TERMS OF REFERENCE (TOR)

CAMBODIA AGRICULTURE SECTOR DIVERSIFICATION PROJECT (CASDP)

TECHNICAL ASSISTANCE FOR SELECTED COMPETITITVE AND DIVERSIFIED VALUE CHAIN DEVELOPMENT

I. BACKGROUND

1. Since 2013, Cambodia's agricultural value added has experienced very little growth, raising concerns about the sector's underlying strength and competitiveness and its ability to provide remunerative livelihoods going forward. The Cambodia's agriculture sector (including fisheries and forestry) contributed about a quarter to annual GDP and was the source of 36.4 percent (or 3.1 million jobs) of all jobs in 2016. External shocks, including a large drop in agricultural commodity prices that started in 2012 and extreme weather events in 2013 through 2015, played an important role in slowing progress in the sector. This has led to emerging questions about the underlying sustainability and quality of the earlier growth. Agriculture continues to depend heavily on natural resources and ecosystem services. The rapid agricultural growth, which was partly driven by the expansion of cultivated areas and practice of monoculture cropping at the early stage of agricultural development, had unfortunately also contributed to deforestation and soil degradation. Initial challenges facing the management of national resources have resulted in depletion of some important aquatic resources including overfishing.

2. **Cambodian farmers still lack competitiveness in larger markets for agricultural products.** The development of the rice sector has seen significant support from Royal Government of Cambodia (RGC) and donors, while other crops have also gained increased importance and potential, particularly for small and medium size farmers. A recent policy shift to include diversification as an objective for agriculture sector strategies addresses that. Many Cambodian producers, particularly small and medium size farmers, lack the knowledge and skills to successfully commercialize their agricultural output. They do not have access to the required technical assistance (extension services), financial services, and public infrastructure to participate in a demanddriven diversification. Support provided to the agricultural sector has not always been designed in a participative way, listening and responding to the needs of farmers and their buyers.

3. Cambodian SMEs, including many of those involved in agro-processing, also have limited knowledge about and access to modern inputs and equipment, and limited knowledge about and/or capacity to implement modern processing techniques, that would respond to increasing market and quality demands at home and abroad. SMEs and agro-processing firms face high costs of firm formalization, operation and financing. Access to finance for small and medium agro-processors and farmers remains constrained. Lending to agriculture by commercial banks accounted for only 11 percent (or US\$1.7 billion) of their total loan portfolio in 2017, while the construction sector, contributing only 12.4 percent of GDP received up to 26 percent (or US\$4.1 billion) of the total loan portfolio. The perceived riskiness of investment in the agriculture sector vis-a-vis that in the construction sector may be the main reason behind the low financing going to the sector. Micro-finance institutions (MFIs) have given more attention to the agriculture sector as they have provided 23.8 percent (or US\$1.16 billion) of their total loan portfolio to the sector.

4. **Infrastructure provision remains a challenge for sector development.** While road connectivity between Cambodia's main cities has considerably improved in the last decade, access to and from remote rural communities remains a challenge for their inhabitants. Farm to market roads ("agriculture roads") are in many places non-existent or in poor condition, not allowing access to production sites or making access and the transport often prohibitively expensive. This also constrains aggregation efforts by traders and middlemen, further aggravating the marketing problems for poor rural smallholders. The situation is compounded by the limited existence of well-organized rural and urban markets where products could be managed, graded and distinctively priced according to individual qualities. There remain large differences between low farm gate prices and retail prices of agricultural products, which is one of the important elements preventing local farmers from gaining more from their production.

5. **Farmers still lack access to on-demand irrigation and adequate water management, which is essential for successful crop diversification and competitiveness.** Though overall Cambodia can be classed as having abundant water resources, its availability is highly variable both temporally and spatially. Even during the wet season, there can be long dry spells and supplementary irrigation is required to avoid crop moisture deficits between rainfall events. Cambodia's agricultural sector, particularly rice production, is vulnerable to climate impacts with temperature increases, changing rainfall patterns and variability, salinity intrusion, and flooding; all threats to the sector's growth, stability, and sustainability. Most existing irrigation schemes have been developed for rice cultivation and would have to be adapted for diversified cropping with different irrigation methods to be introduced, with the specific method depending on the type of crop.

6. **Despite improvements in overall food security, malnutrition remains a persistent human development challenge in Cambodia, mainly due to affordability issues of nutrient rich diets.** The prevalence of undernourishment (per capita caloric insufficiency) declined from over 30 percent in 1992 to 16 percent in 2014 (FAO 2015). However, these improvements have been accompanied by only small improvements in food access (namely geographic and economic access to a diverse, nutrient rich diet). Severe food insecurity remains a challenge only in distinct subnational areas (largely poor and remote); rather the affordability of nutrient dense foods poses a common challenge. Only 21 percent of households can afford a nutritious diet¹ and poor agricultural households are the most food insecure. Most agricultural households can meet their staple food (rice) needs but rely on income and foraging to obtain nutrient-dense foods. Unsurprisingly, child stunting (low height-for-age and a physical manifestation of chronic undernutrition), continues to affect 1 in 3 (32 percent) children under age five in 2014. Stunting is caused most proximately by low nutrient intake and high burden of disease, and negatively affects children in achieving their physical, cognitive, and productive potential. Children in the bottom quintile are twice as likely to be stunted compared to children in the wealthiest quintile. A recent study found that economic losses due to child stunting amounted to US\$130 million per year.

7. **Gender gaps in access to opportunities prevail in the sector.** Women still do not reap their proportional share of benefits from services and technological advances. Extension services and the market for technological inputs do not provide targeted solutions for female farmers and their problems in production, crop and livestock choices. At the same time, there is an increase in mechanization within agriculture. This leads to an increasing demand for financing technological improvements also for women, who have even less access to formal financial markets than men. These changes to the rural life in Cambodia are creating an increased demand for services such as savings markets for remittances, childcare options and the development of a formal agribusiness sector. The Cambodia Socio-Economic Survey (2014) identified a gender earnings gap of about 30 percent among those with low education. The data suggest that female-owned enterprises comprise more than half of the business establishments in Cambodia, but that these establishments are generally smaller, less profitable and less likely to be registered than those owned by males. There is a need to create targeted approaches to ensure men, women and female heads of households actively participate in local public decision making, for example, in relation to the identification of local infrastructure needs.

8. The RGC together with the World Bank, have designed the below-described project which strives to respond to the above-identified issues but providing a comprehensive set of public investments and services to encourage private investment in Cambodia's agri-food sector towards improved sector competitiveness.

