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ANNEX I

to the Commission Implementing Decision on the financing of the annual action plan in favour of Cambodia for 2023

Action Document for EU-Cambodia Partnership for Sustainable Agriculture and Food Systems (EU CAPSAFE)

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	EU-Cambodia Partnership for Sustainable Agriculture and Food Systems (EU CAPSAFE) OPSYS number: ACT-61792 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes Team Europe Initiative I (TEI-1) - “Sustainable landscapes, forests and agriculture”
3. Zone benefiting from the action	The action shall be carried out in the Kingdom of Cambodia
4. Programming document	EU-Cambodia Multiannual Indicative Programme 2021-2027
5. Link with relevant MIP(s) objectives / expected results	<u>Priority area 1: Green Growth and Decent Jobs, Specific Objective 1- Sustainable Food Systems</u> : to contribute to the development of a model of sustainable food systems of higher quality, and enhanced and equal access to sufficient, safe and nutritious food; <u>Expected Results</u> : <ul style="list-style-type: none"> Expected result 1a: Better integration, overview and respect of land use and territorial development Expected result 1b: Improved performance of food producers, including in agriculture, fisheries and aquaculture
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	311 Agriculture; 430 Other multisector, Food safety and quality
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 2 – End hunger, achieve Food Security and promote sustainable agriculture (Targets: 2.3, 2.4, 2a) Other significant SDGs: SDG 1- No poverty (Target 1.5) SDG 5 - Gender Equality (Target 5.a)

	SDG 8 - Decent work and economic growth (Targets: 8.2) SDG 12 - Sustainable consumption and production (Target 12a) SDG 13 - Climate Action (Targets: 13.1, 13.2, 13.3)			
8 a) DAC code(s)	31110: Agricultural policy and administrative management 35% 31194: Agricultural co-operatives 35% 32130: Small and medium-sized enterprises (SME) development 30%			
8 b) Main Delivery Channel	13000 -Third Country Government (Delegated co-operation)			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	

		Not targeted	Significant objective	Principal objective
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line: 14.020131</p> <p>Total estimated cost: EUR 24 300 000</p> <p>Total amount of EU budget contribution EUR 17 000 000</p> <p>This action is co-financed in joint co-financing by the German Federal Ministry for Economic Cooperation and Development (BMZ) for an estimated amount of EUR 7 300 000.</p> <p>The action is part of a Team Europe Initiative (TEI-1) “Sustainable landscapes, forests and agriculture”</p> <ul style="list-style-type: none">• Key member states of TEI 1: Czech Republic, Germany (KFW and GIZ), European Investment Bank (EIB), France (AFD).• Total indicative amount: EUR 1 142 000 000, including ongoing and future programmes, and potential blending operation.			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)			

1.2 Summary of the Action

Agriculture is a crucial sector of Cambodia’s economy with a largely untapped opportunity for investing in green growth and decent jobs. The sector remains a significant contributor to the country’s total GDP (22.8%), and engages 32% of the total labour force^[1]. The sector has undergone a significant structural transformation characterised mainly by diminishing GDP share, labour force outflows, and decelerated growth rate, with a growth model based on farmland expansion, cheap labour and high commodity prices^[2].

The sector is both a cause and a victim of environmental degradation and climate change. It constitutes the biggest emitter of greenhouse gas (GHG) with 60% of Cambodia's total emissions in 2016 linked to forestry and other land use^[3]. Farmland expansion that fuelled past growth, for instance, contributed to deforestation and land degradation^[4]. At the same time, agriculture is among the most vulnerable sectors to climate change. Cambodia’s Nationally Determined Contribution (NDC) notes, for instance, that most of Cambodia’s land areas will be exposed to higher risks of droughts, which can negatively impact production, leading therefore to a breakdown of the food systems, and deterioration of food and nutrition crises for the vulnerable groups.

To contribute to Cambodia’s green growth and decent jobs creation, the sector has to transform into a greener, more productive and competitive sector, with increased value addition through local processing and compliance with higher quality and sustainability standards required by premium export markets such as the EU. Cambodia has already taken initiatives in this direction. The National Agriculture Development Policy (NADP) 2022-2030, for instance, lays down key measures to transform agriculture into a modern, competitive, inclusive, climate-resilient and sustainable sector. Other relevant policies are the NDC, with a clear target for emission reduction from the sector, and the Law on Food Safety and Law on Plant Protection and Phytosanitary adopted in 2022.

Agricultural policies, strategies and plans recognise the crucial role played by women in environmental conservation and production processes in agriculture. The Agricultural Sector Master Plan 2030, together with

^[1] ADB 2021: Cambodia Agriculture, Natural Resources, And Rural Development Sector Assessment, Strategy And Road Map

^[2] World Bank 2021: Resilient development-A strategy to diversify Cambodia’s growth model

^[3] Cambodia’s Updated Nationally Determined Contribution

^[4] World Bank 2015: Cambodia Agriculture in Transition: Opportunities and Risks

Agriculture Strategic Development Plan, Climate Change Strategic Plan and Action Plan for Agriculture, and Gender Mainstreaming Strategy, acknowledge the gender-differentiated roles and include provisions to promote gender equality in the objectives and processes of implementation.¹

This action supports this green transformation under the Global Gateway by promoting investment in sustainable production practices and in local processing for increased added value, with a strong focus on agro-ecological and deforestation free principles, quality and food safety standards, decent work and improved accessibility of food for rural households. It does this by supporting the national and local authorities to develop and implement relevant policies and regulatory framework, particularly in support of the sanitary and phytosanitary (SPS) and climate change-related law implementation, and by supporting key players in the sector (smallholder farmers, cooperatives/associations/federations, social enterprises, MSMEs, research institutes) to acquire knowledge and green technologies that are applied and invested for production and processing, in compliance with quality and food safety standards for the ASEAN and EU export markets. The action aims to focus on two priority value chains (cashew nuts and pepper) to build a successful pilot model of niche, high quality products which can then be scaled up to other value chains in support of the diversification of Cambodia's economy.

The impact of this action is to contribute to green growth and decent jobs by promoting climate-resilient and sustainable agriculture value chain development in Cambodia. The Specific Objective (Outcome) of this action is: improved sustainability, competitiveness, and inclusiveness of the selected agriculture value chains with higher local value added for export to regional (ASEAN) and premium markets including EU.

