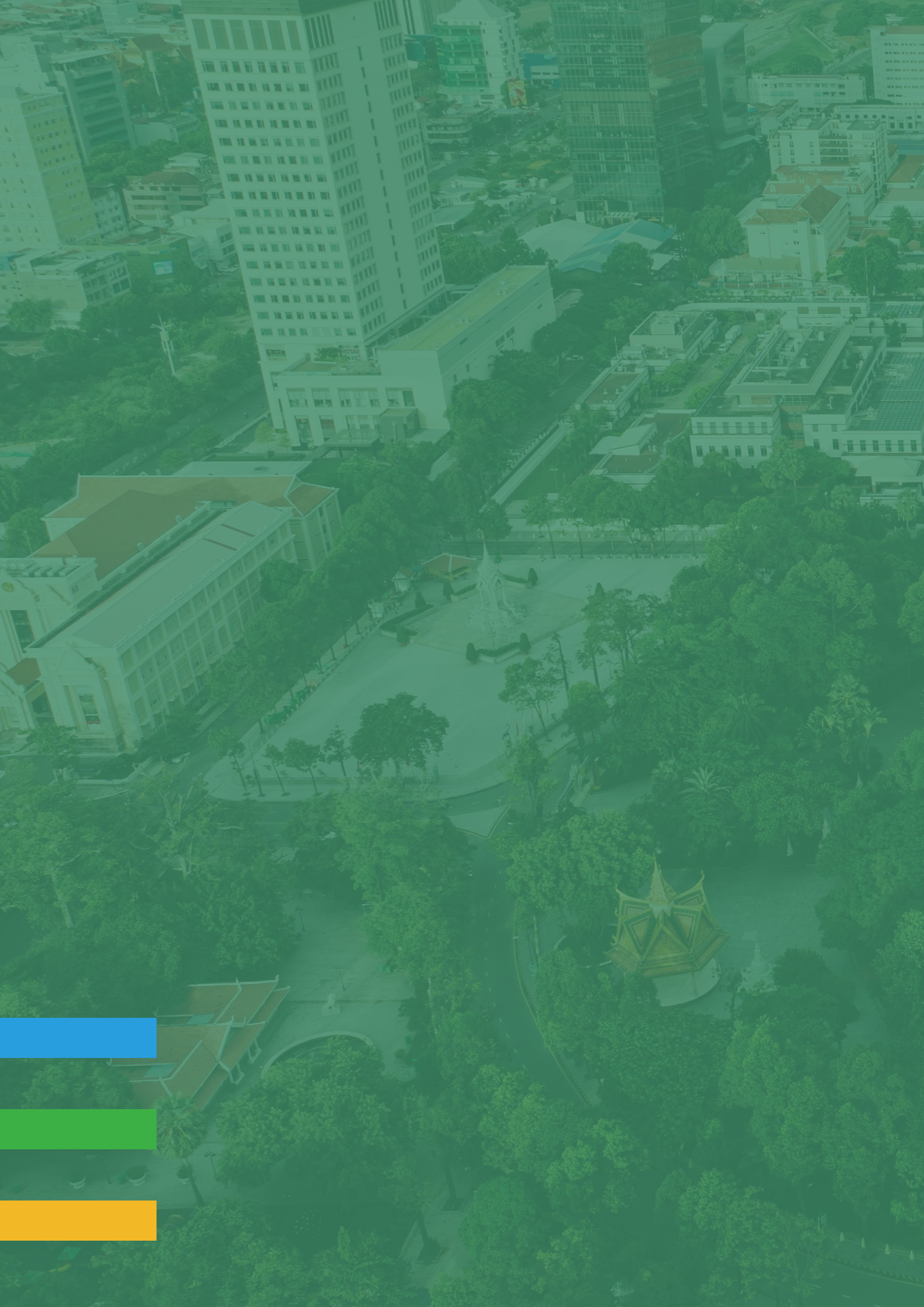


STRATEGY 2022-2027







Executive Summary

This document outlines the strategy for implementing the Cambodia Australia Partnership for Resilient Economic Development (CAPRED) Facility, a five-year initiative (2022-2027) with a possible three-year extension. CAPRED is Australia's flagship economic development program in Cambodia, building on a long history of support. It represents Australia's commitment to Cambodia's long-term development, transitioning from direct aid delivery to a partnership-based approach. Funded by the Australian Government with a budget of AUD87 million, CAPRED is implemented by Cowater International. Its focus is on resilient, inclusive, and sustainable economic development for Cambodia.

CONTEXT

Cambodia has achieved impressive economic growth over the past 25 years, with notable progress in gross domestic product (GDP) and income per capita. However, challenges remain, including a narrow economic base, a need for diversified foreign direct investment (FDI), and the imperative to modernise agriculture. Competitiveness issues, inequality, and vulnerability to climate change are also key concerns.

CAPRED aligns with Australia's new development policy, which focuses on inclusive, resilient, and sustainable growth. It supports Cambodia's national development strategies, including the Pentagonal Strategy, which aims to achieve upper-middle income status for the country by 2030. CAPRED also complements the Royal Government of Cambodia's (RGC's) Economic Recovery Strategy following the pandemic and aligns with various RGC policies and frameworks.



PROGRAM LOGIC AND THEORY OF CHANGE

CAPRED's long-term goal is to ensure that all Cambodians, regardless of gender, ethnicity or physical ability, benefit equally from increased access to, and participation in, Resilient, Inclusive, and Environmentally Sustainable Economic Growth (RISE). Specifically, this involves promoting growth opportunities that protect the natural environment, adapt to climate change, and provide stability and prosperity for all Cambodians. The program's theory of change involves supporting the public sector and private sector to pursue RISE, and this will be achieved through **five Intermediate Outcomes**:



Policies (IO1): Targeted RGC agencies have better capacities and more incentives to develop and implement evidence-based policies that enhance sustainable, resilient, and/or inclusive growth in CAPRED work areas.



Markets (IO2): Targeted markets include better linkages and standards that expand sustainable, resilient, and/or inclusive growth in CAPRED work areas.



Technologies (IO3): Targeted RGC and private sector organisations adopt selected technologies that enhance sustainable, resilient, and/or inclusive growth in CAPRED work areas.



Finance (IO4): Targeted private sector organisations utilise selected financial investment mechanisms that enhance sustainable, resilient, and/or inclusive growth in CAPRED work areas.



Women's Economic Empowerment (IO5): Targeted women have increased capacity and opportunities to engage in CAPRED work areas.

CAPRED STRUCTURE, CONTENT, AND LINKAGES TO RESULTS

CAPRED is structured into 10 portfolios of interventions (three cross-cutting portfolios and seven technical portfolios). These interventions are the basic building blocks of the strategy and are designed to be implemented flexibly over the program's duration. Implementation will be guided by annual work plans and budgets. The interventions involve a range of approaches to achieve their objectives, including:

- **Policy Development:** CAPRED will support the government to ensure policy is effectively implemented, monitored, and evaluated. The program will utilise both 'bottom-up' and responsive 'top-down' methods in policy development. The Facility's strength lies in generating unique field-based data to keep policy-makers informed about changing market conditions and challenges. CAPRED will collaborate with the RGC, private sector, business organisations, other donors, and civil society in identifying problems and crafting solutions.

- **Approach to Market Interventions:** CAPRED’s support to markets is informed by the Market Systems Development (MSD) approach. The program recognises that poor individuals are already participating in markets but face barriers to full inclusion. CAPRED, drawing from the success of the Cambodia-Australia Agricultural Value Chain Program (CAVAC) in agricultural markets, aims to catalyse positive change in markets by designing interventions that address the root causes of market failure.
- **Approach to Innovation and Scale:** The success of CAPRED hinges on its ability to extend its impact beyond its primary beneficiaries, reaching a broader and more profound sphere of influence. To achieve this, CAPRED will implement a scaling approach whenever possible as it moves through the stages of concept testing, piloting, and evaluation, followed by scaling.
- **Adaptive Management Approach:** CAPRED will operate as an innovative, adaptable, and learning organisation. It is designed to be flexible and will seize emerging opportunities to advance RISE. The strategy is a snapshot taken at a specific point in time and is meant to be a dynamic, evolving document. Given CAPRED’s span of five to eight years, much of the work is currently in the early stages, with many interventions in the planning or pilot phase. Hence not all intervention areas outlined in the strategy will be pursued simultaneously or with the same level of intensity. CAPRED will prioritise investments based on their potential impact and the results of evaluations.
- **Approaches to Program Delivery:** CAPRED’s main tools and services include:
 - Grants: CAPRED funds and supports innovative initiatives and investments that promote transformation in CAPRED domains.
 - Evidence: CAPRED generates and disseminates evidence about markets, policies, and practices to targeted stakeholders in CAPRED domains.
 - Technical Assistance: CAPRED provides technical assistance to strengthen investments and organisational performance in CAPRED domains.
 - Pilots: CAPRED develops, tests, and evaluates innovative initiatives in CAPRED domains.
 - Policy Dialogue: CAPRED supports and facilitates engagement and advocacy related to selected economic policies in CAPRED domains.
 - Coalition Building: CAPRED connects people, ideas, and resources to promote and leverage change in CAPRED domains.

All of these tools will incorporate relevant DFAT-mandated safeguards, along with specific measures to prevent negative climate and environmental impacts and to ensure inclusive participation of all potential beneficiaries.

- **Program Governance:** Government support and ownership are crucial for CAPRED’s success. A Program Steering Committee has been formed for key ministries to transparently coordinate CAPRED’s implementation. This ensures that the RGC has a strong voice in program development, design, and review. Independent evaluations will be conducted, and a Quality Technical Advisory Group (QTAG) has also been established to act as an external critical advisor on matters of program performance.

THE CROSS-CUTTING THEMES

CAPRED has three cross-cutting themes: Policy Support; Gender Equality, Disability, and Social Inclusion (GEDSI); and Climate Resilience. All of these utilise a twin track approach by using both targeted and integrated (mainstreamed) activities.

- **Targeted:** Activities that focus on the specific challenges posed by the cross-cutting themes. For example, specific challenges faced by marginalised groups in areas such as the care economy, closing the climate financing gap, or supporting the policy cycle in the Ministry of Economy and Finance and the Council of Ministers.
- **Integrated:** Cross-cutting themes are infused into all CAPRED activities both internally (e.g., human resources policies and communications) and externally (ensuring managers apply these themes in their interventions).



Policy Support (Policy Hub)

Cambodia is at an economic crossroads. Global shifts and trends can benefit Cambodia, but effective economic policies are needed to realise this potential. Current growth is driven by investments that are not well-integrated within the broader economy, and policymaking is hindered by inadequate data utilisation and sub-optimal inter-ministerial collaboration.

Targeted Interventions: CAPRED will establish a Policy Hub that has three primary functions to address national-level policy:

- Drive policy reforms through practical investments, emphasising evidence-based and inclusive dialogue;
- Enhance policy coordination institutions and establish partnerships with key stakeholders, ensuring evidence-based and inclusive policymaking;
- Promote the responsiveness of the government to private sector needs, emphasising the enhancement of government–private sector dialogue mechanisms.

Integrated Interventions: CAPRED aims to enhance policy development by integrating comprehensive and timely data generated from monitoring various activities and investments. This data will be used to craft policy and market briefs that inform and support policy dialogue across the Facility, focusing on industry and market conditions. CAPRED will also conduct in-depth research on various topics such as competitiveness, economic diversification, and climate change, using big data where feasible.

In addition, the Policy Hub will support technical teams and other cross-cutting areas to apply best practices in inclusive policy development processes across all relevant interventions. A policy assessment tool will be developed to monitor and evaluate progress on a continuous basis.



Gender Equality, Disability and Social Inclusion (GEDSI)

CAPRED takes a comprehensive approach to address GEDSI challenges in Cambodia’s economic growth trajectory. The strategy is based on the CAPRED Theory of Change and the Gender at Work framework from the Australian Government’s Department of Foreign Affairs and Trade (DFAT). CAPRED recognises that economic growth is closely tied to GEDSI transformation, noting that advancing inclusivity can boost GDP and reduce the individual burden and economic costs of inequality.

The strategy underscores the conviction that promoting inclusion is essential for realising resilient, inclusive, and sustainable economic growth, and achieving economic, political, and environmental sustainability in Cambodia. Key themes of the GEDSI strategy include addressing underlying social norms, promoting women’s representation as business owners and leaders in the private sector, and promoting GEDSI-transformative policies and practices in government policy and the private sector. The program will also focus on addressing the rural–urban gap and promoting the enhanced economic participation of minority communities.

CAPRED will take an intersectional approach (i.e., recognising overlapping forms of discrimination; e.g., a poor woman with a disability). This will be integrated by considering factors such as gender, disability, age, ethnicity, and location. GEDSI indicators (quantitative and qualitative) will be used to assess GEDSI outcomes and make improvements.

Targeted Interventions: CAPRED will advance the adoption of Gender Responsive Budgeting by collaborating with appropriate ministries and stakeholders. The focus will be on identifying and addressing policy barriers that hinder GEDSI outcomes using practical, field-based evidence gathered through collaboration, and fostering evidence-based policy dialogues with the government. CAPRED will also promote the care economy, emphasising the need for care services thereby enabling women’s economic participation, and exploring viable models for public and private investment in care services.