II. PROEJCT DESCRIPTION

9. *Project Development Objective (PDO) Statement.* The proposed PDOs are to facilitate the development of diversified agriculture value chains in selected geographical areas in Cambodia, and to provide immediate and effective response in case of an eligible crisis or emergency.

10. **PDO-level indicators.** The achievement of the first part of the PDO will be measured through the following indicators: (a) increase in the volume and value of gross sales at benefitting farms (percentage); (b) increase in the value of gross sales of benefitting agribusinesses (percentage); and (c) share of non-rice production area of participating farmers (percentage).

11. **Project Components.** The Cambodia Agricultural Sector Diversification Project (CASDP) comprises the following five components: (a) Enabling Agriculture Diversification; (b) Supporting Public Infrastructure; (c) Improving Agriculture Information Systems and Quality Control Management; (d) Project Management, Coordination, and Monitoring and Evaluation; and (e) Contingent Emergency Response.

12. The proposed project is designed to enhance market opportunities through an inclusive beneficiary-led and market driven approach leading to enhanced competitiveness and increased capacity to manage climate risks. With an overall investment requirement of US\$101.67 million, including a US\$91.67 million IDA credit. The first two components are closely linked and represent the largest part of the investments and will be modular and scalable and adaptable to geographical areas and commodity/value chains. The third component focuses on institutional strengthening and seeks to enhance the impact of the investments made under the first two components in the medium and long term, ensuring sustainability and possible expansion of benefits across the country.

13. The compilation of value chain support, including technical assistance (TA), productive infrastructure, and financial support services under Component 1, emphasizes the proposed project's close ties between direct support to farmers, producer organizations (POs), and small and medium agribusinesses (SMAs) and the public investments in roads and irrigation infrastructure under Component 2. All public infrastructure investments of Component 2 will be prioritized and implemented as described in selected diversification plans (DPls) prepared under Component 1, applying new civil works codes that reduce vulnerability to climate risks.

14. **Component 1: Enabling Agriculture Diversification.** Component 1 will use a holistic value chain approach that is market and demand driven to build diversified competitive value chains, in which POs and their members can access rewarding domestic and international markets, and SMAs (such as aggregators, processors, input suppliers, distributors, wholesalers) can have access to better quality raw material on a consistent basis, while increasing their absorptive capacity and achieving the quality standards that the markets require. This component is competitive and mostly private sector driven, with the Government having mainly a facilitating role, while providing certain market-linked agricultural extension services (in which it has a comparative advantage) leading to the adoption of new technologies to increase productivity and to enhance resilience to climate risks. The farmers' POs and SMAs will be in a position to determine the type of services and infrastructure and the delivery mechanisms that responds to their needs.

15. *Subcomponent 1.1: Supporting the Preparation and Implementation of Diversified Agricultural Value Chains.* The subcomponent finances (a) awareness raising campaigns, (b) support for teaming up of stakeholders, (c) support for the preparation and evaluation of Diversification Proposals (DPr), (d) support for the preparation and evaluation of performance of the preparation support, and (f) technical support.

- (a) Awareness raising campaigns. The project finances the preparation and implementation of an awareness raising strategy to promote an understanding of the project's scope and objectives through outreach to potential stakeholders and beneficiaries. Awareness raising and dissemination activities will be supported by nongovernmental organizations (NGOs) or firms to ensure that potential beneficiaries have all information and knowledge about project processes and eligibilities.
- (b) **Support for teaming up of stakeholders.** Once the project is known by the public, the project will finance the organization of business networking events, including business roundtables forums and local workshops, for supporting the formation of strategic partnerships among key stakeholders along priority selected value chain, leading to teams that want to conduct business together (such as the POs, SMAs, larger agribusinesses and buyers, financial lenders). Dedicated awareness raising material and events will be used to ensure access, including for women, to all information needed to encourage stakeholders' active participation in the project.
- (c) **Support for the preparation and evaluation of DPr.** Following the awareness raising and information dissemination campaigns in the project provinces, there will be a general Call for Proposals, and interested POs and SMAs can submit initial Diversification Proposals following a standard format. The DPr will consist of one or several business proposals (BPr), one for each PO and SMA, describing the intended private investments and the required public infrastructure investment support (financed under Component 2) needed to support the implementation of the BPr. The BPr will state the business objective and include all involved stakeholders, including the

financial lender (ideally participating in the credit line described in Subcomponent 1.2). It will also include an assessment of the knowledge and investment gap and broadly include the investments and TA that would be needed at farm, PO, and SMA level, including their cost and a simple financial analysis. When needed, POs and SMAs will receive support from a TSP, employed by the project. The DPr and associated BPr will be evaluated by an evaluation committee (EC) led by the Ministry of Economy and Finance (MEF) and including the MAFF, following clear evaluation criteria and judging technical feasibility and contribution to improving nutrition, financial viability, and social and environmental sustainability, as well as to enhance climate resilience. The detailed criteria are elaborated in the Project Operations Manual (POM) and include scored marks for explicit incorporation of GAP/GAHP/GMP, job creation, inclusion of women and youth, and nutrition sensitivity of the proposals. Competitively selected DPr will be endorsed by an Advisory and Endorsement Committee (AEC) for further elaboration, with support from the TSP, into a fully-fledged DPl.

- (d) Support for the preparation and evaluation of full-fledged DPI for selected DPr. The project will ensure provision of TA to teams for the preparation of detailed DPI. Each DPI will have a detailed public infrastructure plan and include one or several detailed business plans (BPI), one for each PO and SMA. Each selected BPI should be technically feasible, financially viable, economically profitable, socially responsible, and environmentally sustainable, and should, when implemented, contribute to a consistent and timely supply of sufficient quantities of quality produce to buyers while providing a reliable income to farmers. Proposed production and processing systems will be designed with the purpose of strengthening resilience and introducing climate smart techniques. TA and infrastructure provision will support adaptation of respective practices. The DPI and associated BPI will be evaluated and selected by the EC and thereafter endorsed by the AEC. Priority will be given to BPIs that can contribute to closing key nutrient gaps in the domestic food system (as identified in the Fill the Nutrient Gap analysis) or exploit improvements in nutrition outcomes through collaboration with other relevant, respective projects. Additionally, criteria prioritize also resilience and climate responsiveness of proposed production and processing systems through a scoring system.
- (e) **Implementation support.** In addition to the core public services to be provided to the BPl beneficiaries as outlined in the DPl, support will be provided to the POs and SMAs to make sure that all the investments and TA are implemented as planned and to the highest standards possible. The objective is to strengthen the implementation readiness at the farmer, PO, and SMA level. This support includes financial literacy to increase the procurement and financial management (FM) capacity of the POs and SMAs.
- (f) **Technical support.** The BPI beneficiaries will also receive core public technical services: (i) training in areas such as agricultural cooperatives (ACs) and contract farming; (ii) TA in areas such as postharvest management, organic farming, climate smart agricultue practices, agricultural machinery, and food safety; (iii) the participation in workshops, fairs, and exchange visits; and (iv) training in environmental and social safeguards.

