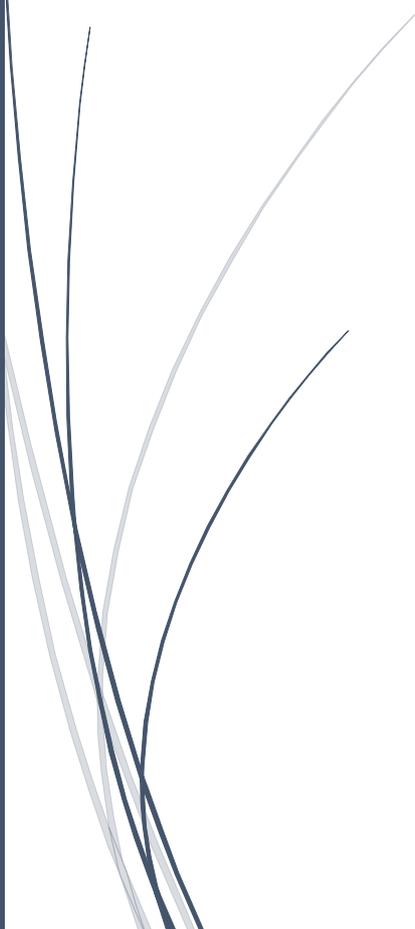




**a guide to**

# **Accelerating Inclusive Markets for Smallholders (AIMS) Project**

**Pocket Edition**



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## 1. Introduction

- Accelerating Inclusive Markets for Smallholders (AIMS) is a joint project of the Royal Government of Cambodia (RGC) and the International Fund for Agricultural Development (IFAD). As its name suggest, it intends to accelerate the inclusive growth of markets and for higher value agricultural products and the development of associated local clusters through which poorer smallholder producers can benefit alongside others.
- AIMS is a six year project, effective from 28 February 2017 with an expected completion date of 31 March 2023.
- AIMS is implemented by RGC, led by the Ministry of Commerce, with various implementing partners and is expected to have total combined funding from RGC and IFAD equivalent to approximately USD45 million (IFAD loan of USD36.3).
- The project will have the mandate to operate in all parts of the country, with actual locations determined by the selection of priority value chains and the associated areas engaged in the value chains from production to the market.
- AIMS' primary target beneficiaries will be smallholder farm households, including poor and near poor farmers. In addition, secondary target groups are the other primary and secondary actors in the value chain, including, inter alia: agricultural cooperatives; farmer organisations, MSMEs; agribusinesses; service enterprises, and; industry associations.
- AIMS will have initial starting set of value chains confirmed as: 1) vegetables, 2) backyard chicken, 3) quality assured rice, 4) cassava and 5) raw silk. New value chains will be considered in year 2 if they are found to have sufficient production and market demand.

## 2. Expected Results

2.1. Goal/Objective	Indicators	Target
<b>Goal:</b> Enhance prosperity of Cambodian smallholder farmers through increasingly profitable links to agri-businesses and markets	1. 80% of total of 75,000 direct beneficiaries increased real net farming income by > 30% (Unit = No. of households)	75,000 HHs
<b>Development Objective:</b> To increase returns from farming for smallholders, including poorer farmers, through efficient public sector investment	2. Number of beneficiaries increase return on labour in farming by 50%	40,000 HHs
	3. Economic Internal Rate of Return	20%
2.2. Outcome		
<b>Outcome 1:</b> Profits to farmers and businesses from inclusive value chains increased for multiple higher value products.	4. Aggregate value of products sold in target locations in AIMS priority value chains in real terms	30% increase
	5. Adoption rate of production and postharvest technologies of participating farmers	60%
<b>Outcome 2:</b> Private investment increased in priority value chains from smallholders and agri-businesses	6. Agri-business investment in priority value chains and production clusters	30% increase
	7. Smallholder investment in priority value chains and production clusters	30% increase

	8. Participating smallholder farmers with increased financial literacy levels	50%
	9. Partner Financial Institutions (FIs) continue financing VCs after end of project	5 FIs
<b>Outcome 3:</b> Substantially increased capacity of national and sub-national institutions to design and deliver inclusive agriculture market development initiatives	10. MSPs that are active, well attended and positively regarded by participants of target VC cluster locations	90%