Integrated Interventions: CAPRED will integrate GEDSI across its interventions. By enhancing policies and building capacities, it will promote GEDSI through data-driven tools, focusing on inclusivity and mitigating negative impacts. It will concentrate on identifying gender disparities, ensuring all decisions align with the interests of women, men, and marginalised groups.



Climate Resilience

Cambodia is highly vulnerable to climate change, facing rising temperatures and more frequent extreme weather events. Even if global emissions of greenhouse gases cause an overall increase in temperature of less than 2°C, Cambodia's GDP is expected to fall by 2.5% by 2030 and 9.8% by 2050. The government has committed to achieving net-zero carbon emissions by 2050, but there is a need for increased capacity and resources to ensure that this is implemented.

Cambodia's Nationally Determined Contribution (NDC) commitments for 2030 require approximately USD8 billion, which exceeds the government's budget capacity. External funding and private sector investment will be crucial. CAPRED is well-positioned to support Cambodia in achieving its NDC commitments, focusing on inclusive investments in infrastructure (water and clean energy) and the agriculture value chain.

This also aligns with Australia's International Development Policy, which emphasises help for partner countries to enable them to build resilient food, water, and energy systems, and protect against climate-induced damage.

Targeted Interventions: CAPRED's climate portfolio focuses on two areas: closing the NDC financing gap; and strengthening the financial sector's climate capability. This will involve supporting the Cambodia Climate Financing Facility and assisting the National Bank of Cambodia to establish a green finance regulatory framework. Partnership and coordination are key to achieving this, and CAPRED will join the Cambodia Climate Change Alliance (CCCA) to support the National Council for Sustainable Development and collaborate with key partners, such as the United States Agency for International Development (USAID), the Asian Development Bank (ADB), the United Nations Development Programme (UNDP), and the German Development Agency (GIZ) to achieve complementarity.

Integrated Interventions: CAPRED will bolster climate adaptation and mitigation across its portfolio by using the Disaster Risk Reduction and Climate Change (DRRCC) screening tool to determine disaster and climate change risks for each intervention. CAPRED has identified four main areas for its portfolio to significantly contribute to climate finance: climate-smart agriculture; climate-resilient infrastructure; climate-resilient enterprises and supply chains; and climate-responsive policies.



Agriculture and Agro-Processing

Agriculture has been vital for Cambodia’s economy, contributing significantly to GDP growth and poverty reduction over the past three decades. It represents 20% of GDP and employs a significant portion of the population. Current challenges include declining productivity, urban expansion, and rural–urban migration, along with climate change and the poverty and exclusion that go hand-in-hand with smallholder farming systems. For sustainable growth, the sector needs higher productivity, reduced costs, strengthened climate resilience, and better market access. Therefore, CAPRED will focus on crops with high export potential, such as rice, cashews, cassava, mangoes, and bananas.

This portfolio will focus on the following areas of work:

- **Agricultural Productivity and Competitiveness:** Cambodia’s agricultural productivity is low compared with neighbours such as Vietnam. Many challenges exist, such as outdated farming practices, poor soil health, and reliance on low-quality inputs. CAPRED aims to improve input quality, mechanisation, and innovative technologies including digital technologies, drones, and better water management practices.
- **Market Linkages:** Cambodia’s agriculture mainly consists of smallholder farms whose small-scale production leads to inefficiencies in the supply chain. CAPRED plans to establish trust between producers and buyers at the start of the value chain by testing various models like contract farming and the use of technology to optimise supply chains.
- **Research and Agro-Processing Technologies:** Weak research and dissemination have hindered the food industry. CAPRED will support the establishment of a research ecosystem, help the Cambodian Agricultural Research and Development Institute (CARDI) to become a world-class research organisation, and explore the establishment of a food innovation centre.
- **Agro-Processing and Value Addition:** Cambodia’s food industry is in its early stages, with most produce sold in local markets or to neighbouring countries. Modernising agro-processing is vital for value addition and growth. CAPRED will focus on high-value crops that attract global demand, and support the establishment of Agri-food Industrial Parks (AIPs). CAPRED will also pilot sustainable, zero waste business models.
- **Access to Agricultural Finance:** Agricultural credit represents a small portion of formal finance, and debt is a significant concern, especially for women in rural areas. CAPRED will cautiously support initiatives that offer tailored financial products for both men and women. Digital tools will be explored for supply chain optimisation, and the program will link processors and exporters further along the value chain, with investors.



Trade, Investment and Enterprise Development

Cambodia aims to achieve upper middle-income status by 2030, following its elevation to lower middle-income status in 2015. Economic diversification and integration are central to Cambodia's development strategy. The Cambodia Trade Integration Strategy 2019–2023 emphasises the link between trade expansion and poverty reduction, gender equality, and inclusivity. Cambodia actively participates in international economic integration initiatives such as the Association of Southeast Asian Nations (ASEAN), the Regional Comprehensive Economic Partnership (RCEP), and the World Trade Organization (WTO).

- **Trade:** Cambodia, classified as a Least Developed Country (LDC), benefits from the European Union's (EU's) duty-free quota-free initiative (the Everything-but-Arms Scheme), but its LDC status may change by 2030, requiring strategic planning. CAPRED will assist Cambodia in preparing for graduation from LDC status, supporting the government in applying for second-best tariff preferences and meeting multilateral trade commitments. CAPRED will leverage existing and upcoming free trade agreements (FTAs) to boost exports and investment, with a focus on sectors that have inclusive impact.
- **Investment:** Cambodia's growth relies heavily on Foreign Direct Investment (FDI), particularly from China, with a concentration in specific sectors such as construction. CAPRED will focus on supporting national-level policies and legal frameworks for more diverse investment, with a particular emphasis on agriculture, energy, and climate change. The program will work to attract more FDI in the food sector, strengthening local enterprises for viable investment partnerships.
- **Enterprise Development:** Nearly 90% of Cambodian businesses are micro, small and medium-sized enterprises (MSMEs), but only 5% of these are formally registered due to bureaucratic complexity and associated costs. CAPRED will work to support the government's policies for business formalisation, tailoring registration processes for different enterprise types, with a focus on addressing gender disparities. The program will also prioritise GEDSI-transformative enterprises, aiming to improve access to finance and create more inclusive workplaces.



Infrastructure Development (Water and Energy)

Better infrastructure development is crucial for sustainable economic growth in Cambodia. An estimated USD28–30 billion in investments will be needed between 2016 and 2040 to achieve this. Private sector involvement is increasingly important as Cambodia transitions from LDC status. Currently, 57% of infrastructure investments are externally financed, with the Japan International Cooperation Agency (JICA), ADB, and China’s Exim Bank being major contributors. CAPRED aims to enhance infrastructure development in Cambodia by focusing on the water supply, renewable energy, energy efficiency, and electrification in remote areas.

- **Piped Treated Water:** Urban areas of Cambodia have over 70% coverage, while only 47% of rural areas have access to piped water. An investment of USD264 million is needed to provide piped water to the remaining villages. Viability Gap Financing (VGF) has been successful, but challenges remain, including policy advocacy, financing for rural households, sector fragmentation, and climate resilience. CAPRED will work with up to 20 private water operators to continue to test and refine the VGF model. CAPRED will continue to support the Ministry of Industry, Science, Technology and Innovation (MISTI) to establish the Water Development Fund, provide capacity building, support better regulation of the sector, and promote improved private sector representation through the Cambodian Water Association.
- **Variable Renewable Energy (VRE):** VRE includes wind, solar, tidal, and hydroelectric power. VRE comprises 9.9% of Cambodia’s energy mix, with 376.8 MW from photovoltaic solar. The government aims for VRE to reach over 34.3% of domestic installed capacity by 2040. CAPRED is working to support a VRE-friendly regulatory framework. The Facility will work with the Ministry of Mines and Energy, the regulator, and the national energy utility to build the capacity to integrate VRE into the grid. CAPRED is also funding EnergyLab to support ongoing technical advice and advocacy for the government’s planned energy transition.
- **Energy Efficiency:** Efficiency measures are a crucial aspect of government plans to meet increased energy demand over the coming decade. The goal is to save 1,215 MW by 2030. Investment in new equipment and processes is needed, and there is potential for Energy Service Companies (ESCOs) to thrive in the Cambodian economy. CAPRED will undertake pilot projects between ESCOs and businesses, starting with agro-processing, to create proof of concept that could be adopted across multiple industries.
- **Mini-Grid Electrification Project:** CAPRED will partner with a private sector provider to conduct a feasibility study for a mini solar farm to electrify off-grid villages in remote areas, followed by providing VGF for the project.



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ABBREVIATIONS

3i	Investing in Infrastructure
AAER	Adopt, Adapt, Expand and Respond
AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ADB	Asian Development Bank
AFD	Agence Française de Développement
AFID	Agri-food Investment Desk
AIP	Agri-food Industrial Park
ASEAN	Association of Southeast Asian Nations
CAPRED	Cambodia Australia Partnership for Resilient Economic Development
CARDI	Cambodian Agricultural Research Development Institute
CAVAC	Cambodia-Australia Agricultural Value Chain Program
CBAM	Carbon Border Adjustment Mechanism (European Union)
CCCA	Cambodia Climate Change Alliance
CCFF	Cambodian Climate Finance Facility
CCNF	Cambodia Cashew Nut Federation
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Resource Institute
CEFP	Committee on Economic and Financial Policy
CNai	A gender-inclusive business development accelerator
COVID-19	Coronavirus Disease
CRF	Cambodia Rice Federation
DFAT	Department of Foreign Affairs and Trade (Government of Australia)
DRR	Disaster Risk Reduction
DRRCC	Disaster Risk Reduction and Climate Change
EDC	Electricité du Cambodge
EE	Energy Efficiency
EMS	Environmental Management System
EOFO	End of Facility Outcome
ESCO	Energy Service Company
ESG	Environmental, Social and Governance
EU	European Union

FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GAP	Good Agricultural Practice
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEDSI	Gender Equality, Disability and Social Inclusion
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German development agency)
GMP	Good Manufacturing Practice
G-PSF	Government-Private Sector Forum
GRB	Gender Responsive Budgeting
GTED	GEDSI-Transformative Enterprise Development
HACCP	Hazard Analysis Critical Control Point
IFC	International Finance Corporation
ILO	International Labour Organisation
IO	Intermediate Outcome
ISO	International Organization for Standardization
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MAFF	Ministry of Agriculture, Forestry and Fisheries
MEF	Ministry of Economy and Finance
MERL	Monitoring, Evaluation, Research and Learning
MFI	Microfinance Institution
MISTI	Ministry of Industry, Science, Technology and Innovation
MOC	Ministry of Commerce
MOWA	Ministry of Women's Affairs
MRL	Maximum Residue Limit
MSD	Market Systems Development
MSMEs	Micro, Small and Medium Enterprises
NBC	National Bank of Cambodia
NCSD	National Council for Sustainable Development

NDC	Nationally Determined Contribution
NGO	Non-government Organisation
NSDP	National Strategic Development Plan
NTBs	Non-Tariff Barriers
OECD	Organisation for Economic Co-operation and Development
P4i	Partnerships for Infrastructure
PDP	Power Development Master Plan
PPD	Public–Private Dialogue
PPP	Public–Private Partnership
PSC	Program Steering Committee
PWD	People with Disability
PWO	Private Water Operator
QDS	Quality Declared Seeds
QI	Quality Infrastructure
QTAG	Quality Technical Advisory Group
RCEP	Regional Comprehensive Economic Partnership
RGC	Royal Government of Cambodia
RISE	Resilient, Inclusive, Sustainable Economic Growth
SGBV	Sexual and Gender-Based Violence
SMEs	Small and Medium Enterprises
SNEC	Supreme National Economic Council
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
VGf	Viability Gap Financing
VRE	Variable Renewable Energy
WDF	Water Development Fund
WTO	World Trade Organization





Introduction

1.1 Background

This document presents a strategy to guide the implementation of the Cambodia Australia Partnership for Resilient Economic Development (CAPRED) Facility.

CAPRED is Australia's flagship bilateral economic development facility in Cambodia. Funded by the Department of Foreign Affairs and Trade (DFAT), and implemented by Cowater International, CAPRED focuses on supporting inclusive economic recovery and boosting resilience and sustainability over the next five years (from 21 June 2022 to 30 June 2027). The CAPRED budget is AUD87 million, with a possibility of extending the Facility by an additional three years.

CAPRED builds upon Australia's significant legacy of support to Cambodia. Australia was a key architect of the Paris Peace Accords and a contributor to the United Nations (UN) Transitional Authority in Cambodia. Since then, it has provided more than AUD1 billion in aid. The Facility thus represents the most recent demonstration of Australia's long-term commitment to Cambodia. The design of the Facility also reflects the maturity of the relationship and Cambodia's transformation away from being a direct recipient of aid services and investment, to a shared vision and partnership that supports inclusive economic transformation.

