. Implementation will include and be supported by the technical advisory services provided by line ministries through provincial and district staff, supported, where necessary, by related ministerial (IA) project teams and/or assigned experts. Provision of the agreed and included infrastructure support and services will be the responsibility of the respective ministries. The PMT and their line ministries' staff at the provincial and district levels will provide supervision and assessment of implementation quality.

24. **Provision of financing.** Where financial services (loans for investment and limited working capital) will be needed, the PFIs will review the BPI from the endorsed DPI for provision of a subloan. However, the PFIs will ideally already work with the teams during preparation of the BPL. The maximum cumulative outstanding amount to a single borrower shall not exceed US\$400,000 equivalent, including a maximum working capital loan limit from the credit line of US\$250,000 equivalent. The maximum amount of financing to one value chain (all participants) shall not exceed US\$1,000,000. The matching grant applications will be reviewed by a separate approval committee. The matching grants will provide financing in the amount of 40 percent of the PO's subproject amount. The remaining 60 percent would need to be raised by the beneficiaries themselves either from their own funds or by borrowing from the CADSP credit line's diversification window. Funding for the approved matching grants and subloans will be channeled to recipients through (a) direct transfers into the PO accounts of eligible matching grant amounts in accordance with the DPI approved by the EC and (b) the PFIs providing loans to the POs, farmers, and SMAs from the project's credit lines. The PFIs will have the autonomy to select the beneficiaries and approve the subloan. The PFIs will disburse the approved subloans and monitor their implementation. The matching grant facility will be administered by the MAFF. The credit Line will be administered by the RDB acting as the Treasury Bank on behalf of the MEF.

Figure 1.2. Financial Instruments - Implementation Structure





**Table 1.2. Summary Eligibility for Financial Instruments by Type of Project Beneficiary**

Type of Project beneficiary	TA and Training under the Project	Investment Loans	Working Capital Loans	Value Chain Financing	Matching Grants
Agriculture Cooperatives	√	√	√	√	√
Small and Medium-Sized Farmers	√	√	√	√	√
Small and Medium-Sized Agribusiness	√	√	√	√	

**Implementation Arrangement for Component 2**

25. **Improving connectivity through agriculture Roads.** The MRD and its line department staff will be responsible for the detailed planning and the rehabilitation and improvement of rural roads. Support to involved provincial and district staff will be provided through the MRD’s project team and/or, where necessary, through specialized consultants. All roads and other public infrastructure will be part of an endorsed DPI.

26. **Improving irrigation infrastructure and basic services.** Detailed planning and implementation of irrigation infrastructure (construction and rehabilitation) will be the responsibility of the MoWRAM and its line departments’ staff. Support to the involved provincial and district staff will be provided through the MoWRAM’s project team and/or, where necessary, through specialized consultants.

27. **On-farm water management services (and support for diversified irrigated agriculture) will be the responsibility of the MAFF and its line departments’ staff.** In collaboration and coordination with the MoWRAM, respective training and capacity building for farmers and POs will be provided. Support to the involved provincial and district staff will be provided through the MAFF’s project team(s) and/or, where necessary, through specialized consultants.

**Implementation Arrangement for Component 3**

28. **Agriculture information system.** The MAFF project team in the GDA will manage the collection and dissemination of technical information. Cooperation and contribution of all technical departments in MAFF, including, if and as necessary, RUA, CARDI, and other government or affiliated institutions will be facilitated to ensure broad coverage and updated information. An important role will be played by the TWGAW and its Secretariat, making sure that all donor experiences and knowledge are made accessible through the system. International consultant support will ensure that modern ICT is integrated.

29. **Market intelligence.** Under the leadership of the MAFF’s DPS, the existing marketing intelligence system will be reviewed and strengthened to improve the decision-making base of farmers, SMAs, and Government. The system will be expanded to include medium- and long-term projections, enabling better strategic planning. These activities include cooperation with and contributions by the SNEC and national and international institutions. The system upgrade will be supported by (international) consultants as needed.



30. **Policy advisory services.** For the implementation of policy advisory services, that is, sector analytical work, macro and microeconomic studies, and consultations, the PMT will cooperate with the SNEC. The SNEC will be responsible to conduct related studies and prepare policy recommendations that are based on project experiences and/or address policy or regulatory framework issues relevant for the success of the project. The SNEC will use its own experts and expertise and will be provided with resources to supplement their capacity with consultants if and when needed.

31. **Quality management.** Strengthening the SPS system in the country and promotion of the adoption of GAPs, GAHPs, and GMPs will be led by the GDA, GDAHP, and DAI. They will be responsible for respective capacity building of farmers and SMAs, establishing the necessary processes and infrastructure to comply with international standards. The project team in the GDA will ensure coordination and complementarity of activities also with the MoIH and MoC.

#### **Implementation Arrangement for Component 4**

32. **PMT.** The PCO has overall responsibility for all day-to-day management, supervision, evaluation, and reporting tasks under the project. The PCO will work under the overall guidance of a project director, senior MAFF staff. Appointed project coordinators from the three main IAs plus the MEF will ensure that the PMT provides the necessary oversight to planning and implementation activities managed by their line ministries and departments at the national level and in the project provinces. The PCO will be responsible for all reporting to the World Bank. While procurement and FM will be handled by IAs dedicated units, day-to-day administration support and facilitation of internal and external coordination and cooperation will be supported through the TWGAW Secretariat. Consultants and contract staff will support the PCO, procurement and FM units, and the TWGAW Secretariat.

33. **M&E.** The project will develop a dedicated M&E system for tracking project inputs, activities, outputs, and impacts across all components in all the project districts. This M&E system will be part of the project MIS. Data collection will be done by line ministries' staff in the project provinces. Overall responsibility for analysis and reporting is with the PMT. The PMT will be supported in their M&E activities by a specialized M&E consultant. Additional M&E consultants could also support the work of individual IAs if needed.