The action consist of 3 outputs:

1. Strengthened national systems on agri-food safety and climate-resilient agriculture, including decent work
2. Increased productivity of cashew nuts and pepper with climate-resilient and sustainable intensification practices including de-forestation free production
3. Increased local value addition of cashew nut and pepper for export to ASEAN and international markets including EU

This action contributes to TEI-1 on Sustainable landscapes, forests and agriculture; and the regional EU-ASEAN Green Initiative and EU ASEAN Sustainable Connectivity. It is aligned with the principle of the EU-Cambodia MultiAnnual Indicative Programme (2021-2027), while supporting Cambodian government's wider vision and commitments under the Paris Agreement. It contributes to the EU Green Deal², particularly the EU Bio-economy strategy³, the EU circular economy action plan⁴, and the Farm to Fork strategy⁵. The action is aligned with the EU Gender Action Plan 2021-2025 (GAP III)⁶ and its thematic area of engagement "Promoting economic and social rights and empowering girls and women".

The action is also designed in close synergy with other EU programmes, including EU GATE, Transforming Technical Education EU-Cambodia Partnership, and ASPIRE-AT, as beneficiaries of this action will be empowered to access ASPIRE-AT funding for production and processing.

The action is complementary to programmes financed by Team Europe and other development partners in support of poor rural households and of food and nutrition security, including Germany, World Bank, FAO, WFP, Canada and the USA.

The action mainly targets the SDG 2, with also a strong focus on SDG 13 and 12. It also contributes to SDG 1, 5 and 8, through measures to improve credit access, profit and decent work, with a gender equality angle.

¹ [State of Gender Equality and Climate Change in Cambodia. 2021. UN Women and CDRI.](#)

² https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

³ https://research-and-innovation.ec.europa.eu/research-area/environment/bioeconomy/bioeconomy-strategy_en

⁴ https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

⁵ https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy_en

⁶ https://www.eeas.europa.eu/delegations/cambodia/gender-action-plan-iii-%E2%80%93-2021-2025-country-level-implementation-plan-%E2%80%93-clip_en

2 RATIONALE

2.1 Context

Agriculture is a crucial sector of Cambodia's economy, contributing 22.8% of the country's GDP (2021) and creating about 3 million jobs. It has played an important role in poverty reduction and country food security. The government is well aware of the crucial role that agriculture contributes to progress towards upper-medium income status by 2030. It has set the target to maintain the growth of the total value added in agriculture at 3% per annum in the period 2020-2030.

Agriculture annual growth is around 1% during 2013-2017, and there is only 10% of total agriculture outputs being processed in the country. The key constraints of agro-processing typically includes lack of private investment, high production cost, informal payment, lack of skills and information, and access to technology and machinery⁷.

Agriculture is also the second highest emitter of greenhouse gas (GHG), with nearly half of Cambodia's total emissions being from the land-use change and forestry sector, with deforestation and forest degradation contributing to almost all GHG emissions (USAID, 2022). The Royal Government of Cambodia (RGC) is committed to combatting climate change and accelerating the transition to a climate-resilient, low-carbon sustainable mode of development. The RGC has adopted a long-term carbon neutrality strategy that will see Cambodia be net-zero emissions by 2050⁸, thanks also to the implementation of specific activities for agriculture and forest and land use.

Environment and land degradation are crucial factors for development of a sustainable agricultural sector in Cambodia. The Land Degradation Neutrality⁹ targets indicate that Cambodia has about 4.5 million ha of land under highly erodible class. The drivers of land degradation in Cambodia have been attributed mainly to deforestation, expanding agricultural lands, climate change, pest and diseases, unsustainable land management, and infrastructure development. There are also concerns around unsafe handling, use and disposal of agrochemicals, with negative impacts on the environment, biodiversity, and health of producers and consumers.

The sector, by its nature, is highly influenced by climate-change¹⁰. Climate Change impacts are expected to increasingly affect the agricultural sector with more severe floods and droughts¹¹. This will ultimately affect Cambodia's GDP by nearly 10% by 2050. (WB and ADB, 2021). Significant adaptation efforts are required to manage loss of yields due to the projected increases in the incidence of extreme weather phenomena, including the expected impact of erratic rainfall on perennial crops such as cashew and pepper.

Cambodia agriculture census 2020 reported about two million households engaged in agriculture of whom about 75% are defined as smallholders (SHFs). Even if they account for 70% of the total production, most SHFs are considered poor and near-poor based on the national poverty line¹². Seasonal workers who support SHFs and MSME processors during specific periods of the year are informal workers, therefore not benefitting from any decent work regulations. About 23% of rural households are landless. Women represent 74% of the agricultural workforce and produce 80% of Cambodia's food. Women have limited access to agricultural extension services and less access to land, farm equipment, tools, and communications services¹³. Women only account for 24% of household agricultural holding managers, 12% of agricultural extension officers and 10% of agricultural extension services beneficiaries.¹⁴

⁷ Cambodia Industrial Development Policy, 2015–2025

⁸ Available [here](#).

⁹ [LDN](#)

¹⁰ Cambodia's climate is regulated by two major weather systems (the South Asian summer monsoon circulation and the Westerly Jet circulation) and has two distinct seasons: a monsoon-driven rainy season accounting for up to 90% of annual precipitation, and a dry season with cooler temperatures. Patterns of precipitation remain influenced by the complex relationship between these two dominant regional weather systems and The El Niño-Southern Oscillation (ENSO). Conversely, La Niña events bring cooler than average conditions and increased rainfall. Over the last three years, Cambodia has been affected by a persistent La Niña phase.

¹¹ Projections for climate futures based on the Coupled Model Intercomparison Project Phase 5 (CMIP5) models, show that Cambodia faces temperature rises of up to 3.6°C by the 2090s on the highest emissions pathway, compared with the 1986–2005 baseline, while considerable uncertainty surrounds projections of local long-term future precipitation trends. The intensity of sub-daily extreme rainfall events appears to be increasing with temperature.

¹² The recently updated poverty line is: KHR 10,951 (USD 2.67) per day for Phnom Penh, KHR 9,571 (USD 2.33) per day in other urban areas of Cambodia and KHR 8,908 (USD 2.17) per day in rural areas

¹³ ADB. 2013. Gender Equality in the Labor Market in Cambodia.

¹⁴ Country Level Implementation Plan – CLIP Cambodia

In its National Agriculture Development Policy 2022-2030, the Ministry of Agriculture, Forestry and Fisheries (MAFF) has identified as its main strategic vision to transform Cambodian agriculture into a modern, competitive, inclusive, climate-resilient and sustainable sector, aiming to increase farmer households' income for better access to food security, prosperity and well-being of all Cambodians. To do so, four strategic objectives are determined as follows: 1) To enhance agricultural value chains and its competitiveness; 2) To strengthen infrastructure in agriculture and agribusiness facilitation; 3) To promote sustainable land, forestry and fisheries resources management; and, 4) To improve institutional management, regulations, human resources development and addressing emerging challenges.