### 3. Beneficiaries

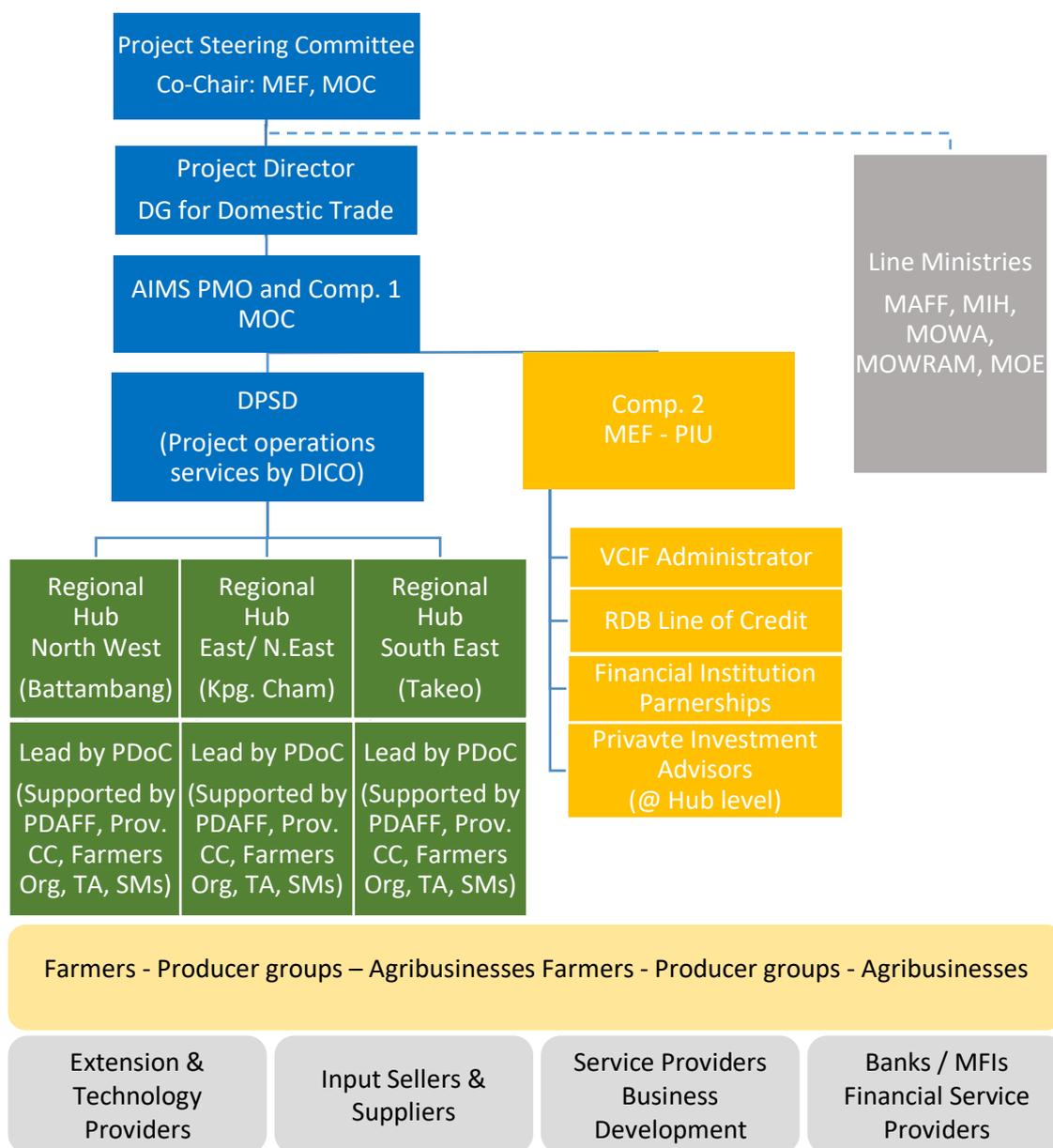
- 3.1. Primary Beneficiaries:** AIMS' primary target beneficiaries will be smallholder farm households, including poor and near poor farmers, participating in the supported value chains who voluntarily collaborate in project activities (at least 75,000 households).
- 3.2. Secondary Beneficiaries:** Secondary target groups are the other primary and secondary actors in the value chain, including, inter alia: agricultural cooperatives; farmer organisations, MSMEs; agribusinesses; service enterprises, and; industry associations. These secondary target groups are not necessarily poor and can be in better off category. However, most of them can be market makers for smallholders and the poor, and are the driving force of the value chains. They are to help smallholder farmers (including poor farming and women-headed households) to move beyond subsistence and become commercialized, if conditions are right and an enabling environment is in place.