#### **II. FM**

34. **FM assessment.** An FM assessment was carried out in accordance with Bank Policy/Directive: Investment Project Financing for the GDICDM, DAF of MAFF, DSF of MRD, and the appointed FM persons of the MoWRAM. Subject to satisfactory implementation of FM system enhancement actions, the EA and IAs are considered to have acceptable FM arrangements and the FM risk is considered as Substantial after mitigating measures.

35. **Organization and staffing.** The EA and each IA will assign sufficient government FM staff (such as a finance officer, an accountant, and a cashier, and one or two assistant accountants if there are more works on civil work payments) in its respective GDICDM, DAF, and DSF and from other departments for the MoWRAM to carry out the day-to-day FM and disbursement functions and ensure that controls and procedures in FM are adhered to. One local finance assistant to support the FM operations for the MAFF will be engaged and one FM consultant for each IA, MRD and MoWRAM, for capacity building of FM staff



for the first 18 months will be hired. A provision for others FM consultancy support for all IAs will be assessed during the project implementation as and when it is necessary.

36. **Internal controls and internal audit.** The project adopts the SOP/FMM which contain sound internal control over FM. As part of their normal internal audit work program, the Internal Audit Department (IAD) of the MAFF, MRD, and MoWRAM will include the project activities implemented by the MAFF, MRD, and MoWRAM, respectively, in their selected samples and report on them in their normal internal audit report for the period. The IAD of the MAFF, MRD, and MoWRAM will report results of the internal audit work on the project to the management of the ministries. Project management will include the internal audit findings in the project progress report to be submitted to the World Bank. The original supporting documents will be retained by the IAs for a period of 10 years according to the SOP.

37. **Flow of funds.** The EA and IAs will be responsible for certifying and approving expenditures incurred during project implementation and will administer the DA's operations. For small operating expenses incurred by the respective provincial departments of the MAFF, MRD, and MoWRAM for supporting the project implementation, a cash advance or petty cash arrangement from the MAFF, MRD, and MoWRAM will be made. Cash advance to provincial departments is based on specific activities agreed in the AWPB and shall be cleared within 10 working days after completing such activities. The fund flow diagram is illustrated in table 1.3.

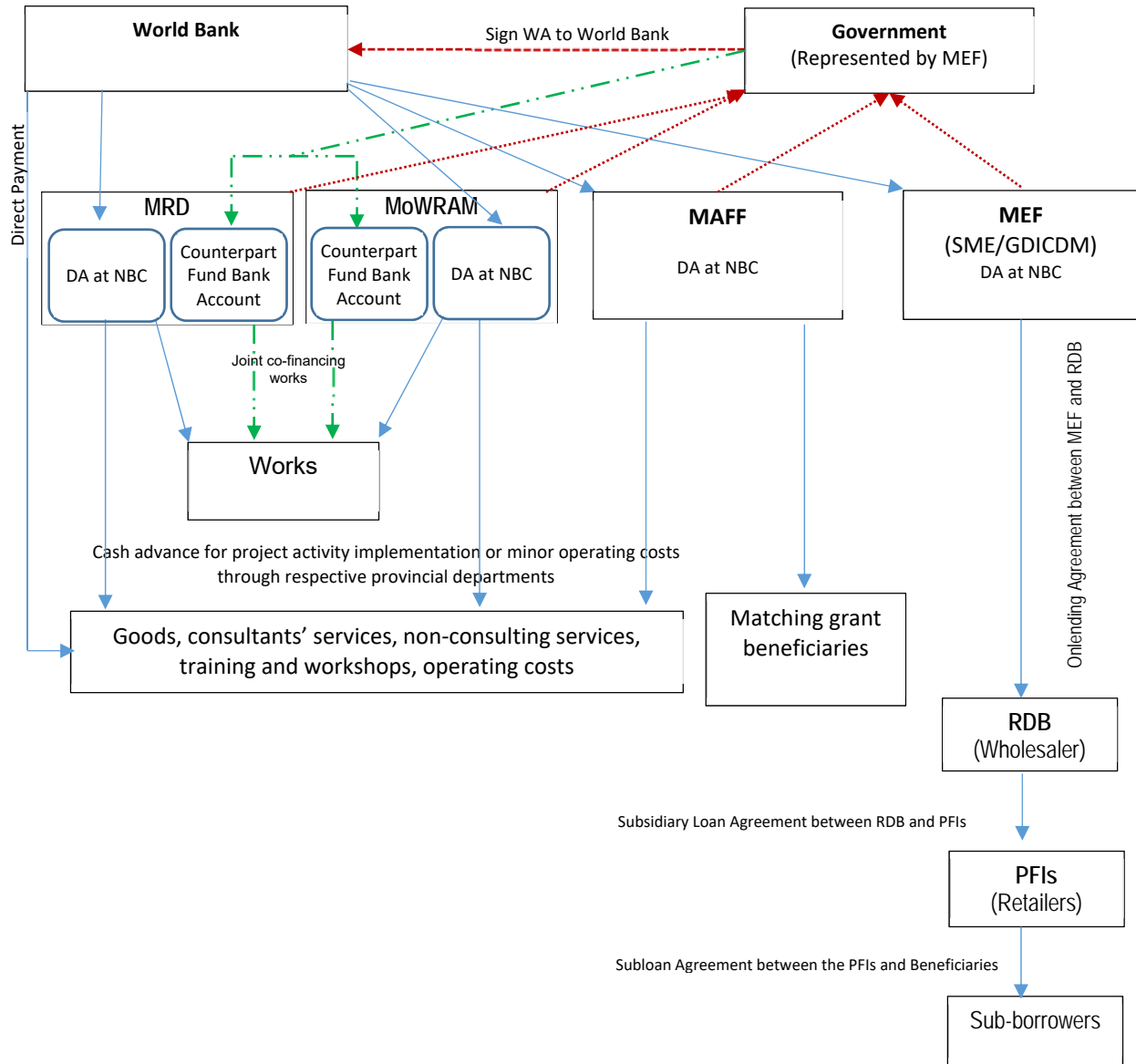
38. **Periodic financial reporting and disclosure of audit report.** The format and contents of the IFR will be agreed with IDA and included in the POM. Once the acknowledgement letter is received from the World Bank, the audited financial statements should be disclosed on the website of the MEF, MAFF, MRD, and MoWRAM. IDA would also make the audit report available for the public on its external website as required by the Policy on Access to Information.

