Investing in rural people in Cambodia

Cambodia has made significant progress in recovering from its history of instability and by 2017 had attained lower-middle-income status. Growth has been driven mainly by manufacturing and services, but agriculture still provides around half of current employment. Wage income, both locally and from migratory labour, is increasingly important to rural households.

By 2014, poverty had fallen to 13.5 per cent, but a high proportion of rural families remain poor or vulnerable to poverty. Labour productivity is low in the agriculture sector. Supply chains are underdeveloped, with high energy and transport costs. Small and medium-sized enterprises lack the enabling environment to grow. Infrastructure coverage is low, with only about 2,000 km of the 45,000 km rural road network being hard-paved. Smallholder farmers practise subsistence agriculture using traditional methods. Productivity has been improved but market links are often lacking.

Two thirds of the country’s 1.6 million rural households face seasonal food shortages each year. Rice alone accounts for as much as 30 per cent of household expenditures. Internal migration is common, driven by landlessness, rapid population growth and efforts to evade floods and drought in lowland areas.
Eradicating rural poverty in Cambodia

Cambodia aims to become an upper-middle-income country by 2030 and a high-income country by 2050. To achieve this, the government has formulated Cambodia’s Vision 2030 and the Cambodia Industrial Development Policy to guide the country’s transformation and to narrow the rural-urban gap. The government’s priorities include:

- Developing human resources to ensure competitiveness in an increasingly open regional labour market.
- Continuing investment in transport infrastructure and improving trade facilitation.
- Developing and increasing value-added agriculture and agro-industry.
- Strengthening governance and capacity of public institutions to improve the efficiency of public service delivery and the investment climate.

IFAD’s strategy in Cambodia

The current IFAD results-based country strategic opportunities programme supports the government’s poverty reduction initiatives and has three strategic objectives:

- Enable poor smallholders to take advantage of market opportunities.
- Increase resilience to climate change and other shocks in poor rural households and communities.
- Improve poor households’ access to strengthened rural services.

The country programme has shifted from a livelihoods-based approach to a market-oriented one, from promoting decentralization of public services to a broader concept of pro-poor rural service delivery involving non-government actors. It also has a more explicit focus on the resilience of poor rural households. IFAD-supported activities target provinces with the highest rates of poverty and, within those provinces, the poorest people and communities.

In Cambodia, IFAD’s work focuses on the following thematic areas:

- Agricultural value chain development, facilitation, and brokering service.
- Extension policy implementation using diverse models to deliver extension to farmers, including “contracting out”, farmer-to-farmer extension services, support to farmers’ organizations, public-private partnerships, and direct extension by the public sector.
- Programme budgeting and development of the national and provincial agricultural development plans.
- Rural infrastructure for agricultural markets, business and trade.
- Digital technology for the agriculture sector, including online payment, digital finance, online logistics and digital markets for agricultural value chains.
- Climate change adaptation in extension, conservation agriculture practice, and risk mitigation in infrastructure investment.
- Renewable energy technology, including support for smallholder agriculture value chains.
- Microfinance, including value chain financing and group revolving funds.
- Skills and enterprise development through support for the implementation of a demand-driven skills development fund and an enterprise promotion fund.
- Programme-based approach leveraging synergies between ongoing IFAD-supported projects to create an integrated package of support to the smallholder agriculture sector, and working with other development partners through a country programme steering committee.

To date, 9 projects have been conducted in the country, at a total cost of US$588.43 million, with IFAD financing amounting to US$151.6 million. An estimated 1,338,500 households have benefited directly.
Ongoing operations

Tonle Sap Poverty Reduction and Smallholder Development Project (TSSD)

The project objective is to improve livelihoods and climate resilience in 271 communes in the Tonle Sap Basin. Expected outcomes include increased agricultural productivity, strengthened climate and disaster resilience, and improved access to markets. TSSD aims to improve rural infrastructure, household incomes and smallholders’ ability to withstand economic shocks. It is also working to provide an enabling environment for increased and climate-resilient agricultural productivity, and crop and income diversification. The total project cost is US$121 million. IFAD is providing a US$16.7 million loan and a US$6.7 million debt sustainability framework grant. Other cofinanciers are the Asian Development Bank (US$80.7 million) and the Finnish International Development Agency (US$5.7 million). The project runs from 2010 through 2023 and will reach 650,000 households.

Agriculture Services Programme for Innovation, Resilience and Extension (ASPIRE)

The programme objective is to develop an improved model of extension services to enable smallholder farmers to contribute to broad-based economic growth through profitable and resilient farm businesses. The programme has four components: (i) evidence-based policy development; (ii) capacity development for extension services; (iii) improved extension services; and (iv) infrastructure to support climate-resilient agriculture. It targets productive poor people and vulnerable smallholders. The total cost of the programme is US$82.2 million, of which IFAD is providing a US$26 million loan and a US$15 million grant under the Adaptation for Smallholder Agriculture Programme. Additional financing includes contributions from the International Initiative for Impact Evaluation-UK (US$0.9 million), the United States Agency for International Development (US$0.3 million) and others. The project runs from 2014 through 2021 and will reach 120,000 households.

ASPIRE also includes a US$4.6 million grant from the Global Environment Facility: Building Adaptive Capacity through the Scaling up of Renewable Energy Technologies in Rural Cambodia. The grant promotes the adoption of climate-resilient renewable energy technologies (RET) by 8,000 users in Cambodia’s agriculture sector by 2021.
**Accelerating Inclusive Markets for Smallholders (AIMS)**

Using a public-private-producer partnership (4Ps) model, the project develops and promotes links among buyers, producers and service providers. It gives priority to innovation in local value chains, especially through a value-chain innovation fund that provides direct financial support to stimulate private investment. The project components are value chain development and financing. The total cost of the project is US$61.6 million, of which IFAD is providing a US$36.3 million loan. The project runs from 2016 through 2022 and will reach 75,000 households.

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**Sustainable Assets for Agriculture Markets, Business and Trade (SAAMBAT)**

This project is currently being designed in collaboration with the Ministry of Economy and Finance, the Ministry of Rural Development and other partners. SAAMBAT will be implemented from 2020 to 2025. The project will increase the productivity of rural youth, enterprises and the rural economy. It will deliver benefits to around 200,000 households essentially in two ways: by improving rural infrastructure and by promoting new skills and technologies, including innovative digital technologies for the rural economy. The project is being designed to work in synergy with ASPIRE and AIMS. It will deliver an integrated package that covers agricultural production (through ASPIRE’s extension services); marketing and value chain development (through AIMS and the relationships developed between producer organizations and suppliers-buyers); infrastructure development and the appropriate skills needed to compete in a rapidly transforming context (through SAAMBAT’s focus on rural infrastructure, delivery of vocational and technical skills for rural youth and development of digital technologies for the sector). IFAD will provide financing of US$54.4 million, the Government of Cambodia will provide financing of US$11.2 million. Further cofinancing of US$80 million is being finalized with the Agence Française de Développement and the German financing agency (KfW) to be delivered by the Ministry of Rural Development through a parallel project (RID4CAM).

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Investing in rural people

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