16. *Prioritization of nutrition-sensitive and/or export-oriented BPIs*. The selection criteria for the DPr are designed to prioritize financing the implementation of nutrition-sensitive and/or export-oriented BPIs. Nutrition-sensitive value chains will be defined as those that can contribute to reducing undernutrition in the Cambodian population. Export-oriented value chains will be defined as those that can contribute to promoting Cambodia's exports of agricultural products. Detailed selection criteria are outlined in the Project Operations Manual (POM).

17. **Subcomponent 1.2: Financing Agriculture Diversification.** To facilitate the financing of the productive investments and TA identified in the approved DPl and associated BPl, the project will set up a credit line, complemented by a matching grant facility predominantly intended for POs, aiming to link to value chains. The financial instruments will finance a broad range of investments at the farm/PO/SMA level as identified in the DPl and BPl, related to agriculture diversification, including processing equipment, on-farm irrigation equipment (drip, microjet, sprinkler, on-farm water storage, and so on), agricultural machinery, (cold) storage, vehicles, packaging and trading equipment, information and communication technology (ICT) solutions, agricultural inputs, and other eligible investments. Development for diversified, irrigated farming will focus on one or more blocks in the existing irrigation schemes where on-farm irrigation rather than gravity rice

irrigation. The project will provide technical advice to beneficiaries to ensure that water and energy efficient technologies will be applied, in particular solar power. Some of the POs may develop small irrigation schemes outside existing irrigation schemes. These schemes will typically be around 20 ha and will use groundwater or surface water from small streams. The credit line and matching grant facility will be available to finance viable schemes.

Credit Line for Agribusiness and Value Chain Development. The US\$30 million), which will be 18 managed by a Treasury Bank (the Agriculture and Rural Development Bank; ARDB), will have two windows, one supporting a broad-based development of the sector while a second one will support value chain development by financing BPI of POs and SMAs from the selected DPI of Subcomponent 1.1. The general credit line window will cater to a broad range of potential borrowers borrowing through the participating financial institutions (PFIs) and will be open to the POs and SMAs and other actors supporting a diversified and competitive agriculture sector. Funding will be available for viable business plans, accepted by PFIs. This Window will provide investments and limited working capital loans for diversified agribusiness development. The second – Diversification Proposal Window (approximately US\$10 million) will be earmarked for the value chains supported/established under Subcomponent 1.1, and will, therefore, aim to finance entire value chains, from producers to the market. Under this window, the value chain participants (including SMAs, POs or others) will borrow for investment in production facilities and assets, for contract farming arrangements, and other suitable value chain financing arrangements. Overall, it is expected that the maximum loan size/exposure to a value chain will reach up to US\$1 million in cases of financing entire value chains or agribusiness investments (where a precondition will be linking farmers to markets). The credit line would be channelled through selected qualified banks, financial institutions and deposit-taking MFIs (PFIs), selected through a due diligence process using criteria agreed with the World Bank, at the outset of the project.

19. *Matching grant facility.* The matching grant facility will provide matching grants to the POs (and their members) involved in selected DPIs supported by the project, to facilitate their links with diversified and competitive value chains led by SMAs or larger agribusinesses and buyers (such as aggregators, agribusinesses, processors, distributors, wholesalers, retailers, and exporters), creating links back to the POs and providing their access to markets. The matching grants will finance up to 40 percent of the portion of the BPI related to the activities of the POs or up to US\$400,000, whichever is lower. Only investments and TA will be eligible for the matching grant co-financing. The remaining 60 percent would be financed either by the beneficiary savings/equity or borrowing from the project's credit line of the DPrs window.

20. **Component 1 Implementation Arrangements.** The Ministry of Agriculture, Forestry and Fisheries (MAFF) is responsible for the implementation of Sub-component 1.1, as well as for the implementation of the Matching Grant Program. The Ministry of Economy and Finance, through the ARDB, is responsible for the implementation of the credit line. An international consulting company with relevant expertise in value chain development (hired under these TOR) will lead the support to the value chain development and support the preparation of BPr and BPl, as well as ensure linkages with the other two components of the project. This work will be done in collaboration with local technical service providers (TSP) hired under separate TORs.

21. **Component 2: Supporting Public Infrastructure.** The component will support government/public actors providing demand-driven, improved infrastructure, such as rural roads and higher-order irrigation infrastructure, for which private sector services are generally not available or accessible. These include off-farm irrigation infrastructure and rural market access roads, identified by the stakeholders in the approved DPIs under Component 1, to improve the PO's ability to diversify crop production through improved and on-demand water availability and transport produce to the markets in an efficient manner that speeds up delivery and minimizes losses. The component will also finance consulting services for design and construction supervision. Removing bottlenecks for productive investments and the provision of public infrastructure is also part of the proposed project's efforts to facilitate MFD intervention by private sector stakeholders.

22. **Subcomponent 2.1: Supporting Irrigated Agriculture.** Many of the POs are expected to develop diversified agriculture in existing irrigation schemes. Led by the MoWRAM, the project will finance selective rehabilitation or upgrading of irrigation water conveyance and distribution systems identified in the DPI prepared under Subcomponent 1.1. The project will not invest in large-scale irrigation infrastructure, and investment support will be provided only in combination and coordination with other value chain diversification measures. Thus, investments under the project will be limited to selective canal lining, construction of control structures, installation of new gates, and so on to ensure that the water can reach the irrigation blocks of the POs practice diversified agriculture on a demand rather than supply-driven basis. It will also include the TA and training to

water user communities and municipalities to strengthen their capacity to operate and maintain the financed irrigation infrastructure, and financing consulting services, as needed to design and supervise the infrastructure investments. Finally, the project will support the MoWRAM and MAFF with the introduction of modern technologies, such as remote sensing and drones, to improve irrigation water management and its monitoring.