39. **Matching grants.** Matching grants to the POs can be made for expenditures such as goods, works, consultants, and training. The POs will initially use their own shared resources (from their own funds or credits) to pay for expenditures and then get reimbursed from the project up to the amount of eligible matching grants or make a request for the project to make payments (only for large amount) directly to the contractors, suppliers, or service providers upon submission of adequate supporting documents to substantiate the delivery of goods/works or rendering of services according to the agreements/contracts. Matching grants are subject to external audits of the project. The disbursement of the matching grants is contingent upon satisfactory development of procedures and policies on selection process, transparent approval process and monitoring of the grants, how grants are reimbursed and/or disbursed, and reporting and required supporting documents as part of the POM.

40. **Credit line.** The project will lend a portion of its funds to the RDB that is responsible for selecting the PFIs who will onlend to the eligible SMAs and POs. The expenditures for the credit line are included in the external audit. The MEF, MAFF, and RDB are responsible for ensuring that the money provided to the SMAs and POs is used for intended purposes and is in accordance with the requirements of the World Bank's environmental and social safeguards, through regular review and monitoring of the subproject implementation.



Figure 1.3. Overall Fund Flow Chart



### III. Disbursement

41. **Disbursement arrangements for Components 1–4.** E-disbursement is used and the frequency of reporting of expenditures paid from the DA shall be quarterly. The minimum application size for reimbursements, special commitment, and direct payments would be equivalent to US\$100,000. The details are in the Disbursement and Financial Information Letter.

42. **Disbursement for Component 5 - Contingent Emergency Response.** No withdrawal can be made under Component 5 until the Government has (a) prepared and disclosed all safeguards instruments required for activities under Component 5 of the project, if any, and the Government has implemented any actions which are required to be taken under said instruments; (b) established adequate



implementation arrangements, including a positive list of goods and/or specific works and services required for emergency recovery, satisfactory to IDA, including staff and resources for the purposes of said activities; and (c) prepared and adopted an ERM, acceptable to IDA, so as to be appropriate for the inclusion and implementation of activities under Component 5.

43. **Disbursement deadline.** The project will have a disbursement deadline date of four months after the closing date of the project.

**IV. Procurement**

44. **Procurement capacity and risk assessment.** The risks and mitigation measures as shown in table 1.3 have been discussed and agreed with the Government. They are included in the PPSD.

**Table 1.3. Procurement Capacity and Risk Assessment**

Risk Description	Description of Mitigation	Risk Owner
Demand driven approach for which procurement size and detail are not known in advance. Preparation and selection of DPLs and BPRs will be conducted in the first year of the project (2019) and ended by the second quarter of the third year (2021).	The EA and IAs need to ensure good coordination among them. The selection of POs, SMAs, and their proposals will be done on the phase basis. The first phase proposals will be selected and finalized by the end of the first year, and the last phase will be finalized not later than the second quarter of third year of the project to ensure sufficient time for procurement and contract execution. The first phase of procurement of rural infrastructures (rural roads and irrigation systems) will be started in the first quarter of the second year of the project, while the technical inputs for procurement will be made available at the end of the first year.	EA and all IAs
Possible coordination challenge among the EA/IAs and their technical departments	The EA/IA will assign focal persons for coordination purpose within the EA/IAs and across the ministries. The coordinating roles and responsibilities of these persons will be included in the POM.	EA and all IAs
Possible delay technical inputs. A challenge for the EA/IAs to prepare the most appropriate technical specifications for the new technologies and rural infrastructures.	Procurement of firms/NGOs and individual consultants will strictly follow the agreed time frames in the Procurement Plan. Terms of references and specifications of key procurement packages will be finalized before the project effectiveness.	EA and all IAs
Possible delay internal clearance of Bidding Evaluation Committee (BEC)/Consultant Evaluation Committee (CEC)/Procurement Review Committee (PRC).	The EA and IAs will agreed on the service standard that will be included in the POM, procurement tracking form will be implemented, and sufficient delegation of authority will be provided to the members of BEC/CEC/PRC.	EA and all IAs
Most of procurement of consulting firms took significantly longer time than schedules.	The procurement tracking and monitoring form in the SOP/Procurement Manual will be used in addition to STEP.	EA, all IAs, and the World Bank