### 4. Project Management

- 4.1. Ministry of Commerce (MOC):** is the Lead Project Agency for AIMS and also lead Component 1 on the basis that it is in charge of business development and agriculture marketing in the RGC framework and in view of AIMS' majority focus on market-linkages, facilitating investment along the value chains and on domestic and export trade and in recognition of AIMS' mandate in achieving a genuine multi-stakeholder approach with active participation of government agencies at national and sub-national levels, agri-businesses and farmers.

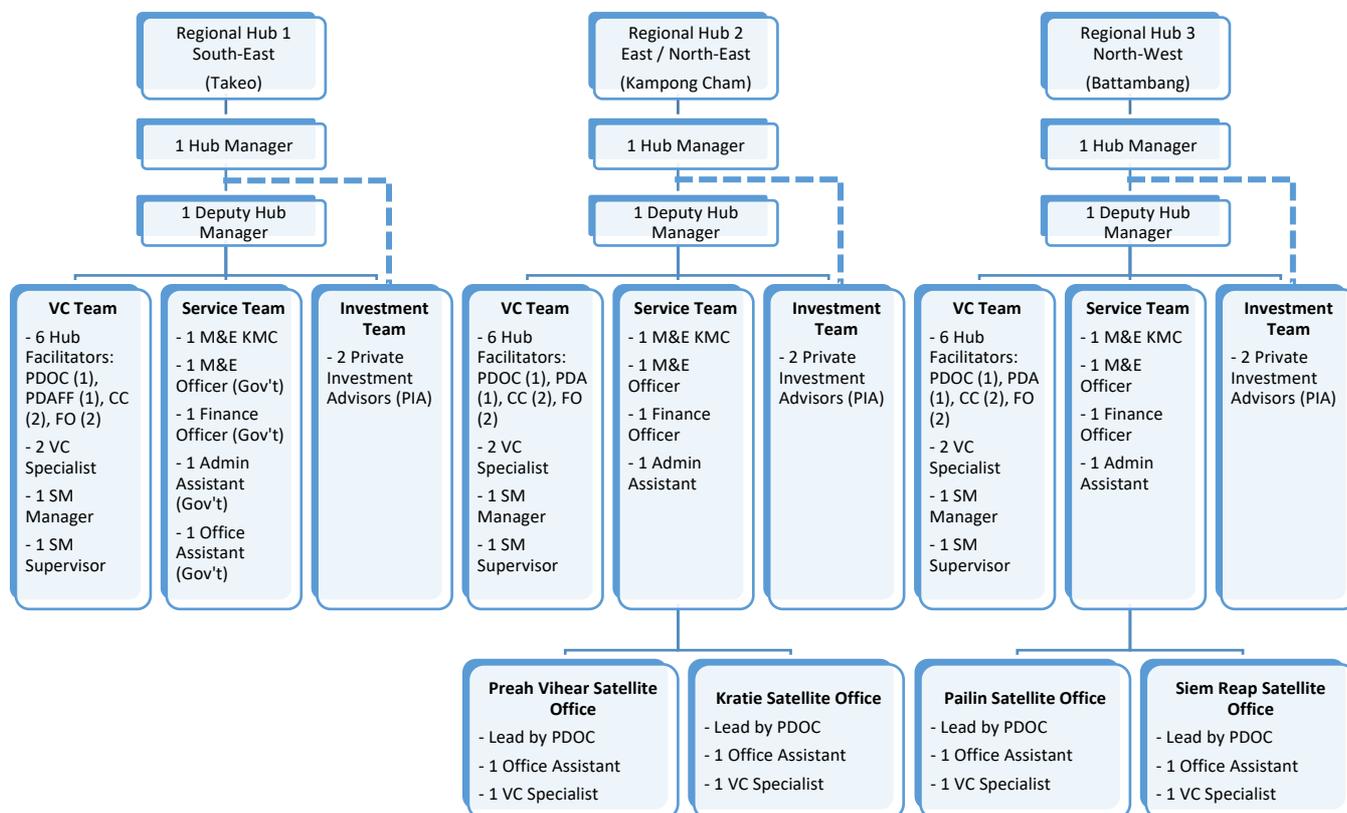
MOC will host an AIMS Project Management Office (PMO) which will include the Component 1 management team led by the AIMS Project Director. The AIMS PMO will have two main functions:

1. **Operations:** Provide for by Department of International Cooperation (DICO) and will be responsible for financial management, procurement, M&E, communication and reporting.
  2. **Value Chain Development:** Lead by Department of Private Sector Development (DPSD) who has the mandate to support the private sector to engage in trade and inclusive market development.
- 4.2. Ministry of Economy and Finance (MEF):** will be responsible for the implementation of activities under Component 2 and supervise the performance of Rural Development Bank in relation with the line of credit.