Through this action, the EU promotes standards and values under the Global Gateway in agri-food safety, deforestation-free and agro-ecological agriculture, corporate sustainability and due diligence to the benefit of green growth and decent jobs in Cambodia with leaving no one behind. The action brings attention to the impact of agriculture on climate (and vice-versa) and promotes measures for mitigation and adaptation, opening up opportunities for dialogue on climate change and sustainable agriculture policies. It also contributes to the implementation of the Cambodia Nationally Determined Contribution (NDC) and the Paris Agreement by promoting agro-ecology and climate-resilient practices.

Linked to the above considerations and to the strategic objectives of the national strategy, cashew nuts and pepper are targeted by the action for greater focus and impact including on rural household food security and nutrition, for three main reasons: i) they are perennial crops which not only do not contribute to deforestation, but also improve soil quality and promote nutrient recycling and carbon capture; ii) Cambodia produces a sizeable amount of cashew nuts and pepper, and their quality is internationally recognised; iii) there is high potential for local transformation of raw cashew nuts and pepper into niche products susceptible for export to premium markets, such as the EU. These selected value chains have therefore a great potential as Cambodia is one of the highest quality producers of these commodities, but they are exported raw to neighbouring countries that process them for re-export.

The action is designed in an integrated approach which links it to other ongoing and planned interventions in the area of agriculture, value chain improvement and food security. It works in synergy with Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade ([ASPIRE-AT](#)) to enable farmers and MSMEs to access grants and loans for investments. ASPIRE-AT is co-financed by EIB, IFAD and government, with budget of 194 Million US dollars, in which EU grant is foreseen to blend with EIB loan (in pipeline). In addition, by acting as a precursor for further export of quality processed produces to premium markets, such as the EU, in synergy with the EU GATE, it promotes EU values, while fostering both regional integration and linkages with the EU.

The action is complementary to key programmes implemented in Cambodia in support of poor rural households on improving food and nutrition security. They include the Germany Multi-sectoral Food and Nutrition Security ([MUSEFO](#)) and [Improvement of livelihoods and food security of former landless households](#) projects; the WB-Livelihood Enhancement & Association of the Poor ([LEAP](#)); and the USA- Feed the Future Cambodia Harvest III ([HARVEST III](#)).

The action promotes and complies with the European Green Deal, especially the [EU Bio-economy strategy](#), the EU [circular economy](#) action plan, as well as the [Farm to Fork strategy](#), aiming to make food systems fair, healthy, and environmentally friendly, while supporting Cambodia to achieve its vision to access premium markets such as the EU. The action is in line with the Join European Strategy 2021-27, notably priority area (4): Enhance competitiveness of Cambodia on the regional and global market places; and, (5): Sustainable green development including agriculture. Under the EU-Cambodia Multi-annual Indicative Programme (MIP) 2021-2027, the action supports priority area (1): Green growth and decent jobs with a specific focus on sustainable food systems.

The action is a cornerstone of the TEI-1 - “Sustainable landscapes, forests and agriculture” and well aligned with EU-funded regional projects, EU-ASEAN Green Initiative specific objectives (SO): 1- *Cooperation with ASEAN for developing and implementing climate policies*, and 4- *Promoted sustainable and climate- resilient food systems in ASEAN*, and EU-ASEAN Sustainable Connectivity programme, in particularly on priority 1: *Improved trade and economic connectivity with a focus on sustainable value chains*.

Under the overall framework of the Green Deal and sustainable food systems. The action reinforces the existing on-going policy dialogue by contributing to ADP 2022-2027, especially on Strategic objectives: 3.4 (*Strengthen*

Climate- resilient), 4.1 (improve human resource capacity, extension, research and applied research), 4.2 (law and regulation development), 1.1(Improve productivity and value added of 16 priority crops in which cashew nuts and pepper included), 2.3 (promote agricultural investment and agribusiness facilitation).

2.2 Problem Analysis

Since 2013, Cambodia's agriculture has suffered from slow growth rate (1% annually) due to long-term low productivity linked to predominant production and export of unprocessed agricultural products, falling international commodity prices, and adverse weather conditions¹⁵. Past growth drivers based on farmland expansion at the expense of environment, cheap labour and high commodity prices are not sustainable nor viable for future growth¹⁶. COVID-19 and the Russian war in Ukraine, with their negative impacts on supply chain and production inputs such as fertilisers and fuel, have further exposed these vulnerabilities.

Rampant deforestation, which was driven by farmland expansion and agricultural growth in the past¹⁷ is recognised in the Long-Term Strategy for Carbon Neutrality as a major cause of emission. It is responsible for 51 MtCO₂e of emissions in 2016. In addition, agriculture is also one of the most vulnerable sectors to climate change. The NDC notes that most of Cambodia's land areas will be exposed to higher risks of droughts in the future, while production loss in the past 20 years was linked largely to flooding (62%) and drought (36%).

The Agricultural Sector Master Plan and Agriculture Strategic Development Plan substantially mention the gendered impacts of climate change on agriculture in terms of damaged crops and decreased productivity due to increasing weather variability, natural disasters (flooding, droughts and windstorms), high temperatures and sea-level rise. The decline in rice yields due to the impacts of flooding, droughts and insect outbreaks, and the consequent loss of income and investment opportunities in agriculture, represent a push factor for rural women to migrate to cities. The ability of both men and women to adapt to the changes remains uncertain. In particular, women farmers have limited capacity to adopt new technologies to achieve agricultural intensification and diversification.¹⁸

The decline in agriculture productivity (land and labour) has also been driven by factors including lack of investment of Research and Development in good quality seeds, limited farming technique, inefficient agriculture input utilisation and mechanisation, lower human capital and lack of diversification¹⁹.

Only about 10% of Cambodia's total agricultural outputs are processed locally, while processed agricultural exports represent only 8% of total official exports²⁰. The majority of agro-processing industry is mostly underdeveloped, with low level of private sector investment. Key constraints include the unreliable and expensive electricity, informal payments for permits and documentation, lack of skills and information and weak business associations. The private sector also faces difficulties in obtaining development capital, and accessing to technology and machinery²¹.

To sustain future growth, improving agricultural productivity is key, but with a strong emphasis on sustainability of natural resources and food systems as envisioned in the National Agriculture Development Policy. The infant agro-processing industry also presents an untapped opportunity for Cambodia to develop into higher value-added products geared towards the export markets, particularly the ASEAN and premium markets such as the EU where niche products respecting higher standards of social and environmental sustainability are in strong demand.