Risk Description	Description of Mitigation	Risk Owner
Required procurement consultants and other key individual consultants would not be available when needed.	Sufficient advertisement for Expression of Interests and start the selection sufficiently ahead of the need of the consultants.	EA and all IAs
The EA/IA has limited qualified procurement staff and is not familiar with the World Bank Procurement Regulations for IPF Borrowers and STEP.	The EA and IA (except the MEF) will hire at least one national consultant to assist them in executing procurement activities and providing supports on the contract management, and also strengthening their capability. The World Bank should provide more training on a need basis. The EA and IA will assign one focal person for implementation of STEP and monitoring the procurement tracking form.	EA, all IAs, and the World Bank
Corrupt practice in procurement	In addition to the publication according to the requirements of SOP, the CASDP will establish a project website for the publication of procurement opportunities, contract award notices, and receiving possible complaints for this project. The MAFF will administer this project website that can be accessed by the MRD, MEF, and MoWRAM. The MRD will also post all the publication and receive complaints through its ministry's website parallelly.	EA, all IAs, and World Bank
Informal business practices may impose potential negative impact on the procurement	All firms, who will be awarded the contracts, will be required to register with concerned ministries according to the Cambodian laws and sufficient time will be provided to the firms for such registration.	EA and all IAs
Investment on sustainable connectivity to markets, irrigation systems, and suitable technology adoption would contribute to the high cost of procurement activities.	Take this into account in the budget for procurement.	EA and all IAs

45. **Institutional arrangements for procurement.** The EA and each IA with the support of individual procurement consultant(s) will carry out procurement activities financed under their respective components and subcomponents themselves. The POs and their members will carry out small procurement activities financed under the matching grant facilities administered by the MAFF following the commercial practices being consistent with the World Bank's Core Procurement Principles.

46. **Applicable procurement procedures.** Except for the procurement activities financed under the credit line facilities, which will be channeled through PFIs (eligible financial intermediaries), all other procurement activities financed under the project will be governed by the World Bank Procurement Regulation for IPF Borrowers, July 2016 and revised in November 2017 and August 2018. Procurement under National Procedures will be carried out in accordance with the Government of the Kingdom of Cambodia's Updated Standard Operating Procedures and Procurement Manual for All Externally Financed Projects/Programs, promulgated through the Sub-decree 74 dated May 22, 2012, which is issued pursuant



to Article 3 of the Government of the Kingdom of Cambodia’s Law on Public Procurement dated January 14, 2012, subject to the additional provisions that will be included in the Procurement Plan. All applicable procurement rules and procedures and procurement documents will be elaborated and referred in the project implementation manual prepared by the Borrower and acceptable to the World Bank.

47. **Procurement scope under the project as identified in the PPSD.** An estimated budget of US\$50 million would be spent for all procurement activities under this project. Out of this estimated budget, about US\$29 million would finance rehabilitation and improvement of existing small-scale public infrastructures and improvement of laboratory and training facilities; US\$11 million would finance all consulting services; and US\$10 million would finance goods (technical and laboratory equipment/tools, office equipment, vehicles, and so on).

48. If Component 4 finances goods, works, and/or consultant services required for an eligible crisis or emergency, the applicable procurement methods and procedures under the relevant provisions of World Bank Procurement Regulation for IPF Borrowers, July 2016 (revised in November 2017 and August 2018) will be further detailed in the ERM.

49. **Procurement Plan.** Based on the PPSD, the first 18-month Procurement Plan for the project was jointly prepared by the EA and IAs, and agreed with the World Bank, and it is included below.

50. **Prior review threshold.** The procurement risk under this project is considered Substantial after applying the agreed risk mitigation measures. The prior review thresholds by procurement types are as shown in table 1.4.

**Table 1.4. Prior Review Thresholds by Procurement Types**

Type of Procurement	Estimated Contract Amounts (US\$, millions)
Works	10
Goods, information technology and non-consulting services	2
Consultants: Firms	1
Consultants: Individuals	0.3

**Summary of the Planned Procurement Packages for the First 18 Months of the Project**

**Table 1.5. Summary of Planned Procurement Packages**

Description	Estimated Cost (US\$, millions)	Procurement Method	Domestic Preference	Review by the World Bank	Comments
<b>Procurement of Goods</b>					
Office equipment and other technical equipment for MAFF, MEF, MRD, and MoWRAM	1.2	RFB/RFQ	No	Post review	9 separate packages. 8 packages to be procured in the first year and another package to be procured in the second year.





Description	Estimated Cost (US\$, millions)	Procurement Method	Domestic Preference	Review by the World Bank	Comments
Pickups, minivan, truck for the MAFF, MEF, MoWRAM, and MRD	0.26	United Nations agency (direct)	No	Post review	4 separate contracts to be procured from UNOPS
Other goods	0.37	RFB/RFQ	No	Post review	6 packages to be confirmed after the project effectiveness
<b>Procurement of Consultants</b>					
Consultant firms/NGOs for DPr and BPr preparation training and hands-on implementation support (preparation and evaluation of diversification and BPrs and plan) for region 1	1.9	QBS	No	Post review	Three separate contracts for three regions (one contract for one region). Time-based contract.
Consultant firm for specialized assistance supporting the MAFF with project implementation	1.62	QCBS	No	Prior review	Time-based contract for the whole project life (6 years).
Consultant firm for development of website Agriculture Management Information System (AMIS and Agriculture Statistic Information, apps, and initial database for the MAFF	0.55	QCBS	No	Post review	2.5 years contract starting from the third quarter of the first year
Consulting Firm for Agriculture Information System (AIS) database concepts	0.73	QCBS	No	Post review	2 years contract starting from the second year of the project
Consulting firm for project M&E (General baseline survey, midterm survey, project completion survey, select technical surveys and studies, and project reporting)	0.15	CQS	No	Post review	
External finance auditor	0.12	Direct Selection	No	Post review	Part of bundled audit (six years). The consultant firm was already engaged by the Government for other World Bank-funded projects.



Description	Estimated Cost (US\$, millions)	Procurement Method	Domestic Preference	Review by the World Bank	Comments
Individual consultants	4.01	Selection of individual consultant	No	Post and prior review	34 contracts. 1 contract of international consultant is subject to prior review.