## 5. Regional Hub Offices and Social Mobilization

- 5.1. Regional Hub Offices:** Project implementation will be primarily on a decentralized basis with major activity to be coordinated in the field through three Regional Hub Offices (RHO). These RHOs located in Provincial Department of Commerce (PDoC) in Kampong Cham, Battambang and Takeo will coordinate field activities in the selected value chains. These PDoCs will be supported by staff appointed by Provincial Chambers of Commerce, Farmers Organizations (FNN, CFAP and National Farmers' Organization Federation Forum (NF3)), through partnership arrangement. These staff will work as part of the Regional Hub teams with associated costs covered by the project which will enhance the efficiency of the hubs and their insertion in marketing mechanisms.
- 5.2. Satellite Offices:** These offices will act as extensions to the Hub offices and are located at other provinces that are part of the Hubs. They are staffed by PDoC staff of those provinces and supported by technical assistance staff. Currently, four satellite offices are put in place in Kampong Cham Hub (Preah Vihear and Kratie) and Battambang Hub (Pailin and Siem Reap). No satellite offices are setup for Takeo Hub for the time being.



**5.3. Market-Oriented Social Mobilization (SM):** For mobilization of farmers into the VCs, the project will engage teams of market-oriented social mobilizers to work with the Regional Hub offices. These social mobilization teams will also be the mechanism through which business and financial literacy training is provided to almost all participating AIMS farmers, via a cascade system using a system of Business Literacy Facilitators nominated by the members of the producer groups themselves. The team will consist of one SM Manager and one SM Supervisor for each of the Hub offices who will be embedded with the Hub offices. In addition, SM Supervisor will also be deployed to the four satellite offices. They are responsible for coordinating a number of SM staff in the fields.

- **SM Manager:** The SMM leads the social mobilization team in the Hub and as an integrated part of the hub teams. The SMM is responsible for the performance of all SM activities within the hub and clusters and the performance of the SMs and Social Mobilizer Supervisor individually and as a team.
- **SM Supervisor:** He/she will work as a Social Mobilizer Supervisor under direct supervision of the Social Mobilizer Manager in respective Regional Hubs/Regional Hub Satellites.
- **Social Mobilizer (SM):** He/she will also work as field facilitator under direct supervision of the Social Mobilizer Supervisor who will be managed by the Social Mobilizer Coordinator from the Regional Hub project unit.