23. **Subcomponent 2.2: Supporting Agriculture Roads.** Led by the Ministry of Rural Development (MRD), the project will support the enhancement of connectivity through improving farm-to-market roads (rural roads) identified in the DPl prepared under Subcomponent 1.1. Based on the needs described in the DPl, the existing rural roads will be improved, either paved or unpaved, to increase the impact on productivity and market access of investments delivered as part of Subcomponent 1.2 and contribute to the overall competitiveness of the agriculture sector. The engineering road design will follow adequate civil works codes taking into account the need to ensure resilience of the infrastructure to climate change and extreme weather events. Improved traffic flows on rehabilitated/upgraded roads will decrease GHG emissions per unit transported.

24. **Component 3: Improving Agriculture Information Systems and Quality Control Management.** The objective of Component 3 is to strengthen foundational knowledge, data analysis capacities, and regulatory delivery systems within the public sector and their implementation and enforcement. These will contribute to broad and transparent knowledge and improved decision making of public sector and private actors, with impacts reaching beyond the supported farmers, POs and SMAs. Agriculture information and quality management systems will benefit direct stakeholders as well as farmers, POs, and SMAs that operate in areas not included in the project communes and provinces. The component will also fund analytical and policy advisory work to guide government investments in support of agriculture sector development.

25. **Subcomponent 3.1: Agriculture Information Systems.** The Sub-component will finance investments in the further development and improved use of soil/agroecological maps, agricultural early warning systems, food production and agricultural statistics/census data (agricultural market intelligence and marketing information systems), and potentially others. New technologies in ICT will be promoted to ensure broadest dissemination and best use of available data and information for public and private sector stakeholders' planning and decisions regarding production, processing, and marketing of agriculture products, and services and support will be given for market intelligence to identify medium-and long-term opportunities for suitable products. Funding will be provided for targeted information provision through new and appropriate technologies to reach the participating women farmers with limited access to written material. Information dissemination will include nutrition-related messages and materials relevant to strengthen the nutrition outcomes of the project.

26. **Subcomponent 3.2: Quality Control Management.** Investments to strengthen the effectiveness of plant protection and phytosanitary, animal health, and food safety surveillance, reporting, and inspectorate systems and systems to enforce agricultural input regulations will be supported. This will include support for the development of certification, licensing and other quality control and management services, development and application of regulations on GAPs and organic products, good animal husbandry practices (GAHPs), use of geographic indicators, and so on.

27. Responding to an identified constraint to the development of quality products, the project will provide TA to strengthen the use and promotion of good varieties and quality seed and propagated materials. The project will actively search for an interested PO and/or SMA to establish seed multiplication groups and building their capacity to select good varieties and quality seeds. Technical and material assistance to such alliances/cooperation would follow the approach and conditions as described in Component 1.

28. *Geographical targeting.* The project operates in 12 provinces, plus in Phnom Penh. The provinces have been chosen for their suitable agroecological conditions for high-value products, with Phnom Penh as the location of many potentially participating SMAs. The provinces include: Battambang, Mondulkiri, Stung Treng, Ratanakiri, Preah Vihear, Kampong Cham, Tboung Khmum, Kraties, Siem Reap, Kandal, Kampong Speu, Kampong Chnnang.

III. ACTIVITIES COMPLETED PRIOR TO THE START OF THE ASSIGNMENT

29. Two national Technical Service Providers (TSPs) have been hired under separate TORs (which have been attached as Annex 1 to these TORs) and have started working in the field with potential Producer Organizations (POs). The main objective of the TSP is to assist MAFF in the preparation and implementation of

diversified agriculture value chains. This includes: i) support for organizing business roundtables and workshops and workshops to facilitate the team building of key stakeholders, such as POs, SMAs, larger agribusinesses and buyers and financial lenders; ii) general training and TA to interested team for the translation of business ideas into viable DPr; iii) TA to teams for the preparation of detailed DPl; iv) training to the EC to increase their capacity; and v) implementation support to POs and SMAs.

30. **Geographical division for TSPs.** The TSPs are covering the project areas in the following manner:

- **TSP 1, Team 1:** TSP for Battambang, Siem Reap (118 Agricultural Cooperatives (ACs), 13,234 members)
- **TSP 1, Team 2:** TSP for Preah Vihear, Treng, Ratanakiri, Kratie, Mondulkiri, Tboung Khum (151 ACs, 12,062 members)
- **TSP 2:** TSP for Kampong Cham, Kampong Chhnang, Kampong Speu, Kandal, Phnom Penh (138 ACs, 20,190 members).

31. To date, the TSP have completed the outreach to 240 strong and medium Agricultural Cooperative/Producer groups ACs/POs with representative of ACs/POs, a total membership of 454. The outreach activities included the following the awareness raising workshops, Team up process and supporting to prepare DPr/BPr. The participants included also: SMAs...

IV. ASSIGNMENT OBJECTIVES

32. The Principal objectives of this assignment are to: (i) identify and support development of competitive and nutrition-sensitive value chains; (ii) provide technical advice and training to value chain participants and staff of the participating Ministries as needed; and (ii) strengthen the local business-consulting industry in this domain.

Indicators (all gender-disaggregated	Project-end Target
Increase in the value of gross sales at benefitting farms (Percentage)	30.0%
Increased in the volume of gross sale of benefitting farms (Percentage)	30.0%
Increase in the value of gross sales of benefitting agribusinesses (Percentage)	30.0%
Number of diversification proposals submitted and	150.0
evaluated (Number)	
Number of business plans under implementation	70.0
Number of nutrition sensitive business plans under implementation	15.0
Value Chains supported under this assignment	35.0

33. The assignment is expected to contribute towards achievement of the following indicators:

34. It is expected that a total of around 150 diversification proposals would be developed under these TOR, and at least 70 of them would be developed into full business plans. Please note that a business plan is encouraged to cover more than one diversification proposal. The assignment is expected to support development of up to 35 value chains. Similarly, one value chain can cover more than one business plan. Supporting aggregation of agricultural products is an important aspect of this assignment. The potential outreach (number of beneficiaries reached) under this assignment through the business plans and value chains will be one of the consultant proposal evaluation criteria.