This strategy is based upon a comprehensive process of research, review, debate, dialogue, and consultation. This investment in time was essential to develop a common vision of the Facility, to integrate cross-cutting and technical areas, and to prioritise and sequence a large array of potential activities. The strategy will be reviewed and updated annually throughout the lifetime of the program CAPRED builds upon, and extends, two DFAT predecessor programs: the Cambodia–Australia Agricultural Value Chain Program (CAVAC) and the Investing

FIGURE 1 CAVAC II AND 3i

CAVAC Phase I ran from 2010 to 2015, and CAVAC Phase II from January 2016 to August 2022

The goal of CAVAC II was to promote a commercially viable, resilient agriculture sector supporting inclusive growth. It had two objectives: (i) to contribute to profitable irrigated agriculture through both the delivery of sustainable irrigation services and to assist the Royal Government of Cambodia to improve the quality, operational sustainability and effectiveness of irrigation investments; and (ii) to promote an increasingly competitive and diversified agriculture industry through encouraging the production and quality of crops and agro-processing aligned to Cambodia's comparative advantage; by increasing the capacity to attract investment and to access priority markets for those products; and supporting the uptake of modern and productive farming practices.

3i ran from August 2015 to August 2022

The goal of 3i was to unlock opportunities for economic growth and trade by increasing investment in private sector-led small-scale infrastructure. It had two objectives: (i) increased access to utilities and other infrastructure services for households and businesses; and (ii) new and improved opportunities for trade-related businesses and industries.

in Infrastructure Program (3i) (Figure 1). These programs showed that directly engaging at project or value chain level, that generating insights into the real-world constraints facing market actors, and that developing feasible, innovative business and financing models can enable broader policy and institutional reform. The design of CAPRED strengthens the foundations built through CAVAC and 3i. It puts them under a single economic development umbrella (allowing a greater consistency of approach); it more effectively tackles gender equality, disability and social inclusion (GEDSI); it prioritises climate resilience; it adds related strategies to promote trade, investment, and enterprise development; it strengthens performance measurement, learning and adaptive management; and it will ensure results extend beyond the Facility's direct beneficiaries.

CAPRED adopts a mix of a programmatic and facility model. While the programmatic approach can improve coordination, reduce risk, and improve efficiency and performance, the facility model allows CAPRED to flexibly tackle a range of emerging inter-related public and private sector constraints and opportunities to promote resilient, inclusive and sustainable economic growth (RISE) across different sectors.

1.2 Cambodia's economic context

Cambodia has seen considerable economic success over the past two to three decades, despite remaining the second-poorest country in the Association of Southeast Asian Nations (ASEAN). Over the (pre-COVID-19) 25-year period covering 1995–2019, Cambodia averaged a robust annual gross domestic product (GDP) growth rate of 7.7%. Income (gross national income) per capita has enjoyed a more than sevenfold increase, from just under USD250 in 1995 to USD1,700 in 2022.¹ Inward foreign direct investment (FDI) rose solidly from an average annual inflow of nearly USD150 million per annum during the 1991–2000 period to USD536 million per annum in the following decade (2001–2010), and further to USD2,675 million per annum in the decade 2011–2022.² Meanwhile, Cambodia's main export sectors – garments, footwear, and travel goods products – spurred by FDI inflows and favourable trade preferences, has grown robustly, with its share of the global market increasing from just 0.1% in 1995 to 1.7% in 2020.³

By these metrics, Cambodia's economic performance has been impressive. Yet the country's growth has lagged in comparison with neighbouring countries, who have more effectively modernised their economies and are now fully integrated into the global trade system. The growth model that has driven the increase in Cambodia's real output per capita over the past two to three decades is not sustainable, particularly in consideration of the accumulation and the shift of workers from agriculture to manufacturing and services.⁴

¹ World Bank WDI database (extracted on 24 September 2023).

² World Bank WDI database (extracted on 24 September 2023).

³ UNCTAD. 2019. Cambodia Diagnostic Trade Integration Study. https://unctad.org/system/files/official-document/aldc2019d2_en.pdf

⁴ See Rajah, R. 2020. 'Structural Transformation and the Role of Agriculture in the Cambodian Economy: Past, Present and Future'; report prepared for CAVAC (DFAT-funded Cambodia-Australia Agricultural Value Chain Program), Phnom Penh.

Key challenges include:

- **The economic base is narrow, insufficiently diversified, and lacking resilience.** Many sectors are highly dependent on FDI and trade preferences. Nearly half of all FDI inflows and 70% of all exports (over the 2017–2021 period) were in garments, footwear, and travel goods assembled by factories (using imported components) and shipped to countries where Cambodia has preferential market access. As Cambodia approaches graduation from Least Developed Country (LDC) status, its economic base requires urgent diversification.
- **New drivers of FDI are needed.** The construction sector has contributed an average of 12% to Cambodia’s GDP over the last decade (2013–2022),⁵ with FDI accounting for around 70% of total investment in the sector. Growth in FDI for construction averaged close to 20% in the decade to 2020. That growth has all but vanished as the world deals with the end of the era of free money, and structurally lower growth in China. This will have profound implications for Cambodia’s economy.
- **Agricultural modernisation could help to fill the gap.** Unlike its neighbours, Cambodia has not recognised the importance of modernising agriculture as a key driver of a modern economy. Between 2000 and 2020 value addition grew by around 60% in Thailand, 40% in Vietnam⁶ and only by 20% in Cambodia.⁷ With the impacts of climate change, global food companies are looking to diversify their supply chains, providing Cambodia with a potential new source of FDI growth.
- **But competitiveness is a brake on FDI.** Cambodia’s external competitiveness has eroded over time, holding back FDI. This is a result of high energy, transport, and labour costs, exacerbated by Cambodia’s dollarised economy. Slow progress in business-enabling and investment climate reforms further reduce competitiveness. With tightening global financial flows, Cambodia’s primary economic challenge will be in presenting itself as an attractive destination for productive investment.
- **Inequality persists and poverty remains a serious challenge.** Cambodia’s poverty rate fell from 33.8% in 2009 to 17.8% in 2019/20.⁸ However, a vast majority of households who escaped poverty did so only by a small margin. Around 4.5 million people (39% of the population) remain near-poor and vulnerable to falling back into poverty when exposed to economic and other external shocks, such as the COVID-19 pandemic: that was estimated to have created 150,000 newly poor households (representing about 0.5 million people) between June 2020 and January 2021.⁹



⁵ Cambodia’s National Accounts 2023 (National Institute of Statistics).

⁶ These figures are even more stark considering Cambodia’s growth was from a much smaller base.

⁷ World Bank World Development Indicators; Agriculture, forestry, and fishing, value addition (percent of GDP).

⁸ RGC. November 2021. *Poverty Rate in Cambodia: Setting the New Poverty Line*, and the World Bank. 2022. *Cambodia Poverty Assessment: Toward a more inclusive and resilient Cambodia*.

⁹ The Asia Foundation. 2021. *Enduring the Pandemic: Rapid survey on the impact of COVID-19 on MSMEs in the tourism sector in Cambodia, Phnom Penh*.

- **Climate change will hit Cambodia hard:** Cambodia is among the world's most vulnerable countries to climate change, facing rising temperatures and more frequent extreme weather events. It is expected to face a catastrophic 4.5°C increase in temperature by 2100 under the highest emission pathway. Agriculture, fisheries, garment manufacturing and tourism have, to date, borne the greatest impact from the climate events, with a significant cost to a large, predominantly female, workforce.¹⁰ The cost of climate-related damages was on average 1% of GDP in 2010, projected to rise to 2.5% by 2030 and nearly 10% by 2050.¹¹ Extreme climate conditions and associated disasters especially impact the rural poor in Cambodia. Cambodia's export-oriented economy may also gradually lose access to markets unless the country maps a credible transition pathway to a lower-carbon economy.
- **Dealing with accelerating change:** Cambodia needs to deal with rapid urbanisation, global and regional geopolitical tensions, new digital manufacturing technologies and a range of other emerging meta trends (in addition to climate change). Global transformation and associated challenges are accelerating at an exponential rate. Getting ahead of this curve will require huge investments in human capital to harness the potential of digital technologies and to unlock the potential of the Cambodian economy.

These challenges are economy-wide and require deep structural changes. Addressing them will require a huge public investment program and fundamental structural reforms that will change perceptions of Cambodia as a trustworthy investment destination. Australia's investments can go only so far. This Strategy, therefore, proposes a portfolio that pursues deep structural transformation; that approaches challenges from multiple entry points and perspectives; but that focuses on a select number of interventions.

¹⁰ Uniacke, P., 2018. *Climate Adaptation Strategies and the Role of Gender*, Asia Foundation.

¹¹ World Bank WDI database.



1.3 Policy alignment

CAPRED embraces the strategic impetus of Australia's new development policy.¹² Consistent with this policy, CAPRED is designed around the theory that no country can meet its development potential without ensuring that all of its people have the opportunity to reach their full potential. As defined in the policy, CAPRED addresses evolving challenges including: climate change; recovery from the COVID-19 pandemic; emerging geopolitical competition; demographic and social change; and external trends towards protectionism and threats of supply chain disruption. Consistent with the policy, CAPRED takes a transformative approach to economic growth, one that aims for growth that is resilient, inclusive, and sustainable. This strategy acknowledges that South-East Asian economies and communities are deeply interwoven, and that the Association of Southeast Asian Nations (ASEAN) is central to stability, integration, and development. In line with the policy, CAPRED adopts practices that strengthen accountability, support government leadership, finance innovative local investments, support local partners, and manage for results.¹³



The longer-term policy agenda of the Royal Government of Cambodia (RGC) is shaped by its ambitious plan to reach upper middle-income status by 2030, and high-income status by 2050. CAPRED is consistent with the RGC's new (August 2023) national development strategy, the Pentagonal Strategy (Figure 2).¹⁴ The Pentagonal Strategy: promotes inclusive, resilient growth; adds sustainability as its fifth side; promotes the private sector and entrepreneurship; emphasises the importance of generating

¹² Commonwealth of Australia, DFAT, *Australia's International Development Policy*.

¹³ Funding for local partners has a double dividend, creating local jobs and delivering direct economic benefits, as well as improving impact. There is no 'one-size-fits-all' solution, and CAPRED will continue to adapt its approaches. CAPRED is an example of a deeply localised program. It works almost exclusively with local partners – government, regulators, industry bodies, peak organisations, private sector actors, and poor households. It will deliver results through a large and highly skilled team of Cambodians. CAPRED will support its partners to: build effective accountability that drives national development; enhance State and community resilience to external pressures and shocks; connect with Australia and regional architecture; and generate collective action on global challenges that impact Cambodia and South-East Asia.

¹⁴ RGC, August 2023. 'Pentagonal Strategy—Phase I: Growth, Employment, Equity, Efficiency, and Sustainability; Building the Foundation Towards Realising the Cambodian Vision 2050'.

quality jobs; recognises the necessity of digital transformation; and aims to improve the private sector through additional trade, competitiveness, and productivity.

In the shorter term CAPRED also supports the RGC's December 2021, Economic Recovery Strategy.¹⁵ This strategy promotes: Free Trade Agreements (FTAs) and investment; improved access to electricity, transport, and logistics; the strengthening of the digital sector, small and medium enterprises (SMEs), and skills development; and climate change adaptation. CAPRED's portfolio of activities directly corresponds with the activities outlined in the Recovery Strategy. Key examples include the development of: an Agri-food Industrial Park (AIP); high-value crop varieties; national quality infrastructure; and quality declared seeds. It also supports the leveraging of multilateral and bilateral trade agreements, among other aspirations.

In addition to these over-arching plans, the RGC has issued a broad set of vision statements, policies, strategies, plans and frameworks. CAPRED has aligned its activities with these plans to ensure that Australia continues to be a reliable and trusted source of advice and investment. A comprehensive list of the Cambodian government policies and strategies that will guide CAPRED strategy and programming is included in Annex 3 (page 199).

¹⁵ See The Strategic Framework and Programs for Economic Recovery in the Context of Living with COVID-19 in the New Normal 2021-2023.



FIGURE 2

KEY SECTIONS IN THE RGC'S PENTAGONAL STRATEGY TO WHICH CAPRED ALIGNS

STRATEGIC OBJECTIVE 1: Ensuring crisis-resilient economic growth of around 7% per year on average (by accelerating the diversification of the economic base, promoting competitiveness)

STRATEGIC OBJECTIVE 2: Creating more jobs, both quantity and quality, for Cambodian people, especially for the youth (by promoting trade and business and promoting and attracting domestic and foreign direct investment)

STRATEGIC OBJECTIVE 3: Achieving the poverty reduction targeting of below 10% and continuing to keep the poverty rate to a minimum level

STRATEGIC OBJECTIVE 4: Continuing to strengthen governance capacity and improving the quality of public institutions, both national and sub-national, to ensure efficiency of public services, continue to strengthen private sector governance, and continue to promote a favourable environment for business, investment, and trade

STRATEGIC OBJECTIVE 5: Ensuring sustainable socio-economic development and building resilience to climate change (by promoting gender equality, sustainably managing natural resources, green financing, etc.)

Pentagon 2 includes enhancing connectivity and efficiency in the water, energy and digital sectors and Agro-Industrial Parks.

Pentagon 3 includes the promotion of public-private partnerships.



1.4 Program logic and theory of change

CAPRED seeks to contribute to the long-term objective of Cambodian women and men benefiting equally from increased access to, or increased participation in, **Resilient, Inclusive, and environmentally Sustainable Economic growth (RISE)**. The full definition of RISE appears opposite.