Note: RFB = Request for Bids; RFQ = Request for Quotations; CQS = Selection based on the Consultants' Qualifications; QCBS = Quality- and Cost-Based Selection; UNOPS = United Nations Office for Project Services; AIS = Agriculture Information System.

51. **Use of STEP.** Applicable to this project, STEP, is a web-based tool for procurement planning and tracking, streamlining and automation, and monitoring and reporting.

52. **World Bank's review, and implementation support.** The procurement supervision will be part of the semiannual project implementation support mission and procurement clinics/consultations based on need. In addition to the prior review by the World Bank based on the prior thresholds, which are subject to change according to the result of risk assessment carried out during the project implementation, the World Bank will carry out the annual procurement ex post review on a sample of at least 10 percent of all post review contracts financed by the project at the national level. An external auditor engaged by the borrowers will be tasked to carry out the integrated FM audit and procurement ex post review of the procurement activities under the matching grant facility. STEP will help the World Bank monitor the procurement progress and take appropriate supportive actions in due course. The Excel procurement tracking form of the Government will be used by the EA and IAs in addition to STEP for the government internal procurement monitoring.

**V. Strategy and Approach for Implementation Support**

53. **The implementation support plan for the project follows the expected 'stages' of the project, with different activities getting into the focus as implementation progresses.** The implementation support plan also responds to key risks identified for the proposed project mainly relating to the inadequate knowledge and lack of experience of the PMT and project team staff, the governance risk associated with project's matching grants and the provision of credit lines. Oversight and implementation support will also cover the project's procurement, FM, and safeguards. The main strategy and approach for implementation support to manage the identified risks include capacity building for the PMT and project team and close project monitoring and supervision, especially during the first two years of project implementation. Mitigation measures have been proposed and discussed with the MAFF and other IAs and their line departments. They will be adopted during project implementation as adequate. At the same time, it is expected that specific activities included in the AWPBs will complement the World Bank's implementation support.

54. **Building capacity of the PCO and project teams.** The PMT and project team staff have little or no experience with the proposed approach. This is in addition to only a limited number being familiar with World Bank procedures. The project includes training and capacity-building activities for the implementing and oversight agencies. TA during project implementation will provide timely guidance and advice to the IAs, especially at the provincial and district level where technically complex planning and implementation issues might emerge.



55. **Enhancement of project governance.** There are governance risks associated with the project’s matching grants. In addition, capacity at local levels is generally low, which might jeopardize BPI implementation. To enhance project governance and effectively manage the financial support services for farmers, POs, and SMAs, the subcomponent will have oversight from an interministerial team and through the World Bank’s task team. In addition, the project applies a Civic Engagement Framework, adopted for facilitating transparent, participative, and accountable project implementation. The responsibilities of each Project Implementing Agency (PIA) are clearly defined in the POM, which includes grievance redress mechanisms.

56. **Intensive monitoring and supervision.** Technical and economic planning and implementation challenges and the risks of noncompliance in procurement, FM, and safeguards implementation will require intensive monitoring and supervision in the initial period. This will help identify issues on time and address them before they become major problems. Intensive monitoring and supervision would be maintained until the capacity of the project staff has been improved or the project’s TA team has proven to be functioning effectively.

**VI. Implementation Support Plan and Resource Requirements**

57. **The World Bank task team will provide intensive implementation support in the initial project years, focusing on the implementation of the various agreed risk management measures on technical issues, as well as on fiduciary, safeguards, and governance aspects.** In addition to (at least) two comprehensive Implementation Support Missions, one or two interim missions will also be fielded depending on project needs. Intensive cooperation with counterpart staff during missions will provide an additional element of capacity building.

58. **A midterm review mission will be conducted, in the third year, to review implementation progress and assess the progress and challenges toward achieving the PDO, as well as to identify any changes needed and possible to the project, including a possible additional financing.** At the latest, six months before expected project closing, an Implementation Completion and Results Report (ICR) Review mission will be fielded to carry out a comprehensive assessment of the project and draft the World Bank ICR, as well as to guide the MAFF and the PMT in preparing the Government’s own ICR.

**Table 1.6. Implementation Support Plan and Resource Requirements**

Time	Focus	Skills Needed	Resource	Estimated annual budget (US\$)	Partner Role
First twelve months	<ul style="list-style-type: none"> <li>Supporting quick setup of well-functioning project management</li> <li>Planning supervision and support for subprojects (BPrs and BPIs)</li> </ul>	<ul style="list-style-type: none"> <li>Project planning</li> <li>Institutional strengthening</li> <li>Value chain planning and assessment</li> </ul>	20 SW Bank staff	150k	<ul style="list-style-type: none"> <li>NGOs and TWGAW contributing own expertise and resources</li> <li>Sharing experiences/learning with AIMS and others</li> </ul>
			10 SW FAO Cooperative Program (CP)	60k	



Time	Focus	Skills Needed	Resource	Estimated annual budget (US\$)	Partner Role
<b>12–72 months</b>	<ul style="list-style-type: none"> <li>Supporting inter-ministerial cooperation and coordination</li> <li>Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>Intraministerial (MAFF), and interministerial (IAs) cooperation and coordination</li> <li>Agriculture value chains (supporting services)</li> <li>Rural infrastructure (roads, irrigation)</li> <li>Policy and legal framework support</li> </ul>	30 SW Bank staff/year 8 SW FAO CP/year	750k 48k	<ul style="list-style-type: none"> <li>NGOs and TWGAW contributing own expertise and resources</li> <li>Sharing experiences/learning with AIMS and others</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Compliance supervision and support</li> </ul>	<ul style="list-style-type: none"> <li>Safeguards</li> <li>Financial Services</li> <li>Procurement</li> <li>FM</li> </ul>	16SW Bank staff/year	32k	

Note: SW = Staff Week; AIMS = Accelerating Inclusive Markets for Smallholders.