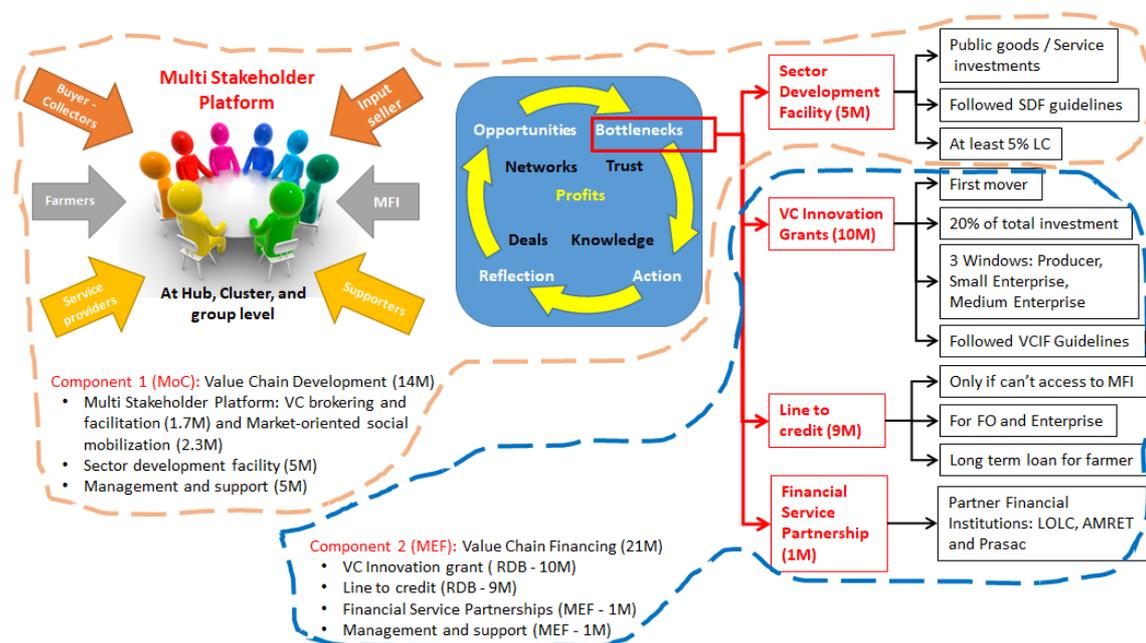
## 6. Project Components

**6.1. Component 1: Value Chains Development** - is the lead component for AIMS and the driving force for impact for the entire project. The component will focus on brokering, facilitation and developing links between buyers, producers and service providers (through "multi-stakeholder platforms" (MSPs) and Contract Farming mechanisms) as well as capacity building for all stakeholders.

**6.1.1. Multi-stakeholder Platforms:** The MSPs are forums where all actors in the value chains could come together and meet face to face. The project will facilitate these ongoing MSP,

business to business (B2B), business to service (B2S) and Contract Farming processes and then provide technical and financial support to address the particular priority bottlenecks and actions identified by the value chain actors that they cannot directly address without additional external technical or financial support.

- For the cluster-level MSPs, experience from elsewhere is that the producer groups and traders/agribusinesses recognize the value in these dialogue meetings and are keen to continue them themselves after the project as part of their ongoing relationships.
- At the hub level, the issues become more strategic / policy related and do require some continued professional facilitation among the different actors. This is not a significant cost, but is necessary. Different models for sustaining this are available but must be acceptable and negotiated with the actors in each VC once the VCs are more vibrant and MSPs more mature. In some countries these are done through industry associations - if they are genuinely representative of producers and businesses - while in others the government continues to support this industry facilitation service as a "public good" (e.g. Netherlands swine industry).



**6.1.2. Sector Development Facility:** A funding facility for investing in “public goods” that address specific bottlenecks to the VC development identified by the VC actors themselves through the MSP dialogues processes. The SDF will focus on "public good" investments only that cannot reasonably be delivered through private investment in the current context of the specific VC. Types of investment expected under the SDF include, among others: market infrastructures, small equipment, investment in physical markets, upgrading public testing labs or sanitary and phyto-sanitary (SPS) inspection capacity at provincial level, strengthening trade research capabilities, supporting bilateral SPS negotiations, piloting novel or untested business models (e.g. for health cassava seed nurseries), initial demonstration and promotion of new technologies or production systems, actions research, market studies etc.

**6.2. Component 2: Value Chain Financing** - has the objective of stimulating increased private investment into the priority value chains by farmers, MSMEs, agricultural co-operatives (ACs), agribusinesses, service providers and others. The priorities for the investment agenda in each VC will be driven by the private VC actors, via the ongoing brokerage and facilitation process

organized around the MSPs in each value chain (Component 1). Component 2 will utilize 2 facilities, Value Chain Innovation Fund and Line of Credit to MFIs.

**6.2.1. Value Chain Innovation Fund:** The VCIF will provide targeted investment incentives to "first mover" private investors (farmers, agricultural co-operatives, MSMEs, agribusinesses) along the selected value chains who invest in new production technologies, business models or other services/functions needed in the value chain. The objective is to encourage potential adopters of new technologies or business models with unknown risks and economic benefits to actually adopt these and test their validity; this experience, as properly documented and analysed, will facilitate their wider adoption and scaling-up without government subsidy and help create turnover, income, tax revenues and employment. A matching grant of up to 20% will be provided as incentive.

Category/Name	Window 1: Smallholder investment	Window 2: Small enterprise investment	Window 3: Medium enterprise investment
Examples	Irrigation ponds and drip irrigation, tree crops plantation, initial post-harvest facilities, production equipment, tunnels, pumps, mulberry plantation, cattle sheds, private individual service providers e.g. animal production & health workers, village hatcheries/ nurseries	Medium-scale mobile or stationary dryers, harvesters, smaller cold storage facilities, collection centres	Larger processing facilities, commercial, multi-chamber cold storage facilities, nurseries, high-end export pack-houses, slaughterhouses, Large / new technology processing units
Nature of financial support	Loan of 2-6 years on MFI conditions + MG	Loan of 2-6 years on MFI conditions + MG	Loan of 2-8 years on RDB conditions + MG
Partner Financial Institution <sup>1</sup>	Accredited partner MFIs	Accredited partner MFIs or RDB	RDB or bank
Max amount of MG	1,000	20,000	100,000
Max. percentage of MG of total investment	20%	20%	20%
Projected av. support per recipient	500	10,000	35,000
Projected number of grants	7,900	230	60
Allocation for the window	3,950,000	3,450,000	2,100,000
No. of benefitting smallholder HHs	7,900	11,500	7,000
Max. MG amount per benefitting smallholder	1,000	300	300
Geographical area to qualify as 1st mover	District	Province	Hub
Max no. of 1st mover grants per geographical area	30	4	2