CAPRED's vision (termed 'Goal' in the program logic) of economic growth is one that protects the natural environment for future generations and successfully mitigates and/or adapts to the effects of climate change. This growth delivers economic stability and prosperity over time and helps to protect against shocks, including health, climate, military, and economic crises, as well as shifts in the regional or global architecture of power. It also creates opportunity for all segments of the population and distributes the dividends, both in monetary and non-monetary terms, fairly across society with a specific focus on the inclusion of women as well as people with disability.

The CAPRED program logic is shown in Figure 3 (page 11). The following provides a narrative description of CAPRED's theory of change and program logic.

To advance its vision, CAPRED will enable a two-pronged pathway of change based on supporting both the **PUBLIC (END OF FACILITY OUTCOME [EOFO] 1)** and **PRIVATE (EOFO2) SECTORS** to pursue growth that is environmentally sustainable, economically resilient, and which engages with, and distributes benefits to, all Cambodians (inclusivity). Achieving growth that meets each of these three criteria is foundational to achieving CAPRED's end of facility outcomes.

At the **POLICY LEVEL (INTERMEDIATE OUTCOME [IO] 1)**, CAPRED prioritises building the capacity of selected RGC agencies. CAPRED's Policy Hub enables the Facility to respond to nationally-focused and demand-driven requests from government and provides the private sector with a platform through which to engage with government on reforms that enhance growth that is environmentally sustainable, economically resilient, and inclusive. The program



CAPRED

Goal

Cambodia has sustainable, resilient and inclusive economic growth and development

Objective

Cambodian women and men equally benefit from increased access to, or increased participation in, environmentally sustainable, economically resilient and inclusive economic growth



End of Facility Outcomes

EOFO1: PUBLIC SECTOR

By 2031, targeted RGC agencies develop and implement policies that contribute to more sustainable, resilient and inclusive growth in CAPRED domains.

EOFO2: PRIVATE SECTOR

By 2031, targeted private sector stakeholders undertake more sustainable, resilient and inclusive trade and investment initiatives in CAPRED domains.

Intermediate Outcomes/Pathways of Change



IO1 Policies

Targeted RGC agencies have better capacities and more incentives to develop and implement evidence-based policies that enhance sustainable, resilient and/or inclusive growth in CAPRED work areas



IO2 Markets

Targeted markets include better linkages and standards that expand sustainable, resilient and/or inclusive growth in CAPRED work areas



IO3 Technologies

Targeted RGC and private sector organisations adopt selected technologies that enhance sustainable, resilient and/or inclusive growth in CAPRED work areas



IO4 Finance

Targeted private sector organisations utilise selected financial investment mechanisms that enhance sustainable, resilient and/or inclusive growth in CAPRED work areas



IO5 Women's Economic Empowerment

Targeted women have increased capacity and opportunities to engage in CAPRED work areas

Work Areas



Agriculture and Agro-Processing

Support, trial and scale more productive, inclusive and resilient agricultural and agro-processing value chains



Trade, Investment and Enterprise Development

Support, trial and scale more competitive, inclusive and resilient trade, investment and enterprise development models and policies



Infrastructure Development

Support, trial and scale more effective, resilient and inclusive water and energy infrastructure and services



Cross-Cutting Themes

Support, trial and scale more effective, resilient and inclusive GEDSI and climate change initiatives

Activities/Services

GRANTS

CAPRED funds and supports innovative initiatives and investments that promote transformation in CAPRED domains

PILOTS

CAPRED develops, tests and evaluates innovative initiatives in CAPRED domains

EVIDENCE

CAPRED generates and disseminates evidence on markets, policies and practices to targeted stakeholders in CAPRED domains

POLICY DIALOGUE

CAPRED supports and facilitates engagement and advocacy on selected economic policies in CAPRED domains

TECHNICAL ASSISTANCE

CAPRED provides technical assistance to strengthen investments and organisational performance in CAPRED domains

COALITION BUILDING

CAPRED connects people, ideas and resources to promote and leverage change in CAPRED domains



will work to identify the challenges these agencies face in developing and implementing evidence-based policies that enhance sustainable, resilient and/or inclusive growth in agriculture and agro-processing, as well as trade, investment, and enterprise. It will also support infrastructure development, and the program's cross-cutting GEDSI and climate resilience priorities. It will then develop targeted responses to address weaknesses through providing grants to RGC agencies to enable them to develop innovative initiatives that are likely to promote transformation in CAPRED's 10 portfolios. It will also aim to generate and disseminate evidence about good practices in relation to markets, policies and practice, as well as to provide technical assistance to improve agency performance. It will further develop, test and evaluate innovative initiatives, support and facilitate policy dialogue, engagement and advocacy, and build coalitions to promote and leverage change.

In **MARKETS (IO2)**, CAPRED is supporting RGC agencies and private sector organisations to ensure better linkages and standards that expand sustainable, resilient and/or inclusive growth in: agriculture and agro-processing; trade, investment, and enterprise development; infrastructure development; and through the program's cross-cutting GEDSI and climate resilience priorities. CAPRED will develop targeted responses to support relevant RGC agencies to strengthen the investment and business-enabling climate. It will support promising private sector organisations to develop, test and evaluate innovative agriculture and agro-processing techniques. It will also support trade, investment and enterprise development, and will support infrastructure development initiatives. To ensure effective market linkages, CAPRED will support and facilitate policy dialogue about these, and the standards between the private sector and the RGC, and will build coalitions within and across government agencies—and between the RGC and the private sector—with the political will and technical skill to effectively promote and leverage change.

In relation to **TECHNOLOGIES (IO3)**, CAPRED will enable the RGC and sections of the private sector to adopt selected technologies that enhance sustainable, resilient and/or inclusive growth in agriculture and agro-processing techniques; and trade, investment, enterprise and infrastructure development. This will also be supported through the program's cross-cutting GEDSI and climate resilience priorities. CAPRED will develop targeted responses to address

challenges through generating and disseminating evidence relating to technologies that enhance sustainable, resilient and/or inclusive growth; it will support private sector organisations to trial the use of innovative technologies (and the RGC to effectively evaluate their use and scalability); and it will support and facilitate policy dialogue on the adoption of relevant technologies. In addition, it will build coalitions within and across government agencies – and between the RGC and the private sector – with the political will and technical skill to effectively promote and leverage change. Technologies that support climate change mitigation and/or adaptation will be particularly prioritised.

To support the **FINANCE SECTOR (IO4)**, CAPRED will assist targeted private sector organisations to utilise selected financial investment mechanisms that enhance sustainable, resilient, and/or inclusive growth in agriculture and agro-processing techniques, as well as trade, investment, enterprise and infrastructure development. This will also be addressed through the program’s cross-cutting GEDSI and climate resilience priorities, such as climate finance. Furthermore, CAPRED will develop targeted responses to address challenges through generating and disseminating evidence about financial mechanisms that enhance sustainable, resilient and/or inclusive growth. The Facility will also provide RGC agencies with technical assistance to develop policy regulating the use of relevant financial mechanisms, and support RGC agencies to evaluate the use of various financial mechanisms. In further activity, CAPRED

will promote joint public–private policy dialogue on the adoption of financial mechanisms found to enhance sustainable, resilient and/or inclusive economic growth, and build coalitions between the RGC and the private sector that can effectively promote and leverage support for the widespread adoption of mechanisms that have been proven to be effective.

To ensure that all CAPRED portfolios contribute to the overarching objective—that Cambodian women and men benefit equally from increased access to, or increased participation in, environmentally sustainable, economically resilient, and inclusive economic growth—the Facility will integrate **WOMEN’S ECONOMIC EMPOWERMENT (IO5)** across all portfolios. It will do this by identifying

the policy changes required to guarantee women’s full participation in, and oversight of, the market, and ensuring that women benefit equally from economic growth. Supporting women’s economic empowerment serves both as an intermediate outcome critical to the Facility’s success, and also as a cross-cutting theme that intersects with, and provides a link between, the other CAPRED portfolios. The strategies for all work areas include an explicit focus on GEDSI. This is based on consultations with women and other marginalised groups or organisations representing them. This IO focuses on women and examines: how men and women engage with, and benefit from, these sectors differently; the separate challenges men



and women (including women with intersectional identities – e.g., women with disability) encounter in fully participating and benefiting from growth, reform or innovation in these sectors; and the development of specific strategies, approaches, and (where needed) targeted activities to remove obstacles faced by women in fully participating in, or benefiting from, CAPRED’s activities.

As a cross-cutting theme critical to the achievement of CAPRED’s EOFOs, addressing climate change is at the heart of ensuring that the growth pursued is environmentally sustainable and climate resilient. To ensure climate change is fully addressed as a cross-cutting theme that intersects with, and provides a link between, the other CAPRED portfolios (and as a precondition for success at the EOFO and IO levels), the strategies for all work areas include an explicit analysis of the current and projected impact of climate change, including: how climate change may affect productivity and profits; which groups are likely to be particularly vulnerable to the negative effects of climate change; and an assessment of what policies, market linkages, technologies, and financial mechanisms could be trialled to mitigate harm and support adaptation.

1.5 CAPRED structure, content, and linkages to results

1.5.1 PORTFOLIOS AND INTERVENTIONS

The CAPRED strategy is articulated through its portfolios and interventions—these define the areas in which the program works and what the program will do. The program’s hierarchy is depicted in Figure 4, where:

- Administratively, the program is divided into 10 **portfolios** (the Policy Hub; GEDSI; Resilience to Climate Change; Agricultural Production; Agro-Processing; Trade; Investment; Enterprise Development; Water; and Energy).¹⁶ CAPRED’s organisational structure, technical knowledge, and staffing mirrors this division.
- Each portfolio consists of a set of **interventions** (for example, ‘Develop zero waste and other economically viable environmental models’). Figure 6 (page 17) provides an overview of all 10 portfolios and 34 interventions. Interventions are the basic building blocks of this strategy and are designed to be implemented flexibly over the lifetime of the Facility.

¹⁶ For brevity the program logic divides CAPRED into ‘work areas’ (those include: Cross-cutting Themes; Agricultural Production and Agro-Processing; Trade, Investment and Enterprise Development; and Infrastructure Development).

FIGURE 4

PROGRAM STRUCTURE

RISE (GOAL, OBJECTIVE)

END OF FACILITY OUTCOMES (EOFOs)

2 in total

INTERMEDIATE OUTCOMES (IOs)

5 in total

PORTFOLIOS

10 in total

INTERVENTIONS

34 in total

**ANNUAL OUTPUTS,
ACTIVITIES AND BUDGETS**

implementation



FIGURE 5

READING THIS STRATEGY (PORTFOLIOS, INTERVENTIONS)



Each **Chapter** describes a portfolio or group of portfolios.

Each **Chapter**: (i) provides a problem or situation analysis (the ‘why’); (ii) summarises CAPRED’s approach (the ‘how’); and (iii) documents the program’s main areas of implementation (the ‘what’).

In the remaining **Chapters**, each portfolio is represented through a detailed ‘**intervention map**’ (summarising the main elements of the intervention).

In addition, a set of tables detail the content of each intervention and its linkages to other program elements.



Cross-Cutting Themes

POLICY HUB (PH)

- PH.01 Integrate policy development across the CAPRED portfolio
- PH.02 Build national capacity for policy coordination and consultation
- PH.03 Strengthen the Government-Private Sector Forum (G-PSF)

GEDSI (GE)

- GE.01 Mainstream GEDSI into operations and all portfolios
- GE.02 Support public policies that promote GEDSI and women's economic empowerment
- GE.03 Build a care economy

CLIMATE RESILIENCE (CL)

- CL.01 Integrate climate investment across the CAPRED portfolios
- CL.02 Support the financial sector's provision of climate finance
- CL.03 Support the strengthening of climate finance regulation and policy



Agriculture and Agro-Processing

AGRICULTURAL PRODUCTION (AG)

- AG.01 Strengthen markets for the supply of innovative inputs/mechanisations
- AG.02 Facilitate policies for more competitive and diversified production
- AG.03 Improve market linkages between producers and buyers or agro-processors
- AG.04 Expand access to agricultural finance

AGRO-PROCESSING (AP)

- AP.01 Establish at least one AIP and build the economic evidence base for incentivising investment in agro-processing
- AP.02 Develop zero waste and other economically viable environmental models
- AP.03 Increase the adoption of modern agro-processing equipment and technologies
- AP.04 Support demand-driven, market-oriented agro-food research and food innovation services





Trade, Investment and Enterprise Development

TRADE (TR)

- TR.01 Support preparedness for LDC graduation and trade policy
- TR.02 Work with the RGC to leverage free trade agreements
- TR.03 Support the strengthening of quality infrastructure (QI) services
- TR.04 Work with the private sector to promote exports

INVESTMENT (IN)

- IN.01 Provide implementation and policy support for the new Investment Law
- IN.02 Support Agri-food Investment Desk (AFID) and the promotion of agri-food investments
- IN.03 Support private sector investment readiness

ENTERPRISE DEVELOPMENT (ED)

- ED.01 Promote business formalisation
- ED.02 Build the private sector business case for GEDSI investments
- ED.03 Support GEDSI-Transformative Enterprise Development (GTED) finance and investment readiness



Infrastructure Development

WATER (WA)

- WA.01 Establish and implement a water development fund
- WA.02 Implement existing viability gap financing (VGF) contracts to continue gaining valuable field insights
- WA.03: Pilot and scale new private sector investment models for the rural piped water supply
- WA.04 Develop water sector capacity, especially regulatory functions

ENERGY (EN)

- EN.01 Build the foundations for future VRE integration into the grid
- EN.02 Explore support for off-grid electricity and electric vehicles
- EN.03 Develop an Energy Service Company (ESCO) market for energy audits (and potentially other services)



CAPRED will be implemented through its annual work plans and budgets. These will include outputs, activities, budgets, and annual performance measures. Annual work plans and budgets, annual reports, monitoring and evaluation (M&E) systems, human resources, financial management, and grants management systems will all be aligned to this strategy through CAPRED's interventions. Not all interventions will be implemented every year and a single intervention may have one or more annual outputs.