**Table 1.7. Skills Mix Required**

Skills Mix Required			
Skills Needed	Number of Staff Weeks (SW)	Number of Trips	Comments
Financial Services	18 SW (3 SW/year)	12 trips	Intensive initial implementation support; timing depending on project start up (loan requests)
PAs	4 SW - Year 1 3 SW - Year 2 2 SW - Year 3	6 trips	Methodological advice and strong support during startup phase (Years 1–3)
Value chain economics	20 SW	12 trips	Assisting in BPI reviews and in long-term policy planning
Regional and International standards, regulations, certifications	8 SW	6 trips	Assisting in setting up and supervision of quality management system; intensive initial support, decreasing from Year 3
Regulatory Framework	6 SW (1 SW/year)	6 trips	Implementation support; synergies with other strategic/planning analytical and advisory services
M&E; MIS	18 SW	12 trips	Strengthening skills; fostering learning and information dissemination; intensive initial support (Years 1–3)



**Table 1.8. Partners**

Name	Institution/Country	Role
TWGAW	Donor and other main stakeholder institution for sector-wide coordination and cooperation (local/Cambodia)	Providing coordination and cooperation support Providing technical expertise and experts for project implementation support, directly and through TWGAW Secretariat
FAO	(Headquarters Rome and Cambodia [local])	Implementation support through FAO CP Implementation support as co-chair of TWGAW