<sup>1</sup>RDB lending should be primarily used also as lending financial institution for the corresponding loan component where no banks or MFIs are prepared to extend a loan to the type of investment concerned.

Desirable minimum number of projects in a geographical area	10	2	1
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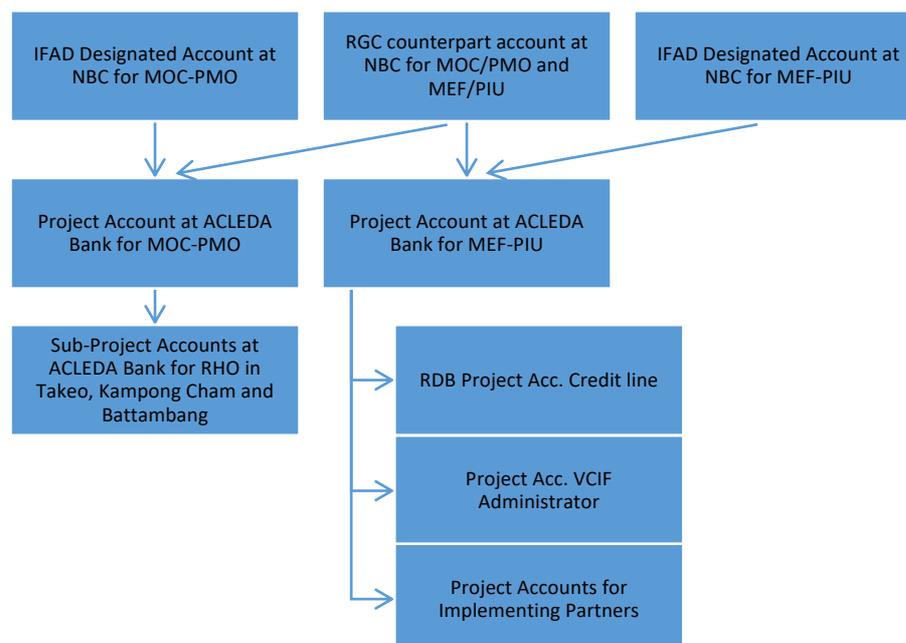
**6.2.2. Line of Credit:** \$9m worth of line of credit will be provided to RDB under the supervision of MEF for on-lending. As with the matching grant investment incentives, loans provided through this credit line will be targeted towards investments that address specific bottlenecks in the VC identified via the MSP but for which banks and MFI are not yet ready or willing to provide commercial credit. Typical investments expected to be partially financed by the line of credit include: (a) more complex innovative business models in the value chains, for example joint venture partnerships between lead firms and farmer groups; (b) businesses investing in innovative technologies not previous seen in the country, e.g. mobile cyclone grain dryers; or (c) longer term smallholder investments at the farm level for which MFI do not have matching sources of term finance.

## 7. Financial Management

**7.1. Disbursement arrangements and Flow of Funds:** MEF shall open and maintain one Designated Accounts in USD in the National Bank of Cambodia to receive the IFAD Loan proceeds from the Loan Account maintained by IFAD (IFAD DA) and one Account in USD to receive and manage the Government Counterpart Funds (RGC Counterpart DA) for the project.

MoC shall open a Designated Account in USD in the NBC to receive fund from IFAD and open a project bank account at a commercial bank for the implementation of coordination activities and component 1.