FIGURE 7 READING THIS STRATEGY (RESULT LINKAGES)



In the remaining chapters, **pathways to RISE** are described for **each of the 10 program portfolios**.

Each intervention may contribute to multiple outcomes. These outcomes represent specific applications of the program logic. They are documented in Annex 1 (page 174).

In the remaining Chapters, each portfolio is represented through a detailed '**intervention map**' (summarising the main elements of the intervention).

A set of **tables** in each of the following Chapters details the proposed content of each intervention and its linkages to other program elements.

Each **portfolio** (and in some cases groups of interventions) contains short 'vision of transformation' statements. These are broader and less technical than RISE statements, and are more directly linked to the problem analysis found in each Chapter. Depicted next to RISE, these visions provide readers with two alternative ways to understand what CAPRED ultimately wishes to achieve.

1.5.2 LINKING INTERVENTIONS AND RESULTS

In addition to solving the problems identified in CAPRED's portfolios, each intervention has been designed to contribute to RISE. The RISE concept is part of the Facility's organising logic and is a critical prism through which to understand how the proposed activities will contribute to the Facility's overarching goals and objectives. Figure 8 (page 21) depicts the linkage between interventions and intermediate and end of facility results (IOs and EOFOs).



1.6 Delivery approach

Figure 11 describes CAPRED's principles and ways of working. The Facility's focus on RISE means CAPRED will take a people-centric, inclusive approach to development that simultaneously protects and sustains the natural environment.

1.6.1 APPROACH TO POLICY DEVELOPMENT

Chapter 2 details CAPRED's approach to supporting policy development. Given that the RGC has developed a wide range of policies, strategies, plans, and regulations, CAPRED will focus on ensuring policies are well implemented, monitored, and evaluated, and that policy-relevant data is available and used. The program will support policy using both 'bottom-up' and responsive 'top-down' methods, although the program's comparative advantage will be in its ability to generate novel, unique field-based data that will keep policy-makers abreast of changing prices, markets, sentiments, and obstacles. Initially, CAPRED will be guided by the RGC in the identification of problems and the development of solutions, although it will also work closely with the private sector, business organisations, other donors, and civil society.

1.6.2 APPROACH TO MARKET INTERVENTIONS

Australia's global support for markets is predominantly delivered through a version of the Market Systems Development (MSD) approach. MSD is a holistic approach that focuses on understanding and addressing the root causes of why markets are not functioning well for poor people. It is an adaptive approach that works with a wide range of stakeholders, including businesses, government agencies, and civil society.

MSD recognises that poor people are already participating in markets, but that they face barriers to fully benefiting from them. CAPRED, following on from CAVAC's strong legacy in agricultural markets, can play a catalytic role in supporting change in markets by developing interventions that address the root causes of market failure.

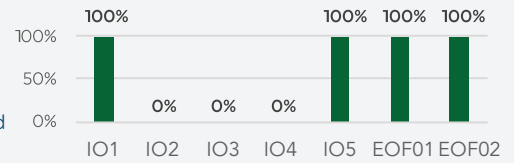


FIGURE 8 MAP OF CAPRED INTERVENTIONS INTO INTERMEDIATE AND END OF FACILITY OUTCOMES



POLICY HUB (PH)

Number of interventions contributing to each IO and EOFO for a given portfolio



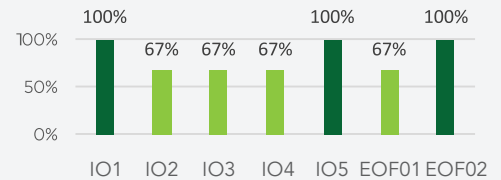
INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
PH.01 Integrate policy development across the CAPRED portfolio	MAIN				✓	MAIN	✓
PH.02 Build national capacity for policy coordination and consultation	MAIN				✓	MAIN	✓
PH.03 Strengthen the Government-Private Sector Forum (G-PSF)	MAIN				✓	MAIN	✓



GEDSI (GE)

Number of interventions contributing to each IO and EOFO for a given portfolio



INTERVENTIONS

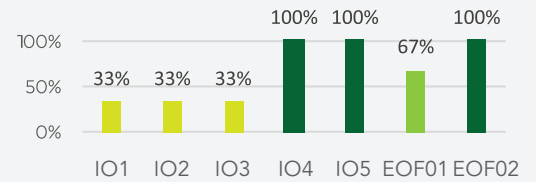
	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
GE.01 Mainstream GEDSI into operations and all portfolios	✓	✓	✓	✓	✓	✓	✓
GE.02 Support public policies that promote GEDSI and women's economic empowerment	✓				✓		MAIN
GE.03 Build a care economy	✓	✓	✓	✓	✓	✓	✓

Note: Bar graphs count the % of interventions contributing to a given IO or EOFO within each of the 10 CAPRED portfolios.



CLIMATE RESILIENCE (CL)

Number of interventions contributing to each IO and EOFO for a given portfolio



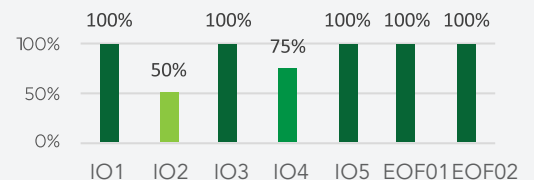
INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
CL.01 Integrate climate investment across the CAPRED portfolio	✓	✓	✓	✓	✓	✓	✓
CL.02 Support the financial sector's provision of climate finance				MAIN	✓		MAIN
CL.03 Support the strengthening of climate finance regulation and policy				MAIN	✓	MAIN	



AGRICULTURAL PRODUCTION (AG)

Number of interventions contributing to each IO and EOFO for a given portfolio



INTERVENTIONS

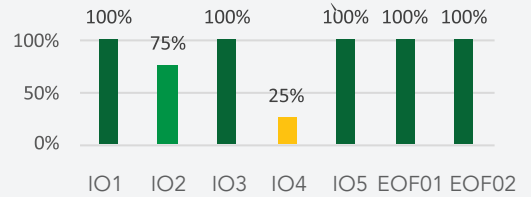
	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
AG.01 Strengthen markets for innovative input/mechanisation supply	✓	✓	MAIN	✓	✓	✓	MAIN
AG.02 Facilitate policies for more competitive and diversified production	MAIN		✓		✓	MAIN	✓
AG.03 Improve market linkages between producers and buyers or agro processors	✓	MAIN	✓	✓	✓	✓	MAIN
AG.04 Expand access to agricultural finance	✓		✓	MAIN	✓	✓	MAIN

Note: Bar graphs count the % of interventions contributing to a given IO or EOFO within each of the 10 CAPRED portfolios.



AGRO-PROCESSING (AP)

Number of interventions contributing to each IO and EOFO for a given portfolio



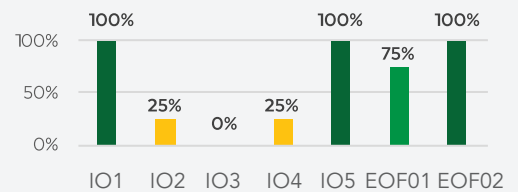
INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
AP.01 Establish at least one AIP and build the economic evidence base for incentivising investment in agro-processing	✓	✓	✓	✓	✓	✓	✓
AP.02 Develop zero waste and other economically viable environmental models	✓	MAIN	✓	✓	✓	✓	MAIN
AP.03 Increase the adoption of modern agro-processing equipment and technologies	✓		MAIN		✓	✓	MAIN
AP.04 Support demand-driven, market-oriented agro-food research and food innovation services	✓	✓	✓		✓	✓	MAIN



TRADE (TR)

Number of interventions contributing to each IO and EOFO for a given portfolio



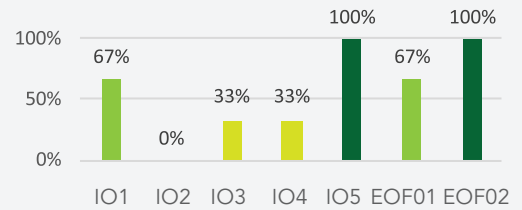
INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
TR.01 Support preparedness for LDC graduation and trade policy	MAIN				✓	MAIN	✓
TR.02 Work with the RGC to leverage free trade agreements	MAIN				✓	MAIN	✓
TR.03 Support the strengthening of quality infrastructure (QI) services	MAIN				✓	MAIN	✓
TR.04 Work with the private sector to promote exports	✓	MAIN		✓	✓		MAIN

Note: Bar graphs count the % of interventions contributing to a given IO or EOFO within each of the 10 CAPRED portfolios.



INVESTMENT (IN)



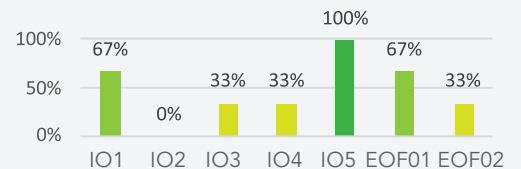
Number of interventions contributing to each IO and EOFO for a given portfolio

INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
IN.01 Provide implementation and policy support for the new Investment Law	MAIN				✓	MAIN	✓
IN.02 Support AFID and promote agri-food investment	✓		✓		✓	✓	✓
IN.03 Support private sector investment readiness				MAIN	✓		MAIN



ENTERPRISE DEVELOPMENT (ED)



Number of interventions contributing to each IO and EOFO for a given portfolio

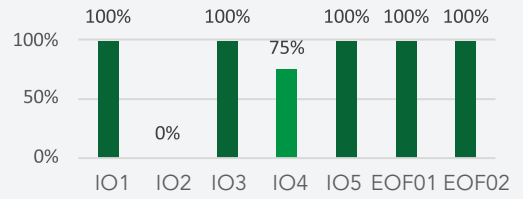
INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
ED.01 Promote business formalisation	MAIN		✓		✓	MAIN	
ED.02 Build the private sector business case for GEDSI investments	MAIN				✓	MAIN	
ED.03 Support GEDSI-Transformative Enterprise Development (GTED) finance and investment readiness				MAIN	✓		MAIN

Note: Bar graphs count the % of interventions contributing to a given IO or EOFO within each of the 10 CAPRED portfolios.



WATER (WA)



Number of interventions contributing to each IO and EOFO for a given portfolio

INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
WA.01 Establish and implement a water development fund	✓		✓	MAIN	✓	✓	✓
WA.02 Implement existing viability gap financing (VGF) contracts to continue gaining valuable field insight	✓		✓	MAIN	✓	✓	✓
WA.03: Pilot and scale new private sector investment models for rural piped water supply	✓		✓	MAIN	✓	✓	✓
WA.04 Develop water sector capacity, especially regulatory functions	MAIN		✓		✓	✓	✓

INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
EN.01 Build the foundations for future variable renewable energy (VRE) integration into the grid	MAIN	✓	✓	✓	✓	MAIN	✓
EN.02 Explore support for off-grid electricity and electric vehicles (under development)							
EN.03 Develop an ESCO (Energy Service Company) market for energy audits (and potentially other services)	✓		✓	MAIN	✓	✓	MAIN

INTERVENTIONS

	IO1 POLICY	IO2 MARKETS	IO3 TECHNOLOGY	IO4 FINANCE	IO5 WOMEN'S EMPOWERMENT	EO1FO1 PUBLIC SECTOR	EO1FO2 PRIVATE SECTOR
EN.01 Build the foundations for future variable renewable energy (VRE) integration into the grid	MAIN	✓	✓	✓	✓	MAIN	✓
EN.02 Explore support for off-grid electricity and electric vehicles (under development)							
EN.03 Develop an ESCO (Energy Service Company) market for energy audits (and potentially other services)	✓		✓	MAIN	✓	✓	MAIN

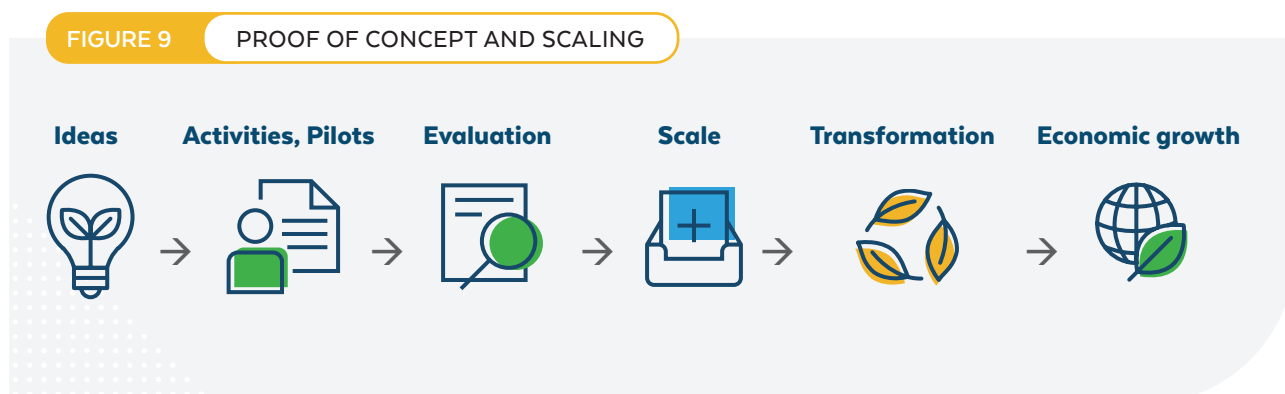
Note: Bar graphs count the % of interventions contributing to a given IO or EOFO within each of the 10 CAPRED portfolios.

