



Investing in rural people

Accelerating Inclusive Markets for Smallholders

Sector Development Facilities Guidelines

First Edition 2018

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1. Introduction

1.1. What is AIMS

1. 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.
2. AIMS is a six-year project, effective from 28 February 2017 with an expected completion date of 31 March 2023.
3. AIMS is implemented by RGC with various implementing partners and is expected to have total combined funding from RGC and IFAD equivalent to approximately USD45 million.

1.2. Sector Development Facility Guidelines

4. 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. For more complete analysis of the context, rationale and approach to the project and the SDF, the Project Design Report should be referred to.
5. The SDF Guidelines is specifically intended to provide guidance to the project implementing teams, the Project Director and the Procurement Review Committee¹ for decision making purposes on the use of the SDF.
6. 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.
7. The SDF Guidelines shall be read complementary to the Project Implementation Manual and the Project Design Report.

2. Sector Development Facility

2.1. General Principles

8. Sector Development Facility (SDF) is a grant facility within the Project's Component 1: Value Chains Development. SDF shall focus on "public goods" that address specific bottlenecks to the VC development identified by the VC actors themselves through the Multi-Stakeholder Platform 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.
9. While SDF will focus on "public goods" for the VC, the private actors in the VC will be expected to make a financial contribution of at least 5% (or in-kind equivalent) to all SDF

¹ Applicable to this guidelines only, the Procurement Review Committee here shall consists of MOC members only and shall follow procedures in this guidelines

investment in order to confirm that these are indeed an immediate priority for the value chain actors themselves.

10. Types of investment expected under the SDF include, among others: investment in physical markets, collection point, market information system, 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, industry network development and capacity building etc. Any proposal includes all the interventions necessary to have the intervention implemented, which is “hardware” as well as “software” e.g. an expansion of a wholesale market has to include support how to manage the wholesale market efficiency with for example a committee, fee structure, and management, financial and operational capacity building.
11. SDF may also be used to provide grants to fund partnership activities with strategic partners to AIMS that have specialist expertise, knowledge or networks that would significantly contribute to the delivery of the AIMS development objectives. Development and approval of SDF grants for partnership activities will follow the same process as other grants under SDF.

2.2. Management of SDF

12. Activity funded by SDF could be managed directly by the PMO of MoC or SDF Partner who owns the proposal who could be farmer cooperative, group or similar private association, specialized agency or public entity. In case, the management of SDF stays with the SDF Partner, SDF contracts will be established to define the role and responsibility of each parties, finance / accounting procedure, the procurement method and M&E. For PMO-managed SDF investment, the procurement method to procure goods, civil works and consultancy services to be financed by SDF shall be governed by the Procurement Rule and Procedure of SOPs.

2.3. Identifying SDF Investments

13. Investment under the SDF shall be identified by the VC actors themselves through the MSP dialogues processes. Other “public goods” investment could also be made without going through the MSP if there is a clear solution to the bottleneck that is apparent within the VC.
14. The MSPs in AIMS are a central element of the approach to facilitate inclusive development of each VC cluster. They will begin informally through the value chain validation workshop per commodity. This validation workshop will be held with buyers, traders and businesses as well as representatives of producer groups and with service providers.
15. Once the MSPs have been conducted, the main VC stakeholders in each cluster will develop a joint action plan during the MSP, facilitated by the VC teams. The initial action plans need to focus on immediate market opportunities or tackle the most immediate localized bottlenecks. Over time, the plans should fit in an agreed vision for the value chain and move towards more coordinated actions. The plans need to address more strategic opportunities or constraints that may affect longer term growth and vibrancy of

the local sector as well as developing critical local service markets necessary for sustaining growth.

16. The action plan will identify financial support that will come through:
 - a) applications for matching grants for private investment from the VC Innovation Fund
 - b) direct project support for "public good" investments via the Sector Development Facility, and
 - c) linking VC actors to partner Financial Service Providers for additional financing via loans