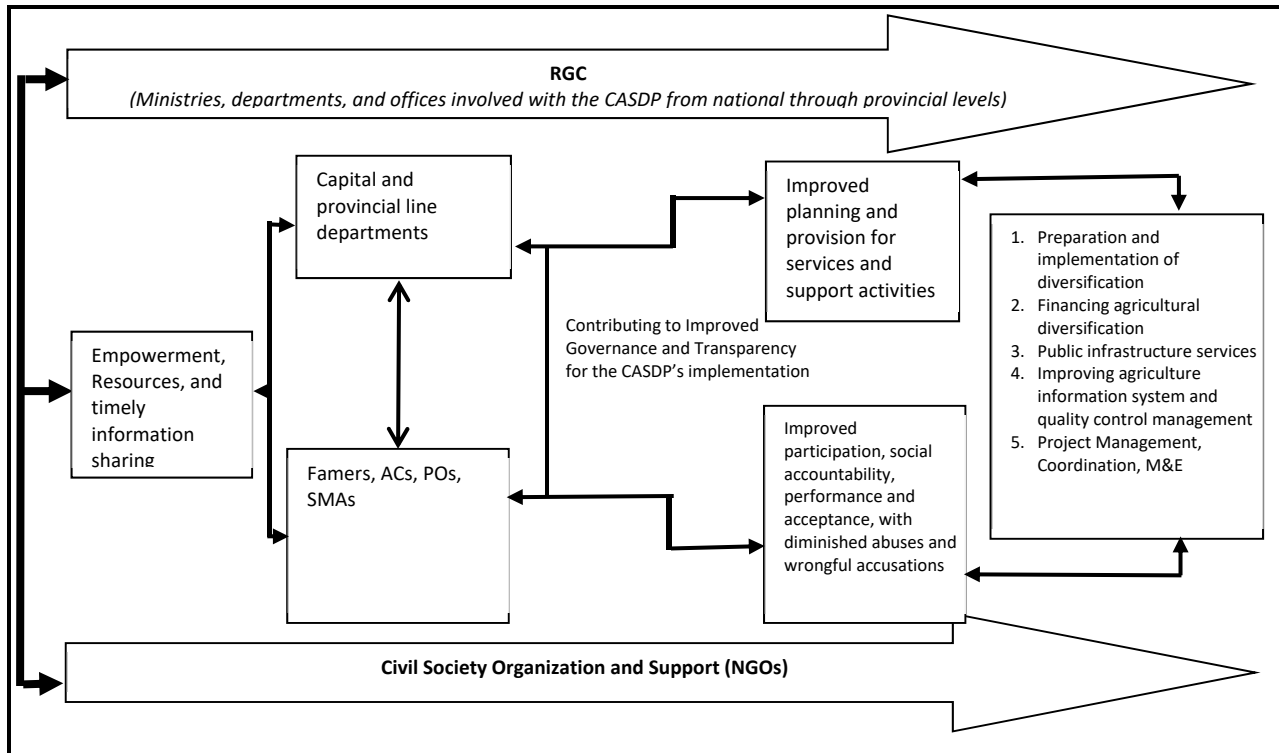


## ANNEX 2: Civic Engagement Framework

- 1. Civic Engagement Framework.** This framework lays out the mechanisms to ensure that important information and related decisions on the DAVCs under the CASDP's process and procedures are communicated through multiple channels to the people, especially farmers, POs, and SMAs (including indigenous people groups) in the proposed geographical targeting areas. It is also designed to ensure that these stakeholders are empowered to influence these decisions and the decision-making processes. Accordingly, the CASDP national project preparation team has prepared this Civic Engagement Framework to operationalize the core CASDP principles: (a) Good Governance and Rule of Law, (b) Supporting the Agriculture Growth Reform Agenda, (c) Participation and Gender, (d) Transparency and Accountability, and (e) Sustainability.
- 2. The role of civic engagement in the CASDP.** Civic engagement can be one means by which ordinary citizens and/or civil society organizations participate directly or indirectly in supporting improved performance and accountability by service providers. In a public sector context, social accountability refers to a broad range of actions and mechanisms that citizens, communities, civil society organizations, and the media can use to hold public officials and public servants accountable. This can be expanded to ensure accountability of all implementing stakeholders and service providers involved, including the private sector, such as in the case of the CASDP, SMEs, and financial service providers.
- 3.** DAVCs' activities under the CASDP will, therefore, integrate a civic engagement approach to (a) encourage social accountability of all stakeholders; (b) ensure transparency in its implementation, decision making, and action; (c) encourage the active engagement and participation of the whole beneficiaries community through beneficiary-led empowerment in a market-driven environment; (d) ensure timely disclosure of appropriate information in appropriate formats; (e) provide assistance and support for active participation by involved and interested stakeholders; and (f) apply mechanisms to tackle abuses and counter corruption.
- 4.** One of the first tasks that will be initiated both by the CASDP beneficiary and the EA and IAs will be to identify the existing NGOs and civil society entities working both directly in geographical target areas and provinces; exploring which groups are willing, interested and able to participate in, or observe and monitor the proposed DAVC process to be implemented. These NGOs should serve as independent and accountable stakeholders supporting the objectives and principles of the DAVCs' activities of the CASDP and also possibly supporting the implementation of the related activities by being a mentor, mediator, facilitator, or channel of communication to and from the communities and groups in the DAVCs' geographical target areas.
- 5.** The aim of this Civic Engagement Framework is to ensure that effective consideration of transparency and accountability issues, information dissemination, stakeholder participation, and conflict resolution mechanisms are incorporated into the project and disseminated for project's implementation.
- 6.** The project will be implemented through the RGC structure (from national to subnational levels). At the time of writing the RGC had also expressed a desire and broad support both in the RS and the NSDP, IDP, and so on for greater and improved governance and public participation in achieving the set development goals and objectives and countering corruption.



Figure 2.1. Conceptual Framework for Civic Engagement in DAVCs of the CASDP



7. **Encouraging NGO and civil society participation.** Once the potential support NGOs and civil society organizations have been identified, the main challenge will be to ensure that they engage in project activities and that value chains are developed. To this end, it is planned to engage civil society organizations as partners in project implementation, with the explicit role of empowering farmers and POs, as well as small agribusinesses, to engage with public and private sector service providers, and ensure that they can hold service providers to account, by building the capacity of these organizations to voice their concerns, and, where necessary, acting as advocates on their behalf.

8. **When should civic engagement begin?** The proposed activities in the Civic Engagement Framework are based on the premise of continuous and timely provision of and access to information and support related primarily to the DAVCs process. The Civic Engagement Framework as proposed and outlined in the 'Phases of Civic Engagement' Section (see the POM for more details) provides an initial 'map' to and a list of options for suggested activities and actions to complement and support the DAVCs processes and procedures, including (a) improving and enhancing communication and disclosure; (b) detailed measures to encourage and ensure greater participation - informed farmers', POs', SMAs' decision making; and (c) contributing to improving transparency and accountability of those involved.

9. This provision of information and having opportunities to openly discuss this information and seek clarifications and explanations must start as soon as the first activities on enabling agriculture diversification initiates the process in the geographical target areas as listed in the sub-component 1.1.



10. The primary obligation to disclose and support information dissemination lies with the RGC institutions from the national to village levels. They should at each level have access to explanatory documents and the necessary resources (including sufficient funding to enable them to support and undertake their roles) and training to enable them to provide information to encourage farmers, POs, SMAs in geographical target areas to participate. Also, best efforts should be made by the involved local institutional stakeholders (provincial line departments and local authorities) not just to provide documented information to farmers, POs, SMAs but also provide residents with the opportunities to seek formal explanations of what these documents contain. Such activities are also envisaged under the project's communication strategy.

11. The usual approach of literally calling for or having a (single) village meeting is no longer acceptable or effective (as commented up by village, commune representatives and even Provincial Governors), as frequently they have been poorly scheduled (insufficient time in advance) and poorly communicated to (all) farmers, POs, and SMAs (often just verbally or with a single notice) to enable people to effectively participate.

12. The NGOs and local civil society groups will be asked to support and complement the opportunities for community information sharing and discussions by supporting and empowering agriculture cooperatives and producer groups which can provide additional information, assist in understanding eligibility and applying for project support, provide and support clarifications, initiate and facilitate discussions, and support official institutional representatives to observe or assist them in meetings.

13. The ACs, POs, and SMAs can also provide an alternative and complementing channel for the communications of abuses or the identification of problems in particular stages of the DAVCs process. This can help ensure that the attention of institutional and other stakeholders is drawn to these issues for follow up and action.

14. **Synopsis of the suggested phases for civic engagement.** The initial Civic Engagement Framework envisages a number of phases which are likely to overlap.

*(A) 'Pre-launch' Civic Engagement Activities (information dissemination)*

15. The first step in the process is general information dissemination which takes place at the start of the overall process when farmers, POs, SMAs, and so on wish to consider undertaking a DAVC process or propose infrastructure investments. This can be done through the local media, NGO networks, and networks of local institutions with information about the CASDP. Efforts should be made to reach out to every farmer, PO, and SMA by providing a briefing document as a basis and reference which can be built upon through community discussions to (a) inform them of the scope of the project, the identification process, and how and where to submit proposals (and the availability of possible assistance with this); (b) inform them about the proposed process and procedures for applying, the application/proposal form, (obtaining from and explaining)—period of application/submission, and the criteria for evaluation and selection; (c) encourage them to take active part in events scheduled for information dissemination and teaming up beneficiaries; (d) obtain information on the eligibility criteria to be applied; and (e) highlight issues of the risks, possible abuses by nepotism and favoritism, and conflicts of interest by all stakeholders involved in implementation.