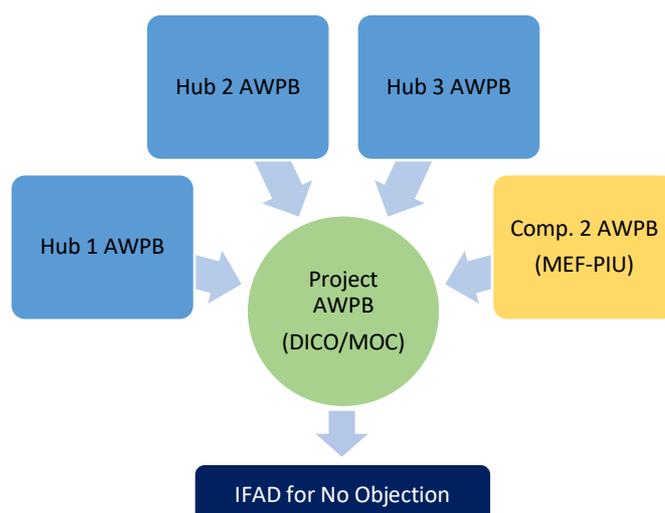
Designated accounts shall be managed using the Revolving Fund methodology; IFAD shall advance funds from the Loan Account to the Designated Account based on an approved annual work plan and budget (AWPB) and cash flow projection for six months planned activities. The release of subsequent advances shall be based on the justification of 75% of the last advance and 100% of all preceding advances. MEF shall transfer the Government counterpart funds to the Counterpart Funds Account based on the same approved AWPB on a six monthly basis. Accordingly, the flow of funds shall be as per the diagram below.



**7.2. Annual Work Plan and Budget:** DICO of MoC shall coordinate the annual exercise for budget preparation. The form would be a “Result based activity budget”. Basically, with this form of budget the budget formulation revolves around a set of predefined objectives and results; the

results expected require resources for their implementation; implementation is monitored through performance indicators.

- During the final quarter of each year, the MOC-PMO will prepare the AWPB for the following year in coordination with the Component 2 Management team. The AWPB will be prepared by consolidating, from Component 1: (1) the plans for each Value Chain (driven by the priorities emerging from the ongoing MSPs) and Regional Hub Offices, (2) plans for investments under the SDF; and from Component 2: (1) expected disbursement under the VCIF and Line of Credit to RDB and (2) plans associated with each of the FSP partnerships.
- The forecasted disbursements from the VCIF and Line of Credit will be jointly developed by the VC Teams and PMO from Component 1 with the Component 2 managers.
- PMO will organize a meeting to finalize consolidated AWPB by inviting all relevant agencies to review and comment. Minute of the meeting will be written, taking into consideration all comments and changes, and distributed for information.
- The AWPB will be submitted by the Project Director to MEF for approval and further submit to IFAD for No Objection at least 2 months before the start of the fiscal year, then submit to the Project Steering Committee for information and strategic/policy guidance. Once approved, the annual budget shall be input in the budget module of the accounting software to allow systematic management and monitoring of it. Amendment of AWPB can be made if the threshold of the approved categories are over committed.



## 8. Monitoring and Evaluation

- 8.1. M&E System Setup:** The PMO will prepare an M&E Plan for approval by the PD that will encompass:
- Preparation of an M&E matrix summarize how all indicators will be collected, by who and at what frequencies
  - Procedures and tools for data collection, entry and analysis
  - Indicate how the indicators should be measured
  - Establish flow of communication and reporting along with timelines
  - Assess the capacity of staff-M&E and others-in undertaking M&E responsibilities
  - Develop staff capacity building needs assessment
- 8.2. Design of the M&E System:** The PMO will finalize the M&E Processes that integrates three tools:
- Result and Impact Monitoring System (RIMS);
  - Project Log Frame; and

- Principles of the Donor Committee for Enterprise Development Standard (DCED Standard) (e.g. Result chain).

The M&E system will include the use of regularly updated results chains and M&E frameworks for each priority value chain to compliment the overall “RIMS plus” M&E and project logframe. The use of results chains for each VC will enable the identification and tracking of relevant intermediate change indicators for each VC and cluster. They will also be a powerful tool for communication among VC stakeholders to develop shared understanding of the opportunities, bottlenecks and inter-dependence of different actions and investments.