To support Cambodia in this direction, the action will address a number of key challenges including:

(i) Limited institutional capacity to manage agri-food safety and climate risks, taking into account social inclusion

- **Agri-food safety:** At present, Cambodian agricultural products export to premium markets, like the EU, are very minimal, as the country does not have an efficient food safety control system. The Sanitary and Phyto-sanitary (SPS) Law and the Food Safety Laws were adopted only in 2022 and still lack supporting

¹⁵ ADB 2021: Cambodia Agriculture, Natural Resources, And Rural Development Sector Assessment, Strategy And Road Map

¹⁶ World Bank 2021: Resilient development-A strategy to diversify Cambodia's growth model

¹⁷ World Bank 2015: Cambodia Agriculture in Transition: Opportunities and Risks

¹⁸ [State of Gender Equality and Climate Change in Cambodia. 2021. UN Women and CDRI.](#)

¹⁹ SNEC 2019: Cambodia's Agriculture Productivity: Challenges and Policy Direction

²⁰ ADB 2021: Cambodia Agriculture, Natural Resources, And Rural Development Sector Assessment, Strategy And Road Map

²¹ ADB 2021: Cambodia Agriculture, Natural Resources, And Rural Development Sector Assessment, Strategy And Road Map

regulations for implementation. The Department of Plant Protection and Sanitary and Phytosanitary is under-staffed and lacks capacity. The General Directorate of Agriculture (GDA) hasn't put in place a national traceability system yet. This hinders farmers –smallholders especially- from being certified for national standards, let alone for export.

- **Climate Change risk:** Climate change is expected to affect Cambodia's GDP by nearly 10% by 2050 (WB, ADB 2021). Agriculture, by its very nature, is heavily affected by climate change. Increased drought and irregular and heavy rainfall affect particularly the two selected value chains of cashew and pepper, by drastically reducing the yields and quality of production. In 2022, almost 40% of cashew nut production was lost due to heavy rain falls followed by drought²². (Cashew Associations, 2022) Climate risks and vulnerabilities are not yet systematically taken in account in the agricultural sector. The Programme Budgeting mechanism does not include specific targets for climate adaptation and mitigation, linked with the Nationally Determined Contributions (NDC) and land degradation neutrality targets. Universities have limited R&D capacity on climate-resilient techniques and insufficient interactions with the private sector for applied research.
- **Limited socio-economic inclusion:** Smallholders are predominately informal and self-employed, without access to social protection schemes. They face vulnerable working conditions and are prone to falling into poverty in case of shocks. Their livelihood are exposed to price fluctuations and climate-related risks.. Gender equality also remains a key challenge in rural areas of Cambodia. More than 65% of women in Cambodia are farmers, and over 50% of them are smallholders²³. Women work longer hours than men as they carry out agriculture activities in addition to their childcare and family responsibilities. At the same time they have low access to land, advisory and financial services, markets, and advanced technology²⁴. As a result they have low labour productivity and less economic opportunities leading to poor access to quality food.

(ii) Low productivity

- **Smallholder farmers productivity:** Key constraints to increase smallholders' productivity include: knowledge of agro-ecological and modern farming and post-harvest techniques, access to quality inputs and equipment, affordable financing, and reliable markets.
- **Agricultural Cooperatives (ACs):** MAFF extension services are limited. Since over 10 years, ACs have played a critical role in providing extension services to smallholders. However, their capacity is insufficient to support farmers effectively towards modern and climate-resilient agriculture. Most of the 1,251 ACs in Cambodia do not operate as business entities yet and lack governance structures and capital investment to scale up services to members. As a result, ACs have difficulties to access financing and secure markets for their members.

(iii) Lack of local value addition

- Cambodia can produce sizable quantities²⁵ and very good quality of pepper and cashew nuts. Unfortunately, only a fraction (i.e. less than 5%) of those two crops are locally processed. The overwhelming majority is exported raw for a fraction of the price to neighbouring countries, via informal cross-border trade. These two products are therefore not known widely by international consumers as Cambodian-made products. This represents a substantial financial loss for the country in terms of revenue, and it's a lost opportunity for other related industries and support services. Despite high production costs (electricity, and logistics), Cambodian-made products could have an added value, and therefore be sold at a premium price, if they can meet consumers' preferences for organic and fair-trade products. This requires strong investments in terms of quality standards (including social and environmental due diligence), trusted certifications, innovation to penetrate regional and high-value markets, such as ASEAN and the EU. Unfortunately, local **MSMEs** are constrained by lack of knowledge, know-how and capital to tap into

²² This climate impact has led to some maladaptation practice, such as the inadequate over application of flowering induction hormones to cashew nut trees in some areas. Late rains also affected other commodities such as pepper that experienced a longer harvest, but hampered post-harvest operations such as drying.

²³ Parliamentary Institute of Cambodia. 2018. The Important Role of Cambodian Women in Agriculture.

²⁴ EUD internal gender analysis in agriculture

²⁵ Cashew: 691,434 Mt million tonnes; Pepper: 21,434 Mt (cashew and pepper association and federation reports 2022)

this potential, and the existing industry associations and federations are newly established with inadequate capacity to support their members (producers, processors/exporters).

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

Ministry of Agriculture, Fisheries and Forestry (MAFF) through its various departments (Planning and Statistic (DPS), General directorate of Agriculture (GDA), Extension (DEAFF), Industrial crops (DAI), Legislation (DAL), affiliated bodies (universities and research institutes), and provincial department of agriculture (PDAFF) deconcentrated offices at subnational level is the main public agency responsible for supporting sustainable and safe agriculture production, delivering extension services to producers, supporting agricultural cooperatives, ensuring quality of agricultural inputs, providing inspection and certification services as well as promoting post-harvest food safety standards.

Ministry of Industry, Science, Technology and Innovation (MISTI) is an identified stakeholder of CAPSAFE through its Department of SME promotion. The Institute of Standards of Cambodia (ISC) is the national standards body responsible for the national framework of standards implementation at the SMEs processing level such as GMP, HACCP, ISO/IEC:22000.

Industry associations²⁶: The mandate of Industry associations and federations is to represent the industry including producers, public, private stakeholders. As newly established entities, these industry association have limited resources and capacity and require systematic and long-term support to become full-fledged player in the value chain both at national level to promote the interests of their respective industry at policy level and at the international level to promote Cambodian agricultural products.

Smallholder farmers, as represented in Agriculture Cooperatives: Smallholder farmers are the backbone of Cambodia agricultural sector, 68% is smallholder farmer²⁷. In general, they own the land they labour and employ a small number of seasonal workers only. Due to their low capital base, they are risk-averse and prefer to use conventional practices of agriculture. Farmers usually group into Agriculture Cooperatives (ACs). Each AC consists of between 100 to 200 farmers and 63% of AC members are women. As per the Law on AC, their mandate is to improve technical agricultural production capacity, agroindustry, agri-business or services aimed at enhancing socio-economic and cultural status of their members. Most of the 1251 existing ACs focus on providing basic input supply service or social services such as saving and credit schemes for the members' benefit. Very few AC are operated as a business: They are generally managed by elder representatives with limited administrative capacity and low business and financial literacy. Bookkeeping systems are not harmonized and there is no unified accounting system for ACs. ACs face difficulties accessing financial services and are not audited.