35. *Scope of Work.* The following key activities are expected to be performed by the consultants:

- Working with agribusinesses, producer organizations (ACs and others), off-takers, retailers/supermarkets and other potential value chain participants, identify opportunities for development of competitive value chains, provide necessary assistance of structuring the value chains, supporting the preparation of Business Proposals and Business Plans (during the respective stages), assisting in raising the financing, including loans and matching grants, as well as ensuring functioning of the value chain by providing post-creation support. A wide variety of value chains are expected to be supported, both for export and domestic market, as the case may be. Annex 2 provides additional information on the value chain approach promoted by the project (it should be noted, however, that the approach does not limit support for other types of value chains).
- Provide technical and commodity-specific advice and training to POs, other value chain participants and staff of the participating Ministries as needed. The value chains that have been preliminary identified as having potential during the project preparation are vegetables, pepper, cashew nuts and pork. However, the list is not exclusive and other non-rice value chains would also be eligible for project support. On as needed basis, the consultants will be required to mobilize consultants in the following potential areas: (a) capacity building of producer organizations/agricultural cooperatives in management, corporate governance, financial managements and operations; (ii) functional areas of enterprise management, such as: sales and marketing, packaging, branding, product quality assurance, food safety, international standards (ISO, HACCP, etc.), business planning, management, accounting and financial management and other areas; and (c) commodity-specific technical advice, including on at the production level (varieties, agro-technical advice, etc.) and processing (including technology, equipment). The specific skill requirements will depend on the value chains identified for support. The consultants may be required to deliver demand-based training to value chain participants and MAFF staff in the various areas of value chain support.
- The Consultants should be able to advise on leveraging the financial instruments² (Component 1), public investments (Component 2) and public services (Component 3) to benefit and support the value chain creation.
- Strengthening the local business-consulting industry in this domain. The consultants will work closely with the two selected TSP and the MAFF staff to transfer knowledge and information to build the capacity of the local project participants.

36. **Duration of the assignment.** The initial contract will be extended for 18 months. The tentative personmonth requirement for the first 18 months is attached in Annex 3. The contract may be extended for the entire project period (estimated five (5) years, subject to yearly satisfactory performance reviews.

37. *Working Arrangement, Deliverables and Reporting Requirements*

(a) *Working arrangements.* The Consultants will work closely with, as well as report to, the MAFF.

- (b) *Deliverables.* The Consultants will be responsible for the following main deliverables:
 - Support to at least 10 (ten) value chains in the initial 18 month period, and not less than 25 (twenty five) value chains for the reminder of the project period (provided the contract is extended);
 - Ensuring that all value chains receive the technical, financial and other support required, and they continue to function in the post-creation period;
 - Provision of consulting services in a number of functional and technical areas as indicated in the paragraph 35 above;
 - Close collaboration and transfer of knowledge (training) to TSPs and MAFF staff;
 - Support to project M&E (data and information collection);
 - Quarterly and annual progress reporting.

² It should be noted that the Participating Financial Institutions will have the right to make the final decision on whether to grant the loan financing.

- (c) *Reporting requirements.* Most of reports are expected to be written in English and Khmer, however, exceptions may be agreed. This applies to the updated reports/plans specified below as well as studies, reports, briefers, technical guides or any other document for public distribution (on a case-by-case basis). All reports and plans are subject to written final approval and acceptance by MAFF and the World Bank.
 - **Consultant Annual Work Plan and Budget (CAWPB).** Draft annual work plan and budget under this assignment for each following fiscal year shall be submitted not later than November 1 of each fiscal year during the implementation of the project for a review by MAFF. The final version will be due by November 15, to be incorporated in the projects' AWPB. Work plans shall be organized by main activity and shall include: a timeline for activities; the rationale and expected results for each activity; estimated costs per activity and total budget for each year; designation of responsibility for implementation; and potential constraints to implementation and a plan to mitigate these constraints.
 - *Inception Report.* The Inception Report will be prepared no later than following the first four weeks of work in the country, and will propose the work program for the first 18 months both in terms of which value chains will be supported, in which regions of the country, technical assistance requirements for both value chain structuring and provision of training, training, proposed staffing, and other aspects relevant to the upcoming work. The Inception Report will also provide a proposed progress report format, based on the upcoming work and the project's Results Framework which will be provided to the consultants.
 - Semi-Annual Progress and Financial Reports. The Consultants will be required to meet MAFF requirements for semi-annual technical/progress and financial reports, providing cumulative information on progress achieved toward the project results. The semi-annual performance reports shall be due 15 days after reporting period, and provide a summary for both the six months, and the cumulative progress since the beginning of the assignment. The reports should follow key project indicators and any additional indicators requested and/or approved by MAFF. The performance report shall include at minimum, the following information:
 - ✓ Progress of activities towards the achievement of results;
 - ✓ A comparison of actual accomplishments with the targets established for the period in the Implementation plan based on both activities and indicators;
 - ✓ If established targets from the implementation plan were not met, provide an explanation as to why the targets were not met, and describe the actions that shall be taken to ensure achievement;
 - ✓ Expenditures by sub-element according to framework sub-elements;
 - ✓ Other pertinent information including opportunities and constraints to overall program;
 - ✓ Work Plan for the next Quarter.

Semi-annual financial reports shall be due 15 days after reporting period. Financial projections for the following quarter shall also be included. Financial reports shall also be submitted in conjunction with progress reports by the dates established above.

• *Final Report.* Sixty days prior to the completion date of the contract, an outline of the final report shall be submitted for review and comments. MAFF shall provide comments within 10 working days.

Thirty days prior to Contract completion date, a detailed final report reviewing the results of the work, benchmarks, issues and weaknesses encountered, lessons learned, success stories and priority areas identified for future work shall be submitted. MAFF and the World Bank shall provide comments within 10 working days. Once the final report is approved by MAFF (subject to World Bank's no objection), five hard copies of the final report in English and five in Khmer and the electronic versions in both languages must be submitted to the MAFF.

No	Deliverables	# Time of Schedule 18 months	Payment Schedule %
1	Inception Report	1 months	10
2		1st Quarterly Report	20
	Support to at least 10 (ten) value chains	Semi- Annual Report	20
3	Mobilize the consultants to provide capacity building numbers of potential areas in paragraph 35 above	3rd Quarterly Report	20
4	Transfer of knowledge (training) to TSPs and MAFF staff;	Semi- Annual Report	10
5	Support to project M&E (data and information collection);	5th Quarterly Report	10
6	Final Report	3 months	10
	Total	18 months	100

38. *Inputs ensured by the MAFF*. The MAFF will ensure that the consultants have the necessary offices to accommodate the staff based permanently in the country, as well as short-term visiting consultants; as well as wifi and communications lines.

39. *Key Personnel.* The assignment will be carried out by a consulting company or other organization with the relevant experience specific to the assignment, and with an established track record in implementing mobilization activities in rural areas and experience in agribusiness development programs.