All CAPRED work with the private sector involves subsidies in one form or another—either the partial financing of investments or the provision of services in-kind. CAPRED will carefully justify subsidies in terms of how they reduce investment risk, how they test or demonstrate viability, and how they create downstream or external benefits to others. Subsidy levels will be based on careful analysis and feasibility and will be designed to decrease over time. Given the benefits they confer, access to CAPRED grants and support will be provided fairly and competitively, and recipients will be screened or incentivised to adopt inclusive and environmentally sound practices.

1.6.3 APPROACH TO INNOVATION AND SCALE

CAPRED’s success ultimately depends on its ability to move beyond its direct beneficiaries to create an impact that is wider and deeper. CAPRED interventions will employ a staged process of proof-of-concept (ideas, piloting, and evaluation), followed by scaling. In scaling results, CAPRED will utilise a well-known framework for measuring impact beyond direct beneficiaries – known as the ‘adopt, adapt, expand, and respond’ (AAER) model. Proof-of-concept will be used to generate practical, convincing evidence that something works, and that it leads to RISE.

CAPRED will develop strategies for influencing and scaling, including the use of implementation and field-based data to advocate for policy change, forming coalitions for change, developing financial products to expand and sustain investments, and supporting the development of robust market linkages.



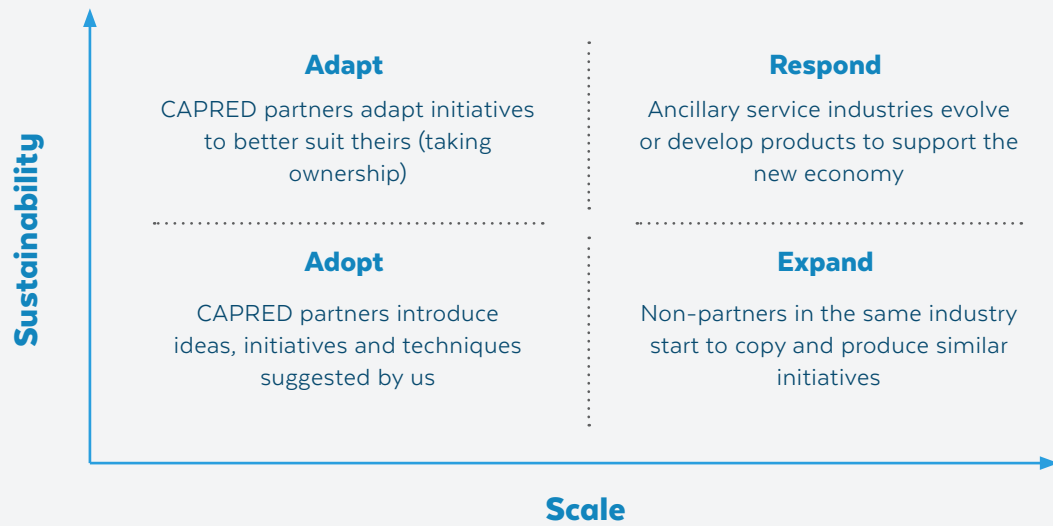
Using this framework of proof-of-concept, an innovation may fail at two levels. Some ideas may not work, and, therefore, will be dropped. This is valuable for learning purposes. Other ideas may work on a limited basis but may face constraints that make scaling infeasible. Some level of failure is expected when innovation is employed.

In this document the stage of implementation for each intervention is flagged as : (i) analysis and scoping; (ii) demonstration and pilot; or (iii) scaling.¹⁷

¹⁷ The CAPRED portfolio contains a mix of interventions that have different histories. First, there are several existing interventions that commenced under the previous DFAT programming (CAVAC and 3i), and which have been continued or have evolved under CAPRED. Examples include the Agri-food Industrial Park, viability gap financing (VGF) for private water operators, and the Water Development Fund. Second, there are new interventions in line with CAPRED design that have been identified by DFAT, key partners or the CAPRED team including enterprise support, trade and investment promotion, energy efficiency and climate financing.

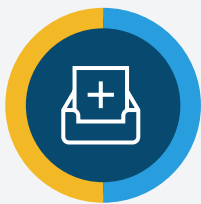
FIGURE 10

THE AAER FRAMEWORK



Source: Springfield Centre (<https://www.springfieldcentre.com/wp-content/uploads/2014/06/2014-03-Adopt-Adapt-Expand-Respond-Briefing-Paper1.pdf>)





PRINCIPLE

Transformation will be at Scale.

CAPRED is a catalyst for transformation. It will contribute towards meaningful change beyond its boundaries and direct beneficiaries. CAPRED initiatives will need to be taken over, adopted, and scaled by strategic partners. It will also do the same with successful interventions from its partners. CAPRED will scale by creating robust and sustainable markets and by influencing policy and norm change.



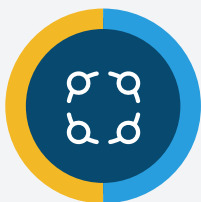
CAPRED is in the Knowledge Business.

CAPRED will use innovation and knowledge to trigger change. It will deliver unique insights and expertise in its work areas. CAPRED will become a provider of timely and actionable market intelligence to shape policy and spot/solve emerging challenges.



Be Adaptive and Risk-Taking.

Being catalytic involves a certain level of risk-taking and the need for adaptive management. Not every idea or action pursued by CAPRED will be successful.



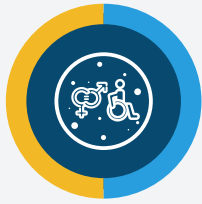
Collaborate and Develop Partnerships for Change.

Collaboration is a key to success. CAPRED will provide additionality and discover its niche. It will leverage others and allow others to leverage the programs. Coalitions and networks are especially important in constructively engaging in policy change.

OPERATIONALISING THE PRINCIPLE

- CAPRED will plan for, and implement, explicit strategies to influence and scale success.
- CAPRED will focus on addressing policy constraints that make the private sector uncompetitive or that inhibit CAPRED's goal of RISE.
- CAPRED will address market imperfections and strengthen markets to drive RISE.
- CAPRED will generate convincing evidence of its success and will use this evidence to influence key decision-makers and stakeholders.
- Across the Facility, CAPRED will generate and disseminate timely market intelligence that is useful and impactful to the public and private sectors.
- CAPRED initiatives will be designed to assume risk, without generating unsustainable levels of subsidy.
- CAPRED will regularly adjust its portfolio to reflect learning (what is working, what is not and why not).
- CAPRED will adapt to the political economy of each sector in which it works.
- CAPRED work will provide additionality.
- CAPRED will form lasting partnerships with organisations and groups that share common objectives; it will create a division of labour with its partners.

PRINCIPLE



GEDSI is Core to CAPRED – the aim is to Leave No One Behind.

CAPRED will implement both integrated and targeted GEDSI activities. Every initiative across the CAPRED portfolio will expand opportunities to marginalised groups and will deliver results equitably.



Put Climate at the Forefront.

All CAPRED interventions will be designed to positively impact climate resilience, to reduce disaster risk and to strengthen environmental management. These will include both integrated and targeted activities.



Be Holistic and Break Silos.

RISE demands a full integration of people, prosperity, and the planet. For example, inclusion cannot be looked at separately from climate change. CAPRED will break implementation silos between work areas, creating synergies across teams.

OPERATIONALISING THE PRINCIPLE

- GEDSI will be mainstreamed across CAPRED from planning and inception of all program activities through implementation and monitoring, evaluation, research and learning.
- CAPRED is about economic growth that is integrated with social change; in its work, CAPRED will address limitations created through existing social norms.

- Climate will be integrated throughout the Facility life cycle; this will include research and assessment, planning and design, implementation, and monitoring, evaluation, and learning.
- Environmental management systems will be used to address climate risks.

- CAPRED will engage planning and portfolio review processes across work areas to break silos and find opportunities to create synergy.
- When addressing national policy, CAPRED will use its sector work (agriculture, infrastructure, GEDSI, etc.) as an entry point for dialogue and implementation.

1.6.4 PORTFOLIO AND ADAPTIVE MANAGEMENT APPROACH

CAPRED will function as an innovative, learning organisation. It will be adaptive and flexible. As such, this strategy reflects thinking at a point in time and is intended to be a living document. CAPRED is a mix of a program (with clearly defined interventions) and a facility that will take advantage of emerging opportunities to achieve RISE and to vigorously apply its principles. Interventions will be continuously adapted to meet stakeholder needs and to address emerging policy and market opportunities.

CAPRED will take a portfolio management approach to its work. Since CAPRED is a five-to-eight-year facility, much of the work is now at an early stage and many interventions remain exploratory. This means that not all the intervention areas described in this strategy will be pursued at the same time, or at the same level of intensity. Investments will be prioritised based on potential impact and evaluations of success. In some cases, due to the complexity of change, work is expected to move slowly; in these cases, CAPRED will act as a patient partner, investing at opportune moments, when the timing is right.

FIGURE 12

READING THIS STRATEGY (ADAPTIVE MANAGEMENT AND MERL)



This strategy should not be read as a blueprint for implementation, but as a broad-brush illustration of the areas of potential investment.

This strategy is supported by a separate, standalone **MERL** (Monitoring, Evaluation, Research, and Learning) strategy and manual. It is also supported by a separate, standalone **Communications Strategy**.

1.6.5 APPROACH TO GOVERNANCE

Government ownership and support is essential to the success of CAPRED. A Program Steering Committee will be established to transparently coordinate CAPRED implementation and to ensure DFAT and the RGC are partners in terms of program development, design, and review.¹⁸ Independent evaluations will be implemented, and a Quality Technical Advisory Group (QTAG) has already been established. QTAG is appointed by DFAT and serves as an 'external critical friend' to the Facility and to DFAT.

1.6.6 APPROACH TO STRATEGIC COMMUNICATIONS

CAPRED, and its focus on RISE, is ultimately about changing behaviours. To accomplish this, CAPRED will implement an integrated strategic communications approach within all elements of its portfolio. The Facility will identify, and measure: behaviour change objectives; the knowledge and perceptions that influence these behaviours; the customised messages needed by each different stakeholder or beneficiary; and the optimal means or communications channels and instruments that are most likely to affect behaviour.

¹⁸ The Steering Committee will be supported by a series of Strategic Coordination Groups consisting of representatives from key relevant stakeholders, ministries and agencies.

1.6.7 APPROACH TO GRANTS, PARTNERSHIPS, AND SERVICE PROVISION

As described in the program logic (Figure 3, page 11) CAPRED's main tools and services include:

- **Grants:** CAPRED funds and supports innovative initiatives and investments that promote transformation in CAPRED domains.
- **Evidence:** CAPRED generates and disseminates evidence relating to markets, policies, and practices to targeted stakeholders in CAPRED domains.
- **Technical Assistance:** CAPRED provides technical assistance to strengthen investments and organisational performance in CAPRED domains.
- **Pilots:** CAPRED develops, tests and evaluates innovative initiatives in CAPRED domains.
- **Policy Dialogue:** CAPRED supports and facilitates engagement and advocacy relating to selected economic policies in CAPRED domains.
- **Coalition Building:** CAPRED connects people, ideas and resources to promote and leverage change in CAPRED domains.

All of these instruments will include all relevant DFAT-mandated safeguards, as well as specific safeguards to avoid negative climate and environmental impacts, and to ensure a broad, genuine participation from all possible beneficiaries.

CAPRED's partnerships are its most valuable asset, its primary source of knowledge, and a trusted resource to achieve meaningful change. 'Partners' may be involved during direct implementation of activities (doing) or in scaling and influencing policy and market changes; they may provide services (be contracted by CAPRED); or may be direct beneficiaries.

During implementation CAPRED will make strategic decisions about which partners to work with. These decisions will be based on a balance of experience, a partner's comparative advantage (including the strength of their network), and cost-effectiveness/efficiency.

Operationally, CAPRED will employ a variety of different delivery mechanisms.

- **Partnership agreements**, including pilot innovation grants, core funding grants, challenge funds, and infrastructure grants. These agreements can be multi-year with the amount and type of cost-sharing mechanisms or partner contribution ascertained and agreed in a detailed budget that is verified during the due diligence process. This includes 'outputs based' grants, with their quality verified upon delivery.
- **Service agreements** for short-term advice and one-off events like travel, logistics, analysis, conferences, and training workshops. These contracts are also used for technical assistance required over the long-term where specific expertise is required.