Micro, Small and Medium Enterprises: MSMEs are the driving force to lead the transition from subsistence agriculture to the envisioned export oriented commercial agriculture. MSMEs still face constraints in complying with import countries requirements for sustainability, transparency and sustainability of agricultural products supply chains.

Private sector service providers: including Khmer Enterprise (KE), Eurocham, SME and Agriculture Rural Development Bank (ARDB) Banks, ICT and Solar service providers, are expected to be involved in the implementation of the action, given their role in providing necessary services (financial, inputs, know how, equipment) to farmers, ACs, MSMEs for cashew nuts and pepper value chains development.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective (Impact)** of this action is to contribute to green growth and decent jobs by promoting climate-resilient, and sustainable agriculture value chain development in Cambodia.

²⁶ Cashew nut Federation, the Cashew Nut association, Cambodia Pepper and Spices Federation (CPSF) and the Kampot Pepper Producers Association (KPPA)

²⁷ Cambodia Agriculture Survey 2020

The **Specific objective (Outcome)** of the action is to improve the sustainability, competitiveness and inclusiveness of selected agriculture value chains with higher local value added for export to regional (ASEAN) and premium markets including EU

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives are:

1. Strengthened national systems on agri-food safety and climate-resilient agriculture, including decent work
2. Increased productivity of cashew nuts and pepper with climate-resilient and sustainable intensification practices including de-forestation free production
3. Increased local value addition of cashew nut and pepper for export to ASEAN and premium markets including EU

3.2 Indicative Activities

Activities relating to **Output 1:** Strengthened national systems on agri-food safety and climate-resilient agriculture, including decent work

1.1. Agri-food safety regulatory framework: Support MAFF to develop regulations on SPS Law implementation and a national traceability system for certification (GDA), including relevant capacity building. Support MISTI Institute of Standards (ISC) and Accreditation department to align Cambodian standards with EU and ASEAN ones, and improve certification and accreditation services on food safety.

1.2. Climate-Resilient Agriculture policy, planning and R&D: TA to empower MAFF to manage climate risks: assess capacity gaps, develop a new Adaptation and Mitigation Response Strategy and Action Plan, draft a compendium of Climate-Resilient Agriculture (CRA) and integrate in the public extension services; and set-up a dedicated Climate Change Unit. Grant innovation funds to universities for R&D on agro-ecological, agro-engineering and agro-processing research. Grants to universities may cover costs of practical experiments and internships with the private sector for students to get their degree, and action research for innovation by professors and graduate students. This will be done in synergy with other EU-funded interventions such as CAPFISH, EU Technical education programme, E-READI, EU-Share and Erasmus+.

1.3 Decent work in Agriculture: TA to support MAFF in piloting gender-sensitive decent work programme for agricultural workers in AC and MSMEs. The recommendations on decent work conditions will be applied in activities 2.1, 2.2 and 3.2. The results of the piloting –which will involve ample consultation with workers and civil society- will inform a national policy on decent work in the sector.

Activities relating to **Output 2** (Increased productivity of cashew nuts and pepper with climate-resilient and sustainable intensification practices including de-forestation free production)

2.1 Smallholder farmers productivity: Through public and private extension services, train at least 6,000 smallholder farmers (at least 40% women) on e.g.: agro-ecological practices, post-harvest techniques (including primary processing and food safety), basic digital literacy and book-keeping, contract-farming. Facilitate connections between smallholder farmers with quality services and input suppliers, and relevant social enterprises for climate-resilient and profitable agriculture (IT systems for traceability and cost-saving, water-saving and renewable energy technologies for production and primary processing). Set-up model demonstration farms on the technologies supported above. In linkage with activity 1.3, the support will allow SHFs to pilot decent work standards in production.

2.2 Self-sustained Agriculture Cooperatives (AC)/social enterprises: Empower at least 30 AC, and where relevant social enterprises, through training and advisory services on digital literacy, financial, audit and administrative management to become professional AC. This will allow AC (and their members) to develop bankable business plans and to obtain funding (including via ASPIRE-AT) to invest in sustainable value chains including collection of raw cashew nuts and pepper from their members. In addition, ACs will be supported to negotiate more and better contract farming deals with buyers (MSMEs). This will increase the profit of ACs and their members (and therefore their livelihoods), and make the associations more sustainable in the long term. In linkage with activity 1.3, the support will allow SHFs to pilot decent work standards in production.

Activities relating to **Output 3** (Increased local value addition of cashew nut and pepper for export to ASEAN and premium markets, i.e. the EU)

3.1 Functioning of industry associations and federations: Capacitate cashew and pepper associations (representing the producers) and federations (representing producers, processors and exporters) through training and advisory services on: benchmarking on best-practices for adding value to cashew and pepper and by-products (e.g: butter, oil and essential oil, including for the beauty industry, vegan cashew milk...), food safety, compliance with international market standards, marketing and how to input national sector policies. The associations and federations will therefore be able to cascade the information to their members.

3.2 Local value addition by Micro, Small and Medium Enterprises (MSMEs): Train and coach at least 50 MSMEs to develop and implement bankable business plans to access lines of credit (including ASPIRE-AT). The loans will allow MSMEs to purchase more raw cashew and pepper, improve warehouse, processing and packaging facilities, develop new product lines in compliance with SPS, food safety and other relevant certificates (HACCP, Fair Trade, Organic...), branding and marketing. In linkage with activity 1.3, the loans will allow MSMEs to pilot decent work standards in processing, including for example by complying with enrolment into the national health insurance scheme for all workers.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that key environmental and climate-related aspects need be addressed during design.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The Environmental Impact Assessment screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is at risk (CRA will be undertaken).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality will be important objective of the action to be covered through the three priorities areas including policy, productivity and processing. The intervention will directly contribute to accelerate progress towards gender equality and women's and girls' empowerment, by promoting economic and social rights and empowering girls and women setting objectives and action in three of six key thematic policy areas of the EU Gender Action Plan (GAP III). The action will target women as a priority, ensuring they have adequate representation at both membership level in producers' organisations and SMEs, as well as at decision-making level, in AC management committee membership in particular, with a minimum of 40% women in management positions. The action will deploy measures to ensure effective participation of women in all project activities. It will also provide trainings and coaching to women members of ACs in business and digital literacy. Thirdly the action will promote decent work conditions for women and men in both ACs and MSMEs.

Human Rights

The action adopts an inclusive, human rights-centred approach and its key principles and the do-no-harm approach will be integrated throughout the action. Specific focus will be on the principles of meaningful and inclusive participation, and non-discrimination and equality. This action will promote better working conditions in the cashew and pepper value chain development, aim at improving safe and healthy working environment for the farmers, workers, the majority of whom are women. Analysis of labour conditions, social and gender dimensions will be assessed at inception phase, and this analysis will be used to guide detailed activities during implementation.