40. At a minimum, the Consultant will have (mostly permanently in country based) Chief of Party (COP)/Project Manager, Deputy Project/HR Manager, an Agribusiness /Value Chain Expert, and a Financial Manager. The Project Manager is expected to have 14 person-months over the 18 months contract period. The other three key personnel are also expected to spend substantive amounts of time in the country. Other experts with skills described in paragraph 35(ii) are mostly expected to be short-term, and the indicative list of expertise with the person-months inputs is attached in Annex 3. The international consultants are expected to be paired up with national consultants under the TA contract, to ensure transfer of knowledge.

41. *The assignment will require the following minimum qualifications*:

(a) <u>Consulting Company</u>:

- Extensive and demonstrated professional experience of at least five years in the areas of agribusiness, rural development, food technology and safety, value chain development and other relevant areas, including in developing and transition countries, and in East Asia;
- Demonstrated experience in implementing similar assignments, supporting private sector commercialization activities, advising agribusinesses, developing farmer cooperation and connecting farmers to value chains;
- Demonstrated experience managing complex programs and technical staff;
- (b) <u>The Lead Consultant</u> is responsible for the overall management of the contract. The candidate must have a track record of successful project management and experience in agricultural value chain development to include:
 - Minimum 15 years of experience in a mix of economic growth, trade, or value chain development, competitiveness, or agricultural development programs;
 - Minimum 5 years of experience in private agribusiness sector;

- Demonstrated success in implementing programs aimed at increasing the competitiveness and inclusiveness of agricultural value chains, preferably with a focus on HVA products;
- Demonstrated knowledge of the latest developments in advancing good/best practices in value chain development;
- Demonstrated creativity, initiative, willingness to innovate, think systemically and design catalytic approaches to intervening;
- Experience as a project manager for large and complex private sector agribusiness development projects;
- The Lead Consultant shall have a relevant graduate degree and must be fluent in English; Khmer would be considered an asset.
- Other desired qualifications include: prior experience in East Asian countries; a proven ability to work collaboratively with the government, World Bank and/or other donors; experience forging partnerships between private sector entities.
- (c) <u>The other three permanently based staff</u> should have:
 - At least 10 years of experience in their relevant fields;
 - A Master (or higher) degree in agribusiness development management, , engineering, agriculture economics or another discipline relevant to their assignment;
 - A proven track record of implementing at least two similar assignments.
- (d) <u>The consultants fielded by the consulting firm</u> should have:
 - At least 7 years' experience in the particular field to which they will be assigned
 - A Master (or higher) degree in agribusiness development management, , engineering, agriculture economics or another discipline relevant to their assignment.

SUMMARY OF THE TERMS OF REFERENCE FOR LOCAL TECHNICAL SERVICE PROVIDERS (TSPs)

1) Support for the preparation and evaluation of Diversification Proposals (DPr): Following the awareness raising and information dissemination campaigns in the project provinces, there will be a general Call for Proposals, and interested Producer Organizations (POs) and Small and Medium Agribusinesses (SMAs) can submit initial Diversification Proposals following a standard format. The DPr will consist of one or several business proposals (BPr), one for each PO and SMA, describing the intended private investments and the required public infrastructure investment support (financed under Component 2) needed to support the implementation of the BPr. The BPr will state the business objective and include all involved stakeholders, including the financial lender (ideally participating in the credit line described in Subcomponent 1.2). It will also include an assessment of the knowledge and investment gap and broadly include the investments and TA that would be needed at farm, PO, and SMA level, including their cost and a simple financial analysis.

The TSP will support the POs and SMAs in the preparation of their DPr and BPr. It's important to mention that the lead, ownership and decisions should always be with the POs and SMAs, however the TSP will regularly meet with the teams, brainstorm with them and advise them, and write parts or even the entire proposals depending on the capacity of the teams. The TSP will also closely work with MAFF, MRD and MoWRAM to ensure that their the technical feasibility of the proposals.

The DPr and associated BPr will be evaluated by an evaluation committee (EC) led by the Ministry of Economy and Finance (MEF) and including the MAFF, following clear evaluation criteria and judging technical feasibility and contribution to improving nutrition, financial viability, and social and environmental sustainability, as well as to enhance climate resilience. The detailed criteria are elaborated in the Project Operational Manual (POM) and include scored marks for explicit incorporation of GAP/GAHP/GMP, job creation, inclusion of women and youth, and nutrition sensitivity of the proposals. Competitively selected DPr will be endorsed by an Advisory and Endorsement Committee (AEC) for further elaboration, with support from the TSP, into a fully-fledged DPl. In these lines, the TSP will provide training to the Evaluation Committee (EC) to strengthen the EC in their ability to evaluate the DPr and associated BPr, including judging their technical feasibility, contribution to improving nutrition, financial viability and social and environmental sustainability.

2) Support for the preparation and evaluation of full-fledged Diversification/Business Plan (DPI) for selected DPr. For the selected DPr, including their BPr, the TSP will closely work with the teams to elaborate the full-fledged DPl, including their detailed public infrastructure plan and one or several detailed business plans (BPl), one for each PO and SMA. Each selected BPl should be technically feasible, financially viable, economically profitable, socially responsible, and environmentally sustainable, and should, when implemented, contribute to a consistent and timely supply of sufficient quantities of quality produce to buyers while providing a reliable income to farmers. Proposed production and processing systems will be designed with the purpose of strengthening resilience and introducing climate smart techniques. As the TSP works with the teams, the ownership and decisions should always be with the POs and SMAs. The TSP will advise the teams and write parts or even the entire plans depending on the capacity of the teams. The TSP will also closely work with MAFF, MRD and MoWRAM to ensure the technical feasibility of the plans.

The DPI and associated BPI will be evaluated and selected by the EC and thereafter endorsed by the AEC. Priority will be given to BPIs that can also contribute to closing key nutrient gaps in the domestic food system (as identified in the Fill the Nutrient Gap analysis) or exploit improvements in nutrition outcomes through collaboration with other relevant, respective projects. Additionally, criteria prioritize also resilience and climate responsiveness of proposed production and processing systems through a scoring system. The TSP will provide TA to the EC to strengthen their capacity to evaluate the DPI and associated BPI.