FIGURE 13 PRINCIPLES OF PARTNERSHIPS AND SERVICE AGREEMENTS

- Align with the DFAT CAPRED Head Contract and Memorandum of Subsidiary Agreement.
- Align with DFAT policies and Commonwealth Procurement Rules.
- Balance of strong financial management principles vs. focus on project outcomes.
- Value for Money (embracing cost consciousness; competitiveness; evidence-based decision-making; proportionality; performance and risk management; a results focus; experimentation and innovation; accountability and transparency).



- **Memorandums of understanding** are typically cooperation agreements with non-government organisations (NGOs) or institutions, including RGC ministries, that may not involve any direct financial contribution by CAPRED to that institution. Due diligence is always conducted whenever a direct financial contribution is warranted. Any intervention that involves the provision of funds to government agencies and/or international agencies are output-based to ensure performance and mitigate fiduciary risk.

CAPRED will develop a variety of different partnerships including with government, the private sector, infrastructure firms, MSMEs, civil society, donor partners, finance and research actors, and service providers.

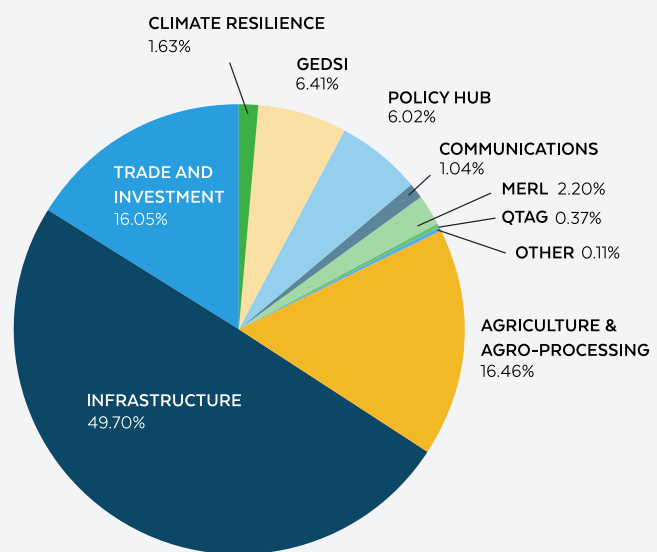
1.7 Budget overview

Figure 14 provides an estimate of CAPRED’s lifetime budget composition following stakeholder dialogue over the past 12 months. The budget is indicative only, because CAPRED is a facility and the program will retain budget flexibility to react to emerging opportunities. Since the program is also at an early stage of development, this allocation is expected to change over time. CAPRED’s lifetime budget will be reviewed and updated as part of the annual planning process.

Infrastructure currently is projected to occupy a significantly larger proportion of the total life of program budget than was foreseen in the program design document. There are several reasons for this, including:

- It contains seed funding for the Water Development Fund. This was not foreseen in the design and no decision has been made on whether this will be included in future year budgets.
- The continuation of Viability Gap Financing in the water sector. This has helped the program maintain expenditure in the early years of the program and will be discontinued in the latter years of the program.
- The initial design did not foresee the large body of work in the infrastructure portfolio that is climate change directed. For example, it did not consider the work planned for both variable energy integration transition and energy efficiency investments.

FIGURE 14 PROJECTED COMPOSITION OF CAPRED’S LIFETIME BUDGET



Note: This division is consistent with the expected division found in the CAPRED design, which envisioned a rough split between program components, of the approximately USD55 million in activity costs (over five years). The following allocation is anticipated: Agriculture / Agro-Processing – 31.25% (USD17.2 million); Infrastructure – 31.25% (USD17.2 million); Trade and Investment – 22.5% (USD11.8 million) and Policy Sub-Facility 15% (USD8.25 million). At least 80% of activities will contribute to GEDSI objectives. The CAPRED design also recommended that approximately 4%–7% of the overall CAPRED budget be used to support MERL. It was intended that this indicative allocation would be validated and updated with guidance from DFAT and the Program Steering Committee.

To support strong partnerships and the scaling of promising innovations, in order to achieve results and to ensure budget execution, approximately 20% of the Facility budget is proposed to be delivered through partnership agreements.





2

Policy Hub

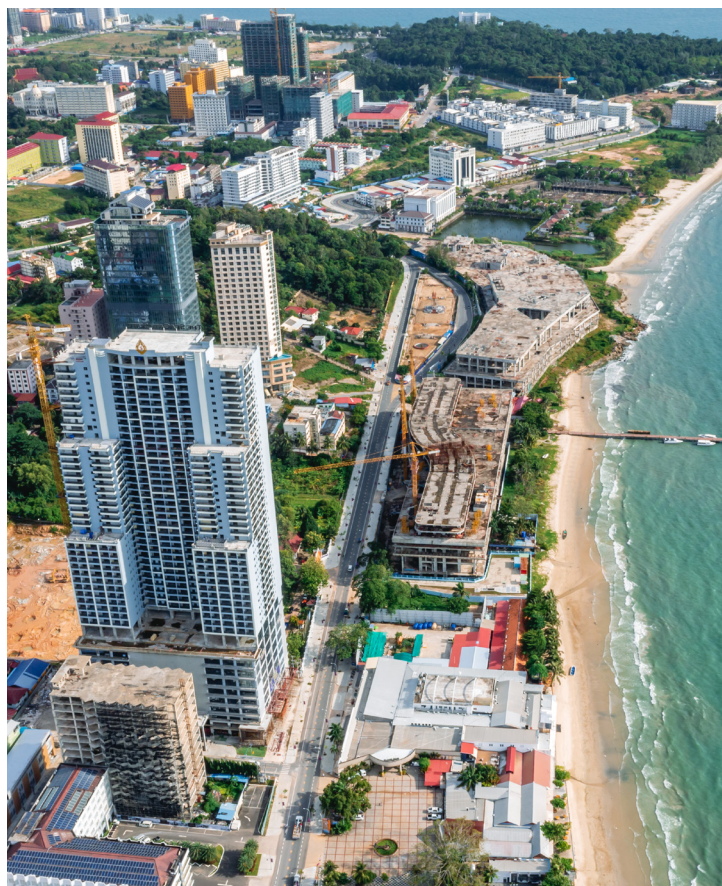
2.1 Current situation

Cambodia is at an economic crossroads, with opportunity and risk in equal measure. As the world manages the geopolitical and economic risks of over-reliance on China, and global firms seek to diversify their supply chains, South and South-East Asia have an opportunity to ride a wave of regional growth. Countries such as Thailand and Vietnam have modernised their economies, and Cambodia, nestled between the two, could benefit from spill-over effects and catch-up economics; but only if economic policy is well managed.

Risks are also high. Lower global growth (particularly in China), the end of the era of free money, de-globalisation, and other meta-trends could slow investment and growth significantly. Least developed country (LDC) graduation, and the consequent loss of trade preferences, will remove one of the key drivers of investment and growth. It is not just the quantity of growth and FDI that matters, but also the quality. Too much growth has come from investment enclaves (e.g., special economic zones or apartment tower construction) that do not create backward linkages into the broader economy. This limits opportunities for technology transfer and productivity spill-overs¹⁹ and is much less inclusive. If Cambodia is to navigate the coming period of global economic change, it will require bold, evidence-based policy formulation that thinks outside of the current economic model.

The impediments to better policy-making are various, but several are prominent. The use of data and evidence remains patchy. While ample data has been generated by the government and development partners, this is not routinely captured, utilised, or shared. Implementation of policy commitments and the evaluation of policy effectiveness is often weak or incomplete. A contributing factor to these constraints is insufficient inter-ministerial collaboration.

Policies tend to move quickly when they are well-coordinated by the Ministry of Economy and Finance (MEF); more generally, fostering strong leadership and developing centre-of-government policy processes and systems is essential. The RGC is improving its policy-making, and, over the past decade, a cadre of world class economic policy thinkers (particularly in the MEF) have exerted a growing influence on generating equitable, inclusive, and sustainable social and economic policies.



¹⁹ World Bank's Cambodia Country Economic Memorandum 2021, Resilient Development: A Strategy to Diversify Cambodia's Growth Model, December 2021 (p.ix).

The conclusions from a recently commissioned study by the Asia Foundation,²⁰ for the design of DFAT's Ponlok Chomnes program, is very informative. It recommends that policy-based programming should focus on quality data to support evidence-based policy. This includes making data more widely available among non-State actors such as those from academia and the private sector. The study identifies the most important economic policy work, including focusing on regional economic integration, economic diversification, foreign investment, the digital economy, data governance, social protection, cross-border migration, and youth development. It also notes the need to improve data about gender, people with disabilities and other vulnerable groups, in order to better inform economic policy.

Policy influence is one of the key reasons why CAPRED was commissioned. The ambitions of every portfolio are dependent on pursuing a policy reform agenda, be it agricultural productivity, sector financing for the water sector, a regulatory framework for renewable energy, agro-processing competitiveness, export and investment promotion, women's economic empowerment, disability inclusion, and climate resilience.

2.2 CAPRED's approach

The CAPRED design included a Policy Support Facility (now the Policy Hub) that would serve as the key top-down mechanism for engaging the RGC on policy issues of national concern. It was envisaged that the Policy Hub would use the information, data and insights generated in all portfolios, as well as demand-driven requests from government, to support issues of national level economic policy.

In response to this vision, CAPRED has designed the Policy Hub to provide support in three main ways.

First, the CAPRED model (and what makes it unique) is that it will pursue important policy reforms from the platform of real, on-the-ground investments. This generates market intelligence, gives the Facility credibility (i.e., that it knows what it is talking about) and gives voice to the private sector and women, people with disability, and other marginalised market actors in the policy process. By building a reputation for evidence-based and open-policy-dialogue, using novel, on-the-ground data, CAPRED will mobilise 'demand driven' requests from the government for additional policy support. The Policy Hub will operate in much the same way as other cross-cutting themes in CAPRED. It will develop a policy assessment tool that domains can use to assess and track progress (analysis, formulation, implementation, monitoring, and evaluation). The Policy Hub will cross-fertilise ideas across domains, and develop common standards, methods, and approaches. Best practice in policy development will be integrated into all policy-related interventions, and the Policy Hub will provide internal capacity building to help each portfolio team to formulate, implement, monitor, and evaluate policies on which they are working. In some cases, CAPRED will support other parties to develop and implement high-profile policy initiatives.²¹

²⁰ Kimchoeun Pak, Asia Foundation (2021): A diagnostic study on the Policy Process and Use of Data: the case of Cambodia and ASEAN Insights.

²¹ For example, the early work of the Policy Hub is in supporting the Ministry of Economy and Finance (MEF) (through the UN Capital Development Fund) to 'negotiate up' the government's credit rating, making it easier and cheaper for the government and commercial banks to raise finance in international and domestic capital markets.

Second, policies can be improved by strengthening the institutions and processes used for policy coordination; in the economic sphere, policy coordination is led by the Supreme National Economic Council (SNEC) and the Committee on Economic and Financial Policy (CEFP).²² CAPRED will form strategic partnerships with key government policy reform champions and ensure that they are equipped with the expertise, data and industry insights needed to make evidenced-based and inclusive policy decisions. CAPRED will also foster government collaboration with trusted non-State actors such as the Cambodia Development Resource Institute (CDRI), to continue to provide the independent research that the government needs. Collaboration with other non-State actors and development partners will be fostered to ensure that the voice of women, people with disability and other marginalised people are present and heard in the policy formulation process.

Third, the government must find ways to be more responsive to the needs of the private sector. CAPRED is working with the Cambodian Chamber of Commerce and the Council for the Development of Cambodia (CDC) to re-energise government-private sector dialogue mechanisms, so that the private sector has platforms to engage with government on growth-enhancing reforms. This is considered a key pillar in improving the investment climate in Cambodia. CAPRED's support aims to institutionalise the Government-Private Sector Forum (G-PSF) to ensure its sustainability, increase its inclusiveness, and, possibly, to roll out the mechanism to the sub-national level (Provincial Private Sector Forum). CAPRED will also support government to foster meaningful dialogue with the private sector through the CDC, and it is envisaged that, over time, this will evolve into a government-private sector support hub.

Because CAPRED was designed as a facility, the Policy Hub's approach will not be set in stone. It will continue to evolve as the program gains understanding about what kind of policy engagement has the greatest impact, and which partners are the most willing to engage. In particular, the Policy Hub should have a very strong focus on inclusion and green growth, giving priority to work that supports the government's legal, regulatory and policy framework. It should also synthesise learning from the sectors in which we work, and with GEDSI, to build the evidence-base for business models and approaches that deliver inclusive green growth.

The Policy Hub cannot work in isolation. It will be deeply engaged with the World Bank and the Asian Development Bank (ADB), as well as the the full range of multilateral and bilateral development partners. Furthermore, through its partnership with the Asia Foundation on Ponlok Chomnes, and as an implementation partner on Partnerships for Infrastructure (P4i), DFAT already has an impressive capability and understanding of the policy-making ecosystem in Cambodia. CAPRED will form strategic partnerships with these programs. The partnerships will have a strong focus on ensuring that the voices of women, people with disability, and other marginalised groups, are heard, and that they have a seat at the table which will leverage additional resources to support an agenda for more inclusive, evidence-based research and policy development among the RGC and non-State actors.