Disability. As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the activity is screened but it does not specifically target disability. However, [OECD recommended practices](#) for inclusive cooperation will be adopted where relevant, including (i) Do no harm approach to PwD in order to ensure

that the action does not perpetuate or exacerbate discrimination and exclusion of persons with disabilities ; (ii) consultation with PwD's organisations, (iii) disaggregation of project outreach indicator by disability at the level of Agricultural Cooperative members.

Reduction of inequalities. The action will follow the four mainstreaming principles to address inequalities and integrate the reduction of inequalities across the activities, namely:

Beneficiary centred approach: the project will promote a participatory approach and active involvement of local stakeholders in the assessments, planning, implementation, monitoring of the interventions at the local level. *Accountability and transparency:* Through an effective Knowledge Management function, the project will ensure regular communication and dissemination of information to a wide range of stakeholders on its progress, issues, lessons learned and success stories. Where possible, ICT tools will be made available to AC and their members to communicate their feedback to the project management, for effective participation. *(Re)distribution:* the action will ensure inclusion and non-discrimination of target rights-holders, including smallholder farmers, men and women, ethnic groups, poor and PwD. *Geographical Targeting* addresses spatial inequality through selection of priority commodities mainly produced by smallholder farmers. The geographic targeting have to confirm that smallholders will be the priority beneficiary of the proposed action. Non smallholder farmers will be excluded from direct project support, but they may receive services provided by the ACs as they are members.

Democracy

The action will support an active and inclusive dialogue with relevant public authorities to ensure development of necessary regulatory frameworks and policies will take into account the voices of people who will be affected by those policies.

Conflict sensitivity, peace and resilience Not specifically targeted

Considerations for a conflict sensitive, do-no-harm approach to development cooperation in Cambodia are integrated in the MIP 2021-2027. Overall the domestic situation is stable, and the risk of a violent conflict with neighbouring countries or due to international or domestic terrorism in the next 12-24 months is minimal. Therefore, no negative impact is expected.

Disaster Risk Reduction (DRR)

Climate risks. According to the EU INFORM Climate Change Risk Index 2022, Cambodia is in the high-risk class, ranked as 49th out of 196 countries. Due to a combination of political, geographic, and social factors, Cambodia has high climate vulnerability and/or exposure to climate shocks²⁸. In terms of risks of humanitarian crisis, the INFORM Risk country profile 2023 ranks Cambodia as 61st out of 191 countries (overall score of 4.4/10, medium risk class), with a very high risk of floods (9.5/10). The latest Think Hazard report, identified hazards are assessed as high across the whole country for river and coastal floods, landslides, cyclone, extreme heat, wildfire. Although DRR is not specifically targeted by the proposed action, its core activities will contribute to Disaster Risk Reduction, for instance via the climate vulnerability assessment, information sharing and the promotion of more resilient practices.

Other considerations if relevant

The creation of synergies with the EU actions at regional level and cooperation with the TEI-1 members, and with International/European Financial Institutions to leverage additional funds (blending and guarantee) can increase the impact of the action.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood	Impact	Mitigating measures
1- External environment	Climate change (CC) and natural disaster affect agriculture production and impact intervention results.	High	High	Promote CC adaptation through building capacity of relevant institutions including national authorities, farmer, MSMEs to be ready to cope with climate risks.

²⁸ Notre Dame Global Adaptation Initiative ([ND-GAIN](#)) vulnerability and readiness index of 38.4 (ranked 149 out 182 countries) and a high [World Risk Index](#) of 8.42, with high exposure (2.37), vulnerability (28.68) and lack of adaptative capacity 53.52)

1- External environment	Deforestation practices due to expansion of agricultural land	Medium	High	Promote sustainable intensification practices that don't encroach the forestry land, and national traceability system
2-People and the organisation	AC may have low commitment to provide services to their members, to take loans, to engage in business with SMEs	Low	Medium	Empower and engage AC at the initial stage of planning, implementation and monitoring of the action. In the worst case situation, change target AC in case agreement on collaboration with the Action cannot be reached.
3- Legality and regulatory aspects	Limited engagement and commitment in implementation of SPS law and climate change policy	Medium	Medium	Ensure leadership and institutional commitment through TA and policy dialogue, and synergies with other DPs before supporting the implementation of the SPS law and climate change policies.

Lessons Learnt:

From the experience of similar programme such as EU CAPFISH and other donor-funded agriculture programmes (e.g. Agriculture Services Programme for Innovation, Resilience and Extension (ASPIRE) by IFAD, and Strengthening the Climate Resilience of Agricultural Systems (CRAS) by GIZ, the main lessons learnt and findings of the evaluation can be summarized as follow – with indication on how this has informed the action:

Lesson learnt from similar programmes	How this has informed the action design
Early and close engagement with relevant key government ministries needs to be enhanced to strengthen partnership for effective implementation.	The project steering committee will be established, co-chaired by MAFF and the EU with representatives from relevant ministries, to steer programme implementation with strong and close dialogue since the beginning.
Profit should be the main focus of any agricultural value-chain development programme. SHFs are not conversant with farm economic performance concepts. This has resulted in the past in the promotion of non-profitable models, with low value addition and low return to family labour.	Capacity-building on farm economic performance, including farm records, modern farming technics and digital literacy, will helps farmers increase efficiency and reduce the amount of inputs, natural resources and labour needed. This will ultimately help them to increase profit.
Delivery of advisory services to SHF through public agencies alone have proven to be only moderately successful, especially in terms of outreach and adequacy to the actual needs faced by the producers. In a fast-changing context of export-oriented agriculture, deeply affected by climate risk and inputs price increase, there is no size-fit-all: advisory services need to be tailor-made, adaptive and located close to the producers.	The intervention logic is focused on the crucial role of ACs to provide services to the SHFs, in close coordination with the public extension services. ACs, by definition, are close to the field and, if properly capacitated, can respond fast to the needs of their members.
Buyers of raw cashew nut and pepper have emphasised the crucial role that professional ACs play to aggregate large quantities of produce and perform quality checks. This will ensure a constant supply of reliable product to buyers.	The action is precisely addressing this aspect by capacitating ACs with knowledge and funds to act as aggregators of quality raw cashew nut and pepper.

3.5 The Intervention Logic

The underlying intervention logic for this action is that the compliance with higher environmental, safety and social standards of value chains with high potential for exports to EU and ASEAN, and promoting responsible investments for local processing, will increase the sustainability and competitiveness of the sector. This will in turn bring greater benefits and profits to farmers and agri-businesses and will reduce the impact of agriculture to climate change, resulting in green growth, decent jobs and improved accessibility of food for rural households in Cambodia.