3) <u>BPI implementation support.</u> The TSP, in close collaboration with the MAFF, will provide implementation support to POs and SMAs, to make sure that all the investments and TA are implemented as planned and to the highest standards possible. The objective is to strengthen the implementation readiness

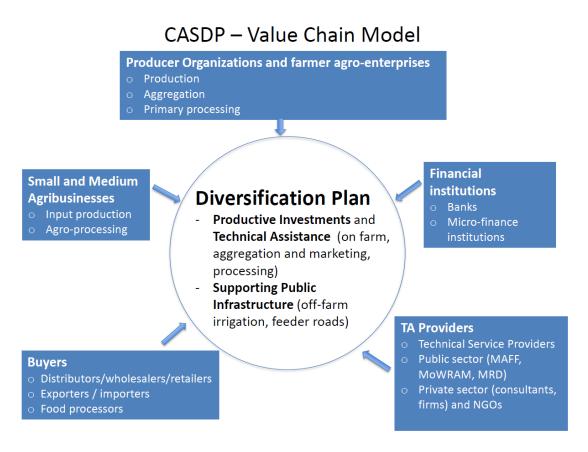
at farmer, PO and SMA level. This support includes also financial literacy to increase the procurement and financial management capacity of POs and SMAs. For this, the TSP will work directly with the teams and support the teams in their procurement processes, reaching a learning by doing objective.

- <u>4)</u> <u>Deliverables.</u> The TSPs will be responsible for the following deliverables:
 - Organization and implementation of networking events
 - Awareness raising and information dissemination
 - Preparation assistance and quality assurance of BPr and BPl
 - Compliance of BPr and BPl with the project"s social and environmental safeguards
 - Training to project stakeholders
 - Support to project M&E (data and information collection)
 - Quarterly and annual progress reporting.

PROJECT APPROACH TO VALUE CHAIN DEVELOPMENT

- 1. Key stakeholders of value chains:
 - (a) Producer Organizations (PO): involved in production, aggregation, primary processing
 - (b) Small and Medium Sized Agribusinesses (SMA): involved in downstream activities, such as agro-processing, but could also be in upstream activities, such as seed or seedling production. Includes aggregators, processors, input suppliers, importers, distributors, wholesalers, supermarkets.
 - (c) **Buyers / Larger Agribusinesses:** Includes larger agro-processors, distributor, wholesaler, retailer, exporters, etc.
 - (d) **Financial institutions:** Banks and microfinance institutions (ideally participating in the credit line described in Subcomponent 1.2)
 - (e) **TA Providers: Service providers (including the** TSPs) associated to the area, public sector actors (MAFF, MoWRAM, MRD), private sector (consultants and firms) and NGOs.

2. The figure below helps to visualize the stakeholders involved in the preparation of the DPr and DPl and the main ticket items to be included into it.

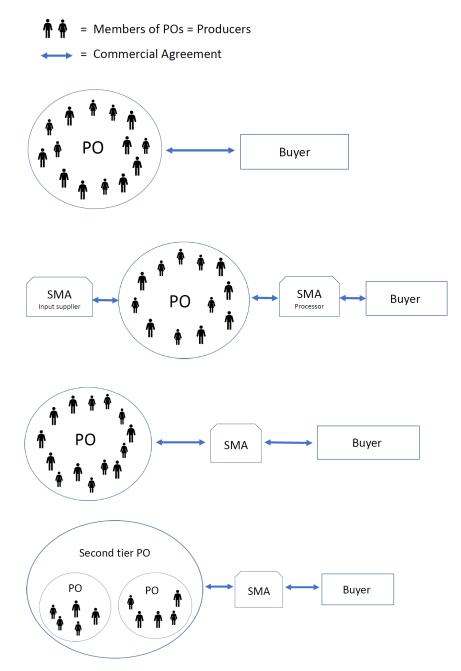


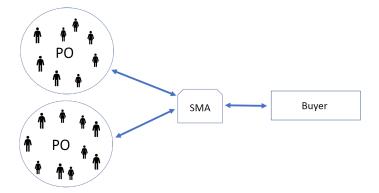
3. **Composition of teams and commercial agreements:** As further described in the Project Operations Manual (POM), there is flexibility in the composition of stakeholders for one DPr. It can reach from only one PO selling to a larger buyer (where only the PO would directly benefit from the Project, but where the buyer is included in the DPr), to models with one PO and one SMA plus a buyer (where the PO and the SMA benefit), or even DPr with a number of SMAs. For example, there might be a seedling producing SMA that gets into an agreement with a PO to sell their seedlings to the PO, and a processing SMA gets into an agreement with a PO to buy its production according to the specification agreed in the agreement. If two or more POs would like to organize themselves into a formal second tier PO, to reach economies of scale, that would also work. At DPr

stage, a simple letter of intent for each commercial relationship in a BPr will be enough. With this structure, the projects intends to integrate farmers into value chains, on one hand horizontally by working together as a group, and on the other hand vertically by having commercial agreements with other value chain actors.

4. Below some examples of team compositions without including the financial institutions and TA providers:

Examples of composition of teams





Support for the preparation and evaluation of DPr: Following the awareness raising and information 5. dissemination campaigns in the project provinces, there will be a general Call for Proposals, and interested POs and SMAs can submit initial Diversification Proposals following a standard format. The DPr will consist of one or several business proposals (BPr), one for each PO and SMA, describing the intended private investments and the required public infrastructure investment support (financed under Component 2) needed to support the implementation of the BPr. The BPr will state the business objective and include all involved stakeholders, including the financial lender (ideally participating in the credit line described in Subcomponent 1.2). It will also include an assessment of the knowledge and investment gap and broadly include the investments and TA that would be needed at farm, PO, and SMA level, including their cost and a simple financial analysis. When needed, POs and SMAs will receive support from a TSP, employed by the project. The DPr and associated BPr will be evaluated by an evaluation committee (EC) led by the Ministry of Economy and Finance (MEF) and including the MAFF, following clear evaluation criteria and judging technical feasibility and contribution to improving nutrition, financial viability, and social and environmental sustainability, as well as to enhance climate resilience. The detailed criteria are elaborated in the Project Operational Manual (POM) and include scored marks for explicit incorporation of GAP/GAHP/GMP, job creation, inclusion of women and youth, and nutrition sensitivity of the proposals. Competitively selected DPr will be endorsed by an Advisory and Endorsement Committee (AEC) for further elaboration, with support from the TSP, into a fully-fledged DPl.

6. In addition, the selected TSP will provide training to the Evaluation Committee (EC) to strengthen the EC in their ability to evaluate the DPr and associated BPr, including judging their technical feasibility, contribution to improving nutrition, financial viability and social and environmental sustainability.

