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# Investing in rural people in **Cambodia**

Cambodia has made significant progress in recovering from its history of instability, attaining lower-middle-income status in 2015. Growth has been driven mainly by exports and tourism, although agriculture still provides about 35 per cent of employment and 22 per cent of GDP. Rice accounts for about 79 per cent of arable land and 50 per cent of agricultural GDP. Yields are lower than in neighbouring countries, and labour productivity lags behind the non-farm sectors. Only about 10 per cent of cropland is fully irrigated.

The poverty headcount in Cambodia fell below 10 per cent in 2019, but increased to 18 per cent in 2020 (23 per cent in rural areas) due to the economic impact of the COVID-19 pandemic. About half of rural households live close to the poverty line and are vulnerable to falling back into poverty. Most poor people live in the more densely populated lowland areas, but poverty headcounts are higher in remote upland 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 (COSOP) 2022-2027 supports the government's poverty reduction initiatives through three strategic objectives (SOs):

- SO1: productive capacity of 250,000 poor Cambodian rural households increased, including measures to raise productivity in farming and employment as a basis for:
- SO2: 250,000 poor Cambodian rural households increase their incomes through participation in remunerative agricultural value chains, to be achieved primarily through interventions to assist smallholders in forming producer organizations linked to strengthened pro-poor value chains. The sustainability of SO1 and SO2 will be achieved through SO3;
- SO3: strengthen the environmental sustainability and climate resilience of poor rural people's economic activities.

Work towards achieving the SOs will promote inclusive and sustainable rural transformation in Cambodia while contributing substantially to achievement of the first and second Sustainable Development Goals: SDG 1 (No poverty) and SDG 2 (Zero hunger).

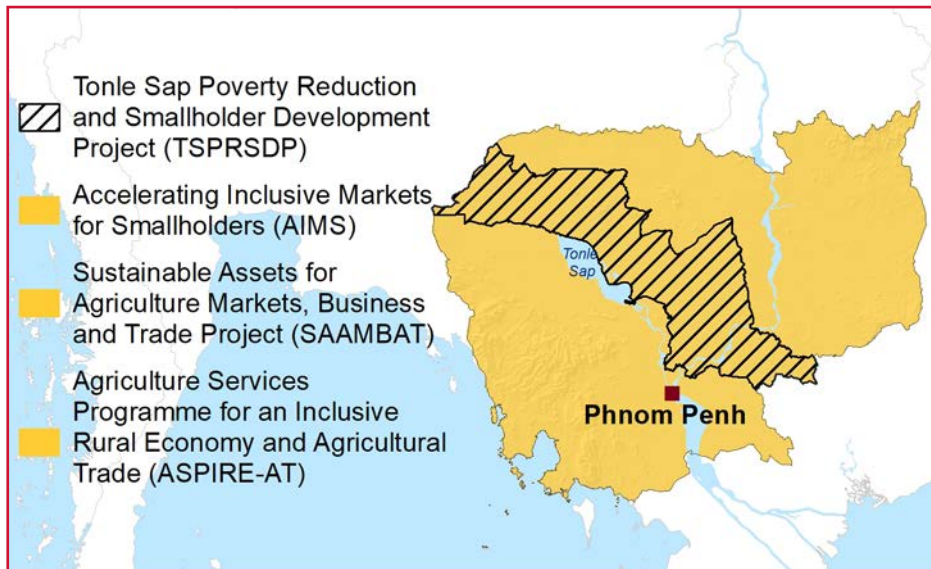
IFAD will follow a programmatic approach and enhance strategic partnerships with cofinancing institutions and with the other Rome-based United Nations agencies. South-South and Triangular Cooperation will be a key partnership strategy.

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, 12 projects have been conducted in the country, at a total cost of US\$950.48 million, with IFAD financing amounting to US\$309.08 million. An estimated 1,565,500 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 cofinancers 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 2024 and will reach 650,000 households.

## 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 2024 and will reach 75,000 households.

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

This project was designed in collaboration with the Ministry of Economy and Finance, the Ministry of Rural Development and other partners. SAAMBAT runs from 2020 to 2025. It is aimed at increasing the productivity of rural youth, enterprises and the rural economy.

SAAMBAT delivers 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 designed to work in synergy with ASPIRE and AIMS. It delivers 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). Financing is provided by IFAD (US\$54.4 million) and the Government of Cambodia (US\$11.3 million). Cofinanciers include the European Investment Bank (EUR 65.2 million loan and EUR 15 million grant).

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

ASPIRE-AT (2023-2030) is national in scope but will focus on selected pro-poor value chain areas identified on the basis of (i) potential for development of the pro-poor value chains; (ii) access to markets; (iii) presence of business clusters supported by ASPIRE and the AIMS project with relevant production activities; (iv) economic poles targeted by SAAMBAT; (v) density and intensity of rural poverty, food insecurity and malnutrition; (vi) presence of indigenous peoples; (vii) incidence of environmental degradation and climate vulnerability; and (viii) complementarity with the intervention areas of other development partners.

Targeting will be based on the selection of pro-poor value chains that are prioritized in the Agriculture Development Policy 2030 and are suitable for smallholder production, with potential to increase productivity through modest capital investment and involving intensive, unskilled labour inputs; or value chains involving large numbers of women, youth and indigenous peoples as producers or processors. The initial target value chains will be native chicken, cassava, cashew, fresh fruits and processed fruits.

The target beneficiaries of ASPIRE-AT will be (i) 100,000 smallholder farm households that are either poor or near-poor and vulnerable to falling into poverty due to climate, market or other shocks but have productive potential and can take advantage of market opportunities; and (ii) 25,000 landless or land-poor households ready to take advantage of employment opportunities. Both groups will be reached through support to about 500 producer organizations and to small and medium-sized agricultural enterprises. About 50 per cent of beneficiaries will be women and 20 per cent will be youth. In line with Cambodia's population, 1.5 per cent will be indigenous peoples.

IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US\$24 billion in grants and low-interest loans to fund projects in developing countries.

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