2.4. Approval of the SDF Investments

17. All SDF investments that are identified in the VC action plan, through the MSP, or directly through justifiable identification from clear needs for the VC, should indicate clearly the impact, objectives, outcomes and sustainability. A separate SDF investment proposal should be submitted for consideration. In addition, the proposal shall outline the availability of financial contribution (at least 5% of total investment or in-kind equivalent) by the private sector actors and that the fund will be managed as part of the investment sub-project.
18. Inclusion criteria should also be present whereby it can be at the cluster level, hub level or sectoral level.
19. Approval of the SDF investments shall be:
 - a) All SDF investment of or less than USD20,000 is approved by the committee consisting of the following staff. The Project Director may call upon other experts/specialists for their professional opinion if and when required although they will not be part of the decision making.
 - Project Director
 - Deputy Project Director assigned to the relevant Regional Hub
 - Project Manager for VC Development
 - Project Manager for Operations
 - Value Chain focal point assigned to the VC
 - Hub Manager for the relevant Regional Hub
 - Value Chain specialist
 - Procurement officer
 - Finance officer
 - b) All SDF investments of more than USD20,000 require approval of the MOC members of applicable level of Procurement Review Committee (PRC)².
 - c) All SDF investments of more than USD20,000 that were not identified through an agreed VC action plan from an MSP shall require 'IFAD no objection'. IFAD approval should be obtained for approval at the concept stage for the investments, including purpose and rationale, estimated budget and proposed partner.

² Major PRC responsible for approving of investment value of greater than USD1million; General PRC: greater than USD50,000 to USD1million; Minor PRC: up to USD500,000.

2.5. Proposal Submission

20. The proposal for the physical infrastructure to be financed by SDF should include:

- Situational Analysis
- Main concept and idea as agreed in the VC action plan
- Objectives and description of the investment
- Operation and maintenance plan
- Cost estimation
- Intended socio-economic impact: i) outreach, ii) average cost per beneficiary, iii) profitability, and iv) quantify benefit to poor HH.
- Procurement method and plan
- Disbursement plan
- Management of the SDF

2.6. Evaluation of Proposals

21. Evaluation shall be undertaken to ensure the followings:

- The proposed investments and activities are relevant and clearly linked to the VC Action Plan and priority area and proposed investment is likely to address the critical VC constraints.
- The investment is feasible from technical perspective.
- The investment (in particular infrastructure) is likely to produce significant impact and can be sustained, be it publicly, privately or a public/private modality.
- If there is an economic objective, economic viability of the final product, service or technology should be anticipated.
- The proposed investment is justified considering the cost vs. benefit to VC actors and project beneficiaries (direct/indirect).
- The proponent has enough credentials (experience, integrity, competencies and management capacity) to implement the proposed investment and operational arrangement afterward in a sustainable manner and is building the required additional management, financial, technical or organisational capacities as part of the proposal.
- Chanalization factor: the amount of investment (by the applicant, by other value chain actors, by other facilities) that can be generated by the grant.
- If the grant proposal involves establishing or upgrading facilities or services that are expected to continue to operate after the project, a credible financing and operating plan must form part of the grant proposal.

2.7. Fund Disbursement

22. In case of SDF Partner is appointed to manage SDF investment, SDF fund will be released from AIMS as per implementation and investment schedule agreed between AIMS and grant recipient and indicated in the Grant Agreement.

23. Fund will be transferred to recipients' bank account.

24. The following indicative arrangement could be used to make payment to the recipients:
- First instalment (mobilization fund) - up to 30% of total grant amount will be released after the Grant Agreement signed and the cash local contribution is collected and placed in the bank.
 - Successive instalments (up to 50%) - will be released based on achievement of implementation milestone and utilization of previous instalments after submission of sub-project interim progress report.
 - Final instalment (remaining balance) - after submission of duly certified sub-project completion report.
25. The project completion report should include:
- Sub-project achievements as envisaged in the proposal/agreement
 - The statement of utilization and status of fund as of reporting date.
 - Public Audit report (as applicable)

3. Administration of the SDF Investment

3.1. Technical backstopping for proposal development and implementation

26. The VC team will coordinate the technical backstopping for proposal development for Sector Development Facility in collaboration with thematic experts within PMO.

3.2. Procurement

27. With exception to SDF investment managed by the PMO in which case SOPs and IFAD Procurement Guidelines will apply, procurement of items required under the supported investments will be managed by the grant recipients according to the process indicated in the SDF contract. SDF Partner will follow the indicated process and will be solely responsible for the final decision on which suppliers to use.

3.3. Accounting in case of management is granted for SDF partner

28. The grant recipient should keep all the bills, receipts, quotations, contracts, minutes of meeting and any other documents related to approved investment.

29. Competent authorities from IFAD and RGC including AIMS PMO or their representative can verify those documents any time.

3.4. Repair and Maintenance Arrangement

30. The responsibility for repair & maintenance of the facilities created with project support remains with the grant recipient. AIMS will not provide extra fund for this purpose.

31. The Grant Recipient should ensure adequate financial arrangements are in place for operation and maintenance of any facilities established or upgraded under the SDF grant. The existence of such satisfactory arrangements will be a mandatory requirement for the release of final balance payments under the grant.



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Ministry of Commerce

Accelerating Inclusive Markets for Smallholders (AIMS)

Project Management Office (PMO)

Email: cambodia.aims@gmail.com

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