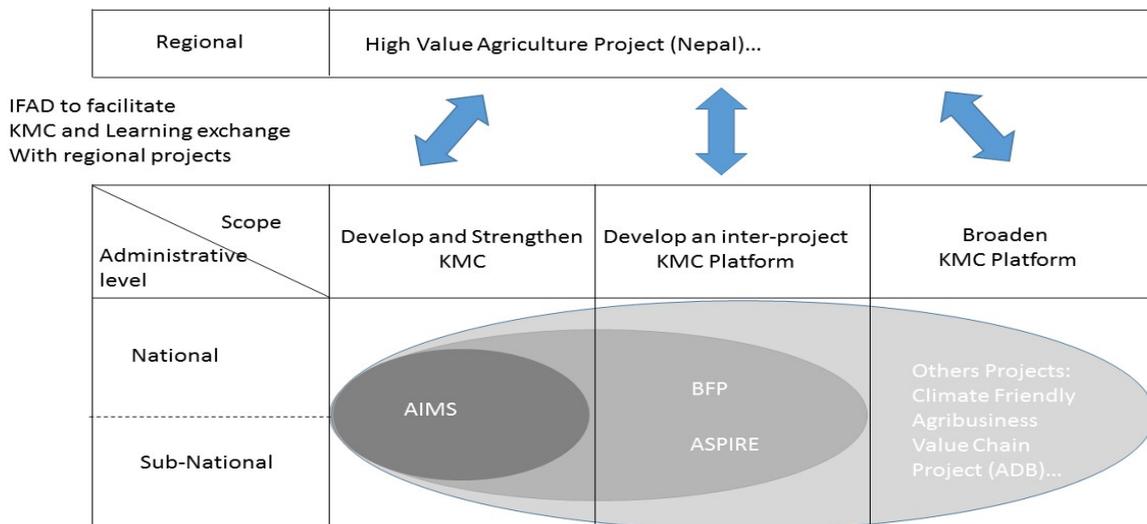
Tools for data collection, entry and analysis: Value chain tracking and household tracking surveys and data will form an important part of the AIMS M&E data. Value chain tracking data is intended to monitor the overall performance and emerging issues in the local value chains targeted by the project. These data will be collected at least once per season and more frequently as needed (e.g. for price data).

Household tracking data will be an integral part of the pro-active management of the project to ensure that specific intervention, especially in terms of improved production and post-harvest technologies at the farm or village level are being effective.

- 8.3. Rolling baselines:** Develop the format of "rolling baselines" in which baseline data on each cluster is collected at the time that interventions begin in the particular value chain in each cluster areas. This will include:
- Household surveys
  - Trader/business survey
  - Key informant interviews, and
  - Secondary data sources.
- 8.4. Design of a Management Information System (MIS):** ITC will play an important part in improving the efficiency, reliability and performance of the M&E of AIMS. It is expected that the project will develop a suitable MIS system that will include an online web based hosted in the PMO and offline table-based direct data entry in the field. The MIS will integrate the existing data:
- Commune Data Base (CDB)(NCDD and MoP),
  - ID Poor from MoP,
  - Scorecards (MoP) and
  - Vulnerability Index (MoE)

## 9. Learning, Knowledge Management and Communication

- A Knowledge Management and Communications (KMC) strategy will be developed and integrated into the management of AIMS. It will play a large part in ensuring the project achieves its outcomes.
- The Project Management Office (PMO) will develop a Knowledge Management and Communications Strategy that shall cover three Scoping areas:
  - Area 1: Develop and Strengthen KMC internally between the three hubs.
  - Area 2: Develop a KMC Platform. As recommended by the Royal Government of Cambodia, AIMS is encouraged to have linkages at least with two projects: ASPIRE and Boosting Food Production (BFP).
  - Area 3: Broaden the KMC to other in-country projects.
- Linkages with agriculture value chain projects in the region is recommended. IFAD will facilitate the learning and Knowledge Management and Communications in a two-way exchange directly or through the websites IFAD Asia and SEA Hub.



## 10. Companion Documents

- 10.1. **Project Implementation Manual:** The Project Implementation Manual (PIM) is intended as a practical written guide to how the project should be implemented. It also includes brief summaries of the rationale and thinking on which the project is based. For more complete analysis of the context, rationale and approach to the project, the Project Design Report should be referred to. The PIM is specifically intended to provide guidance to the project implementing teams and other project stakeholders.
- 10.2. **SDF Guidelines:** The Sector Development Facility (SDF) Guidelines is intended as a practical written guide to how the investment under the SDF should be selected, implemented and administered. It also includes brief summaries of the SDF and how it operates in the project. The SDF Guidelines will set out the governing principles of the SDF, procedure and criteria to be used for the selection of SDF investments and the award process for those projects. It also provides tool for sub-project management and administration to ensure that the SDF sub-projects are implemented in accordance with its intended objective.
- 10.3. **VCIF Guidelines:** Similar to SDF Guidelines, these sets of guidelines are the practical guide to the selection, implementation and administration of VCIF. The guidelines provide information on how investments under VCIF should take place and the matching grant procedures.



Investing in rural people

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Ministry of Commerce

Accelerating Inclusive Markets for Smallholders (AIMS)

Project Management Office (PMO)

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