The action provides technical assistance, policy dialogue, networking and lesson learnt to key government and agri-business stakeholders, notably agriculture cooperative and smallholder farmers. The action supports enhancement of institutional capacity, and the regulatory framework, for the improvement of the agri-food safety system; climate-resilient agriculture policy and R&D; and decent work (output1). The action also assists the AC and their smallholder

farmers to invest in sustainable agriculture practices (improved productivity), to secure access to the market for their products and improve income contributing to decrease food insecurity (Output2). It also targets MSMEs to promote investment in local processing in compliance to the premium markets' standards (output 3).

If the above is provided, it is expected that the selected value chains will progress by the end of action to become more sustainable, competitive, and inclusive with higher local value added (Specific Objective).

This is because barriers to compliance with higher environmental, safety and social standards, and responsible investments for local processing will gradually be removed when the following activities are pursued with certain assumptions:

- The national system of agri-food safety, climate-resilient agriculture and decent work is strengthened, it will provide enabling environment and incentives to cashew nut and pepper producers, agro-processors and exporters to adopt premium market standards for export. It is expected that the national authorities are committed to policy reform and effective implementation (SPS, CRA, decent work).
- Productivity of smallholder farmer (SHF) is increased by applying CRA and sustainable intensification practices including de-forestation free production; agriculture cooperatives become professionalised and self-sustained to support their members to secure access to reliable markets. The assumptions are that agriculture cooperatives have commitment to improve their profession functions and farmers, including women, will actively participate in adopting the agro-ecological and advanced technology farming practices.
- Local value addition through processing is increased by enhancing investment capacity of MSMEs in processing technology/facilities and food safety/environmental and social standards for export. Industry association and federations are empowered to be better support their members. It is anticipated that MSME will commit to invest in climate-resilient and sustainable value chains, seeing the opportunity and economic returns of accessing markets with high quality processed products.

The EU CAPSAFE is designed to work in close synergy with other EU programmes in an integrated approach, notably ASPIRE-AT, EU GATE, EU education programme, and regional and thematic programme including Agroecology and Safe food System Transitions (ASSET).

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute to green growth and decent jobs by promoting climate-resilient, and sustainable agriculture value chain development in Cambodia	1. % of agriculture value added in GDP. 2. Forest area as a proportion of total land area (SDG 15.1.1) 3. Nb of decent/green jobs supported/sustained under the EU action disaggregated by gender, disability and ethnicity (GERF 2.13) 4. Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support (TEI 1, GERF 2.7) 5. Institutional readiness of Ministry of Agriculture, Forestry and Fisheries on climate change adaptation (Ministry of Environment scorecard)	1: 22.8% (2021) 2: 45.7% (2020) 3: 0 (2023) 4: 0 (2023) 5: tbd (2023)	1. # (2028) 2-tbd 3. tbd 4. tbd 5 : tbd	1 MAFF report 2. MoE report 3.Final Evaluation 4. Programme report 5. MOE scorecard	<i>Not applicable</i>
Outcome 1	To improve the sustainability, competitiveness and inclusiveness of cashew	1.1 Proportion of cashew nut and pepper processed locally out of total production (%) 1.2 Annual production volume of cashew nuts and pepper increased	1.1: cashew:5% (2022) Pepper: 2% (2022) 1.2: tbd at baseline	1.1 both cashew and pepper: 15 % (2028) 1.2 tbd	1.1 MAFF report 1.2-MAFF and Association report	Commitment from stakeholders to policy reform and effective implementation.

	nut and pepper with higher local value added	<p>1.3 Nb of smallholders (disaggregated by gender, ethnicity and disability) reached with EU supported interventions aimed to increase their sustainable production (climate-resilient agriculture practices), and access to markets (TEI 1, GERF 2.1, EURF 2.3)</p> <p>1.4 Nb of MSMEs (owner disaggregated by gender, ethnicity and disability) reached with EU-supported interventions aimed to increase their sustainable production for export (TEI 1,)</p> <p>1.5 Percentage of women nominated in senior level positions in private sector (ACs, MSMEs and IAFs) (GAP III)</p> <p>1.6 Nb of government official, smallholder farmers, MSME (disaggregated by gender, ethnicity and disability) increased capacity on climate change (adaptation/mitigation)</p>	<p>1.3: 0 (2023)</p> <p>1.4: tbd at baseline</p> <p>1.5: tbd at baseline</p>	<p>1.3 at least 70% of target SHF</p> <p>1.4: at least 70% of target MSME (2028)</p> <p>1.5: tbd</p> <p>1.6: Tbd (2028)</p>	<p>1.3 Programme M&E report</p> <p>1.4 Programme M&E report</p> <p>1.5 Programme M&E</p> <p>1.6 Programme M&E</p>	
Output 1 relating to outcome 1	1.1 Strengthened system on agri-food safety and climate-resilient agriculture, including decent work	<p>1.1.1 Nb of regulation and policies (which incorporate inputs and recommendations from all stakeholders) adopted and disseminated</p> <p>1.1.2 Status of national traceability system by the GDA with EU support</p> <p>1.1.3 Status of dedicated Climate Change Unit within MAFF with EU support</p> <p>1.1.4 Nb of researchers (students/professors), (disaggregated by sex) benefitting from EU innovation funds on R&D for agro-ecological, agro-engineering and agro-processing research</p> <p>1.1.5 Nb of applied research conducted with EU support (TEI1)</p> <p>1.1.6 Nb of recommendations on decent work in agriculture endorsed by MAFF to inform policy development</p>	<p>1.1.1: tbd by baseline survey</p> <p>1.1.2: not existent (2023)</p> <p>1.1.3: not existent (2023)</p> <p>1.1.4: 0 (2023)</p> <p>1.1.5: 0 (2023)</p> <p>1.1.6: 0 (2023)</p>	<p>1.1.1: tbd</p> <p>1.1.2: developed and used (2028)</p> <p>1.1.3: Established and functional (2028)</p> <p>1.1.4: tbc (at least 40% women)</p> <p>1.1.5: tbd</p> <p>1.1.6: 1 (2025)</p>	<p>1.1.1 MAFF report</p> <p>1.1.2 Programme M&E report</p> <p>1.1.3 Programme M&E report</p> <p>1.1.4 Programme M&E report</p> <p>1.1.5 Programme M&E report</p> <p>1.1.6 Programme M&E report</p>	MAFF and relevant institutions are committed to policies development and project implementation