7. Both the format and the DPr and the selection criteria of it are further described in the POM and Annexes.

8. **Support for the preparation and evaluation of full-fledged DPI for selected DPr.** The project will ensure provision of TA to teams for the preparation of detailed DPI. Each DPI will have a detailed public infrastructure plan and include one or several detailed business plans (BPI), one for each PO and SMA. Each selected BPI should be technically feasible, financially viable, economically profitable, socially responsible, and environmentally sustainable, and should, when implemented, contribute to a consistent and timely supply of sufficient quantities of quality produce to buyers while providing a reliable income to farmers. Proposed production and processing systems will be designed with the purpose of strengthening resilience and introducing climate smart techniques. TA and infrastructure provision will support adaptation of respective practices. The DPI and associated BPI will be evaluated and selected by the EC and thereafter endorsed by the AEC. Priority will be given to BPIs that can also contribute to closing key nutrient gaps in the domestic food system (as identified in the Fill the Nutrient Gap analysis) or exploit improvements in nutrition outcomes through collaboration with other relevant, respective projects. Additionally, criteria prioritize also resilience and climate responsiveness of proposed production and processing systems through a scoring system.

9. In addition, the TSPs will provide TA to the EC to strengthen their capacity to evaluate the DPl and associated BPl.

10. Both the format and the DPl and the selection criteria of it are further described in the POM and Annexes.

11. <u>BPI implementation support.</u> The TSP, in close collaboration with the MAFF, will provide implementation support to POs and SMAs, to make sure that all the investments and TA are implemented as planned and to the highest standards possible. The objective is to strengthen the implementation readiness at farmer, PO and SMA level. This support includes also financial literacy to increase the procurement and financial management capacity of POs and SMAs.

Annex 3

Indicative List of Short-Term Expertise Required During the First 18 Months

No	Indicative Required Expertise and Time Allocation During the Initial (18 Months) Contract Period	Brief Terms of Reference (TOR)
1.1	International Agriculture/Horticulture specialist (9 person-months)	 Provide technical support to the planning and implementation of agriculture/horticulture value chains Fill the gaps in advisory services of MAFF extension system Review business plans and support technical implementations planning
1.2.	National Agriculture/Horticulture specialist (12 months)	 Provide technical support to producers/groups in planning and implementation of agriculture/horticulture value chains Provide related capacity building and knowledge transfer to project teams/MAFF extension system Review business plans and support technical implementation planning
2.1	International Food Safety specialist (12 months)	 Provide advice on food safety and hygiene in production and processing Advice on necessary investments and capacity building to comply with international market demands Advice on the implementation of GAP and GMP principles
2.2	National Food Safety specialist (ISO17025 specialist) (min. 6 months, max 12 months)	 Advice to MAFF on testing and calibration of (MAFF) food safety laboratories Review lab facilities and assess staffing background with regard to certification requirements Prepare a capacity building plan to ensure standards can sustainably be complied with
3.1	International Consultant for post- harvest management, processing (6 months)	 Provide technical assistance in post-harvest management, quality assurance Identify and suggest public and private investments to reduce losses and improve quality Provide assistance in identifying appropriate processing technologies and related/relevant machinery requirements
3.2	National Consultant on post- harvest management (14 months)	 Provide technical assistance to farmers/groups in post-harvest management Provide assistance in identifying appropriate technologies and related/relevant machinery requirements Support MAFF project teams in providing relevant advisory services
4.1	International Consultant on organic farming (max. 6 months)	 Advice on a strategy for certified-organic value chains and harvesting the benefits from such Provide technical advice on useful and applicable international organic standards and certification requirements Review and provide advice in strengthening the regulatory environment for adherence to international certifications
4.2	National Consultant on organic farming (9 months)	 Support farmers/groups and SMEs in implementing certified organic management systems Advice farmers and SMEs on appropriate certifications and certification processes Assist the international organic farming consultant in training and capacity building
5.1	International Consultant on industrial crop production (1 month)	 Provide advice on potential industrial crops (other than rice) for high value chains in the Cambodian/project context Review available advisory capacities in MAFF and in private sector and suggest capacity building Assist in review and implementation of business proposals including industrial crop value chains
5.2	National Consultant on industrial crop production (3 months)	 Provide advice to farmers/groups on potential industrial crops for high value chains in the Cambodian/project context Supplement available advisory capacities in MAFF and in private sector and support capacity building Assist in review and implementation of business proposals including industrial crop value chains
6.1	International Consultant on small- scale on-farm irrigation (1 month)	 Provide assistance in identifying appropriate on-farm irrigation techniques/technologies Technical assistance for investment planning, implementation and management of small-scale irrigation Provide capacity building and knowledge transfer to relevant MAFF institutions
6.2	National Consultant on small-scale on-farm irrigation (3 months)	 Provide capacity building and knowledge transfer to relevant WHTT institutions Provide assistance in identifying appropriate on-farm irrigation techniques/technologies and relevant suppliers Provide assistance to farmers/groups for investment planning, implementation and management of small-scale irrigation Provide capacity building and knowledge transfer to relevant MAFF/MoWRAM institutions/project teams

7.1	International Consultant on agricultural machinery (2 weeks)	 Provide advice on adequate machineries for effective and efficient sustainable practices in agriculture production Provide advice on adapted machinery management practices in the project context Identify requirements in MAFF capacities and support filling the gaps for successful project implementation
7.2	National Consultant on agricultural machinery (2 weeks)	 Provide advice on adequate machineries for effective and efficient sustainable practices in agriculture production Provide advice on adapted machinery management practices in the project context Identify requirements in MAFF capacities and support filling the gaps for successful project implementation
8.1	International Livestock specialist (GAHP, Feed quality control, animal health) (10 months)	 Assist in identifying and promoting productive alliances in the livestock sector Provide assistance to producers in complying with GAHP Assist MAFF in developing an operational system for feed quality control Assist MAFF in strengthening its advisory services on animal health, in particular to productive alliances in the livestock sector
8.2	National Livestock specialist (GAHP, Feed quality control, animal health) (12 months)	 Provide technical assistance to productive alliances in the livestock sector Provide training to producers in complying with GAHP Assist in developing an operational system for feed quality control
9.1	International Consultant for Agricultural Market Access Facilitation (3 months)	 Assist MAFF in providing marketing advice and support to productive alliances Assess regional and international market opportunities for project-supported value chains Advice on market requirements for specific products and specific markets/countries, e.g. honey
9.2	National consultant for agriculture market access facilitation (9 months)	 Assist the international consultant in providing marketing advice Promote the understanding of farmers/groups and SMEs of domestic and international market demands Support the development of individual marketing strategies for project value chain products/sub-projects
10.1	National Consultant for business event and networking (6 months)	 Assist in reviewing value chain plans and support implementations Identify gaps and facilitate efficient and effective value chain development/implementation Facilitate the planning and conduct of business matching events Identify potentially matching technical, marketing, financial partnerships