*(B) Civic Engagement in Diversification and BPL Preparation*

16. With the assistance of the NGOs, a participatory process will be facilitated at the community level for the preparation of DPLs and BPLs for public infrastructure subprojects. This participatory diagnostic and planning process will assist in (a) identifying barriers, constraints, and issues confronted by different stakeholders; (b) actions or measures to be taken to resolve/tackle the barrier; and (c) provide opportunities for initiatives to formulate their wishes and needs for public and private support in their business aspirations. This will involve focus groups with members of the POs.

17. Following the diagnostic phase, the TSP will assist the groups in preparing their diversification and BPLs, which will then be presented to all members of the POs for their verification and validation. Again, this meeting will be facilitated with the assistance of a local NGO. Once the content of the BPL has been verified by participants in small focus groups, the BPL will be validated through a vote in a plenary meeting. This review should also involve representatives of other communities considering or in the process of initiating a DAVC process as a learning activity.

18. The POs, ACs, and SMAs which have submitted proposals that are eventually rejected in the selection process will have the right to hear an appropriate explanation why their proposals have not been endorsed.

*(C) Civic Engagement in Diversification and BPL Implementation*

19. During implementation, the focus will be on conflict resolution among the members of the producer organization and with their supporting partners, and complaints handling by the public and private service providers, supporting the development of the value chain. The POM specifies the mechanism for resolving conflict among members, the resolution of which will be facilitated by local NGO representatives and village elders. Complaints related to the provision of services necessary for the success of the activity can be escalated to the communal or provincial authorities and ultimately the Project Steering Committee for resolution.

*(D) Civic Engagement for (ex post) Diversification and BPL Evaluation*

20. This should take the form of a participatory assessment of the success or otherwise of the implementation of the BPL, which will complement the assessment of the financial, economic, and technical results. This participatory assessment can take the form of small focus groups, facilitated by local NGO service providers. Such evaluation will be compulsory at the end of the project (support) period but could also be part of an ongoing monitoring process that follows implementation of possibly contentious value chain projects.

21. **Conclusion.** It is hoped (and needed) that this framework approach and activities will continue to evolve and be refined and developed as experiences are gained. It is felt that the current framework will contribute to improving the levels of actual participation, ensuring greater transparency and communication of relevant and important information to farmers, POs, SMAs, and communities undertaking the DAVC on time and by doing so reduce (but it is unlikely to eliminate) all conflicts. Some of the issues being raised will ensure improved social accountability of the public officials and other stakeholders to those communities and SMAs undertaking DAVC. It should also be noted that there is a



need to involve and encourage a broader range of stakeholders and interested groups to get involved in the DAVC process as it expands. The effective implementation of civic engagement in the DAVC process will be an advantage for replication of strong collaboration between the RGC institutions and civil society, NGOs, and other entities.



**ANNEX 3: Team List**

<b>Name</b>	<b>Role</b>	<b>Specialization</b>	<b>Unit</b>
<b>Bank Staff</b>			
Mudita Chamroeun	Task team leader (ADM Responsible)	Agriculture and Rural Development	GFA02
Sreng Sok	Procurement specialist (ADM Responsible)	Procurement	GGOPP
Reaksmey Sok Keo	FM specialist (ADM Responsible)	FM	GGOEP
Martin Henry Lenihan	Senior social development specialist (ADM Responsible)	Social	GSU02
Alkadevi Morarji Patel	Senior social development specialist	Social Development and Safeguards	GSU02
Bunlong Leng	Senior environmental specialist (ADM Responsible)	Environment and Climate Resilience	GEN2B
Anne Marie Provo	Nutrition specialist	Nutrition	GHN02
Eli Weiss	Senior agriculture economist	Agribusiness	GFA02
Joop Stoutjesdijk	Lead irrigation and drainage specialist	Water Management, Irrigation	GWA02
Luz Berania Diaz Rios	Senior agribusiness specialist	Peer Reviewer	GFA04
Lyden Kong	Program assistant	Support	EACSF
Manush A. Hristov	Senior counsel	Legal	LEGES
Mei Wang	Senior counsel	Legal	LEGES
Peter Leonard	Regional safeguard adviser	Safeguards	OPSES
Ratchada Anantavasilpa	Senior financial sector specialist	Financial Sector	GFCPN
Sandra Broka	Senior agriculture economist	Agriculture Finance/Agribusiness	GFA05
Saroeun Bou	Communication officer	Communication	EAPEC
Sodeth Ly	Senior economist	Economist	GMTP1
Sokim Mel	Financial sector specialist	Financial Sector	GFCP1
Steven Schonberger	Practice manager, water	Peer Reviewer	GWA07
Tam Thi Do	Program assistant	Support	GFA02
Thao Thi Do	Finance analyst	Disbursement	WFACS
Thu Ha Le	Associate counsel	Legal	LEGES
Vanna Pol	Program assistant	Support	EACSF
Veasna Bun	Senior infrastructure specialist	Infrastructure	GTD02
Vikas Choudhary	Senior agricultural specialist	Peer Reviewer	GFA13
Virak Chan	Water supply and sanitation specialist	Operations, Water and Sanitation	GWA09
William R. Sutton	Lead agriculture economist	Peer Reviewer	GFA02
<b>Consultant</b>			
Andreas Groetschel	Consultant/FAO	Private Sector, Project Preparation, M&E, Agriculture Economist	GSU06
Kunduz Masykhanova	Consultant/FAO	Economic and Financial Analysis	GWA06
Makathy Tep	Consultant	Environment	GED02
Pheakkdey Nguon	Consultant	Social	GSU02
Sereivathana Pak	Consultant/WB/IFC	Financial Sector	GFCP1
Samnang Hir	Consultant	Infrastructure (Road)	GTD02



Map of the Project Areas - IBRD Map 43702/June 2018