Output 2 relating to outcome 1	1.2 Increased productivity of cashew nuts and pepper with climate-resilient and sustainable intensification practices including de-forestation free production	1.2.1 Average yield of cashew nuts and pepper per hectare 1.2.2 Nb of SHF (disaggregated by sex, ethnicity and disability) benefitting from contract farming with EU support (TEI 1) 1.2.3 Nb of SHF (disaggregated by sex, ethnicity and disability) receiving inputs and assets, with EU support 1.2.4 Nb of ACs management committee members (disaggregated by gender, ethnicity and disability) trained, including on Climate smart techniques/technologies, with EU support 1.2.5 Percentage of farms with increased profits, out of the total targeted farms, with EU support 1.2.6 Areas of agricultural ecosystems where sustainable management practices have been introduced with EU support (ha) (GEF 2.2)	1.2.1: tbd by baseline 1.2.2: 0 (2023) 1.2.3: 0 (2023) 1.2.4: 0 (2023) 1.2.5: tbd at baseline 1.2.6: 0 (2023)	1.2.1: tbd (2028) 1.2.2: tbd (2028) 1.2.3: at least 6,000 SHF 40% women (2028) 1.2.4: tbd 1.2.5: tbd 1.2.6: tbd	1.2.1 Programme M&E report 1.2.2 Programme M&E report 1.2.3 Programme M&E report 1.2.4 Programme M&E report 1.2.5 Programme M&E report 1.2.6 Programme M&E report	Agriculture cooperative members, including women actively participate in the decision making, adopt climate-resilient practices and contribute to the development of the AC as a business entity on the long term.
Output 3	1.3 Increased local value addition of cashew nut and pepper for export to ASEAN and international markets including EU	1.3.1 Nb of sector associations and federation (IAFs) and MSMEs members (disaggregated by sex, ethnicity and disability) trained/ who received advisory services with EU support 1.3.2 Nb of IAF members (disaggregated by sex, ethnicity and disability) who received services (disaggregated type of services) from IAF with EU support 1.3.3 Nb of processing MSMEs supported by the action having increased their local value addition with EU support (TEI1) 1.3.4 Nb of products which have received relevant certification (e.g: SPS, food safety, HACCP, Fair Trade, Organic...) with EU support	1.3.1: 0 (2023) 1.3.2: 0 (2023) 1.3.3: 0 (2023) 1.3.4: 0 (2023)	1.3.1: tbd 1.3.2: tbd 1.3.3: tbd 1.3.4: tbd (2028)	1.3.1 Programme M&E report 1.3.2 Programme M&E report 1.3.3 Programme M&E report 1.3.4 Programme M&E report	The policy environment is conducive to the emergence of IAF as credible representatives of the industries at policy level and on the international markets MSMEs are committed to invest in sustainable value chain, and actively engage in commercial relations with the AC as responsible and reliable partners.

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Government of the Kingdom of Cambodia.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component [For Budget Support only]

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures²⁹.

4.4.1 Indirect Management with an entrusted entity

This action may be implemented in indirect management with the German Cooperation Agency (GiZ). This implementation entails the implementation of objectives and outputs described in section 3. The envisaged entity has been selected using the following criteria:

- having substantial experiences in agriculture value chains development in Cambodia
- contributes own resources to the action under a Team Europe Initiative
- ability to mobilise specialised expertise, both national and international
- ability to engage with line ministries and facilitate policy dialogue

4.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realization of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

²⁹ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.6 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	BMZ contribution, in currency identified
Implementation modalities-cf section 4.4		
Output 1- Strengthened national systems on agri-food safety and climate-resilient agriculture, including decent work		
Indirect management — cf. section 4.4.1	6 000 000	2 580 000
Output 2- Increased productivity of cashew nuts and pepper		
Indirect management — cf. section 4.4.1	6 000 000	2 580 000
Output 3- Increased local value addition of cashew nut and pepper		
Indirect management— cf. section 4.4.1	4 900 000	2 140 000
Evaluation – cf. section 5.2	100 000	
Audit – cf. section 5.3		
Totals	17 000 000	7 300 000

4.7 Organisational Set-up and Responsibilities

The Contracting Authority will be responsible for all administrative, legal and financial issues relating to the contracts, and will also monitor and supervise the implementation of the action. The implementation of the activities will be under the oversight of the Contracting Authority's Programme Managers.

GIZ will be responsible for day-to-day management and implementation of the action, including mobilisation of the technical assistance and provision of outputs and reports, as identified in section 4.4.1.

The overall supervision will rely on a Project Steering Committee. A steering committee will be established and co-chaired by MAFF and EU. It will involve representatives from DPS, GDA and other concerned universities and departments of MAFF, as well as representatives from Ministry of Economic and Finance (MEF), Ministry of Environment (MoE), Ministry of Science, Technology and Innovation (MISTI), and GIZ, and representatives from the industry and DPs as observers. It will provide steering guidance to ensure that the action remains in line with overall national, regional and local priorities. It will meet at least twice a year.

The Steering Committee meeting will be prepared by the implementing partner who will provide a progress report four weeks ahead of the meeting, outlining the progress of the project since the previous steering committee meeting. On this basis, the agenda will be drafted by the implementing partner in consultation and agreement with the co-chairs. A preparatory meeting for the steering committee between the implementing partner and the EU will be organised, if requested.

The plans and budgets will be developed through close coordination with EU-GATE, and ASPIRE-AT; and the development partners involved in the sector through the Agriculture Technical Working Group (ATWG).

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

4.8 Pre-conditions [Only for project modality]

There is no pre-condition foreseen.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The overall responsibility for data collection, analysis and monitoring will be under GIZ with support from the MAFF. The data will be acquired from the sources indicated in the logframe. The M&E system will ensure that feedback from project stakeholders, including relevant public agencies, participating AC, smallholder farmers (including women), MSMEs and academia and research institutes are taken in account in the monitoring function of the project, and effectively inform management decision towards the achievement of the indicator targets at impact, outcome and output level. To some degree, some of the information will be collected on connected device and will be directly uploaded to a central server for consolidation and analysis as demonstrated by other projects (e.g. ASPIRE-AT).

The monitoring function will cover the following elements:

- (i) Baseline, midline, endline surveys to measure project impacts, outcomes and outputs vs logframe targets,
- (ii) Carbon balance studies to assess GHG emissions and carbon capture throughout the project interventions vs a baseline.

The project will also include a comprehensive Knowledge Management function that cover :

- (i) competitiveness assessments, Value Addition studies and workshops,
- (ii) specific studies on climate risks vulnerability assessment tools, participatory scenario development methodologies, climate change adaptation and mitigation approaches and models, deforestation free VC.
- (iii) Case studies, documentation of success stories, and publications, dissemination of lessons learnt.

Monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity. Indicators shall be disaggregated by sex, ethnicity and disability.

5.2 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the project has ambitious targets in terms of policy development and implementation and economic outcomes across the two selected value chains, with a strong focus on inclusiveness, gender empowerment and innovation; contributing the green growth and job creation.

The Commission shall inform the implementing partner at least three months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, duty bearers, grant rights-holders or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.