²² NB: the policy landscape is changing following the July 2023 elections, and other institutions may emerge as key drivers of policy reform. CAPRED will observe closely and adjust the approach as necessary.

2.3 How CAPRED will work

CAPRED will apply the following key methods and approaches:

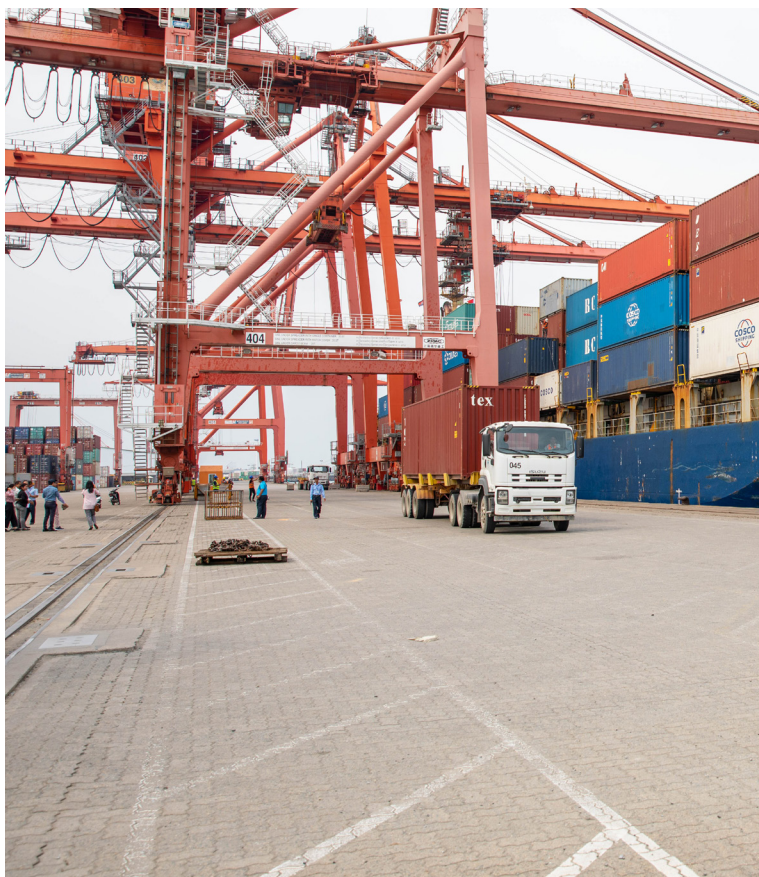
- **Become a leader in policy analysis and dialogue around industry-level data.** CAPRED will generate policy and market briefs that provide policy makers with unique analyses to support their policy needs.
- **Provide demand driven, full cycle support.** CAPRED will respond to the RGC's demand in a timely, flexible way. Support will cover the full policy development cycle: formulation, consultation, implementation, and monitoring and evaluation (M&E).
- **Integrate GEDSI.** CAPRED will reinforce the message that inclusion principles must be embedded in all RGC policies and will advocate for government to fulfil its stated obligations. The program will ensure that women, people with disability, and other marginalised groups are consulted and engaged throughout the policy development process.
- **Integrate climate.** Policy designed in 2023 cannot ignore the implications of climate change. Cambodia's economy will be buffeted by the effects of climate change, and every policy must include clear consideration of climate change mitigation and adaptation, disaster risk reduction and environmental protection.
- **Institutionalise evidence-based policy development.** The rationale behind CAPRED's work in this area is not just about creating a few pieces of good policy. CAPRED will also model best practice use of data and evidence, and will generate learning papers, guidelines, and tools to help scale-up adoption across the RGC. The program will support MEF and other agencies driving policy reform in a flexible and adaptive way.



- **Advocate for an inclusive consultative approach to policy dialogue.** CAPRED will engage the RGC, Chambers of Commerce, the CDC, business associations, key private sector actors, and other development partners to support public-private dialogue in the G-PSF and policy development processes. It will include exchanges and engagement with Australian counterparts and agencies on capacity and policy, in close partnership with P4i, which was specifically designed for this purpose. It will link with policy dialogue processes supported by GEDSI initiatives such as coalitions for change.
- **Provide additionality (complementarity) and collaborate with strategic partners.** Because the Policy Hub has a relatively broad mandate, there is some risk of overlap or duplication among development partners. GIZ (the German development agency) are engaging with the Cambodian Chamber of Commerce, but their support is complementary. Several development partners have flexible policy mechanisms including ADB and the World Bank. The World Bank is updating its Systematic Country Diagnostic (SCD-2, 2023) assessing progress from its SCD-1 (2017). Cambodia's economic competitiveness and diversification was a key focus of the last partnership strategy and is expected to remain so in the next phase. CAPRED will work closely with development partners and other stakeholders to avoid duplication and maximise complementarity.

2.4 Policy Hub interventions

The following pages depict CAPRED's strategic Policy Hub interventions (in a simple hierarchical structure), together with their vision of transformation and related pathways to RISE (resilient, inclusive, and sustainable economic growth). Following this, detailed tables describe the general content of these interventions.



POLICY HUB PORTFOLIO

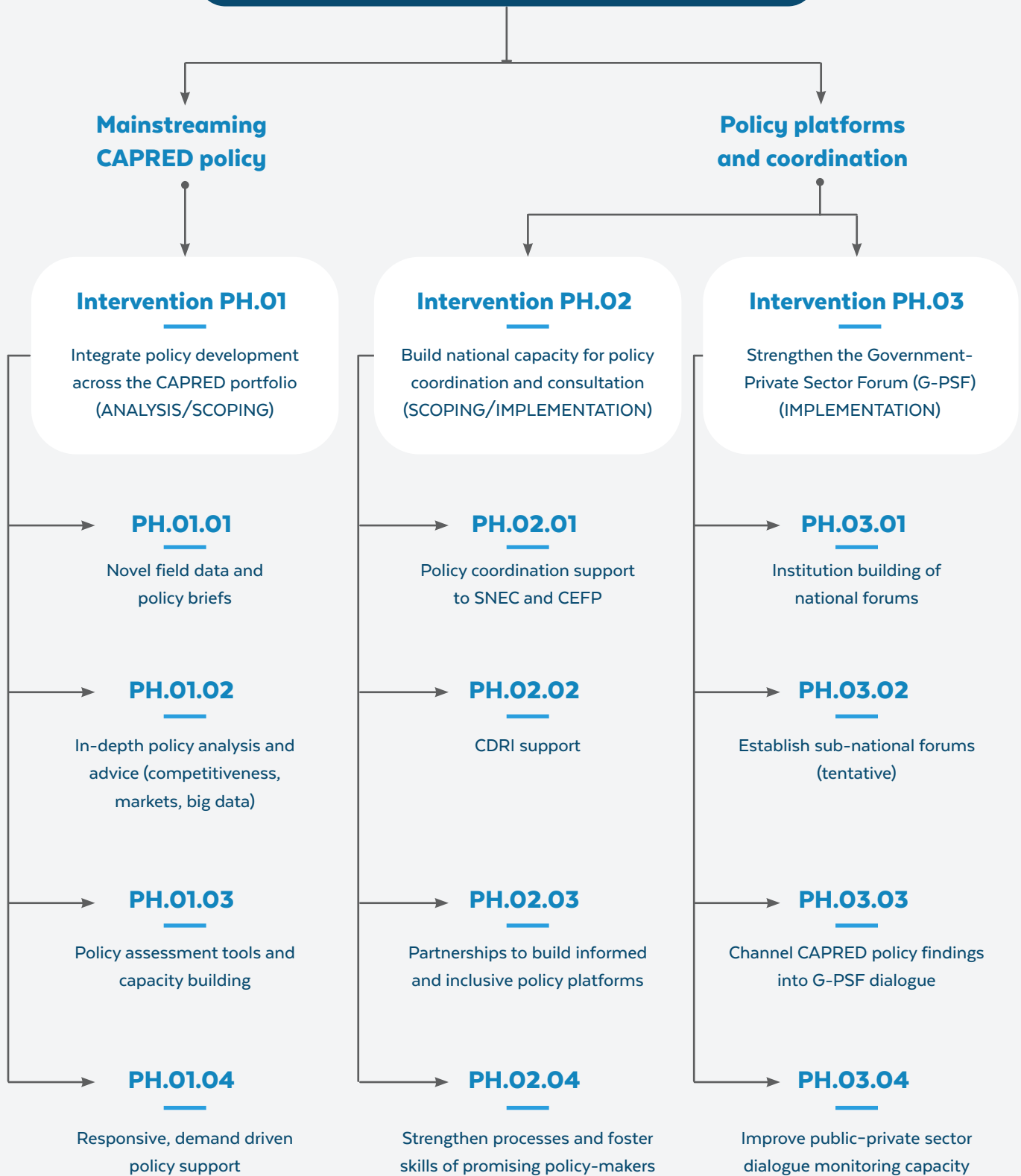
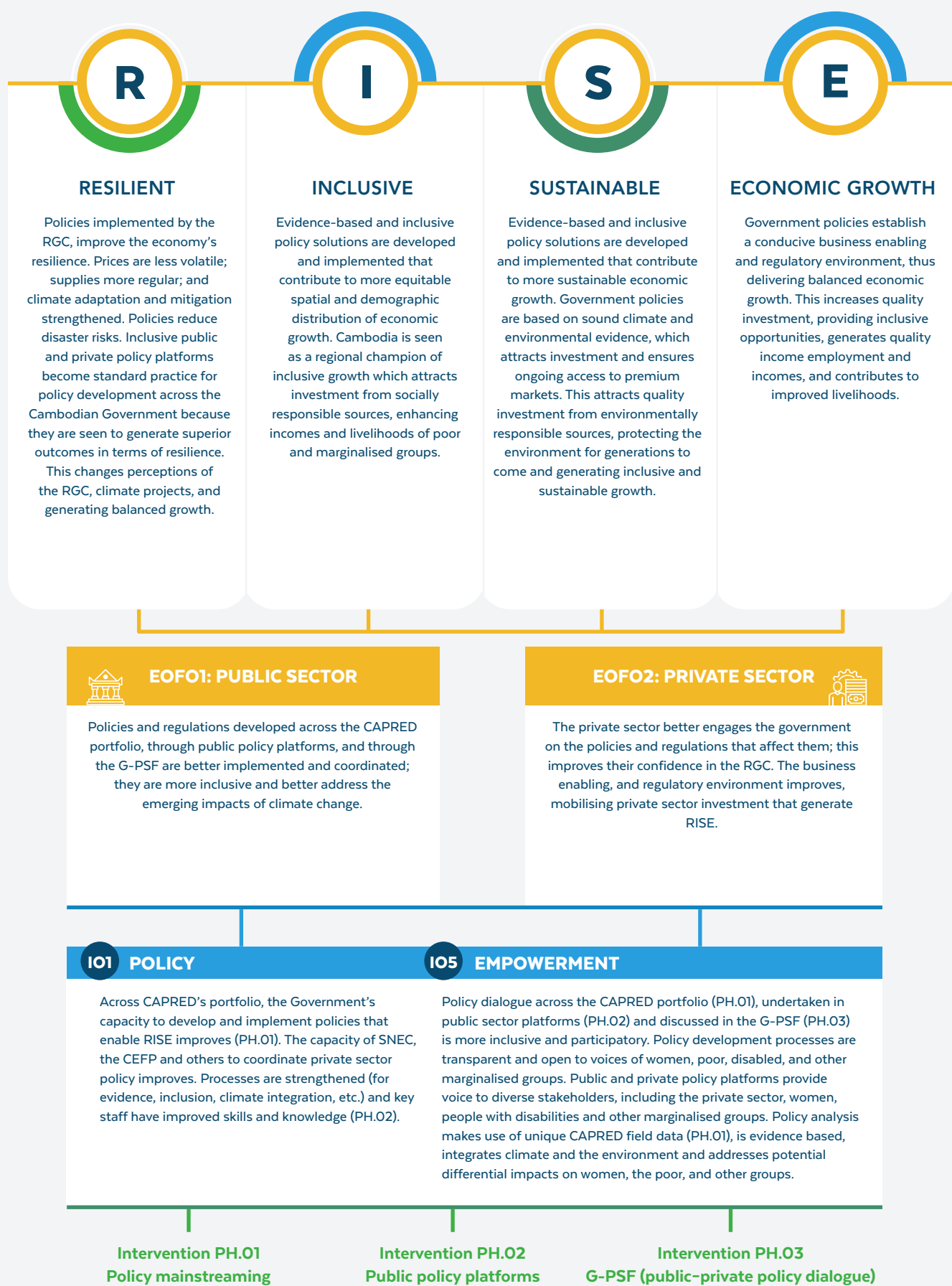


TABLE 2 POLICY HUB PORTFOLIO - PATHWAY TO RISE



Note: CEFP = Committee on Economic and Financial Policy; G-PSF = Government-Private Sector Forum; RGC = Royal Government of Cambodia; SNEC = Supreme National Economic Council

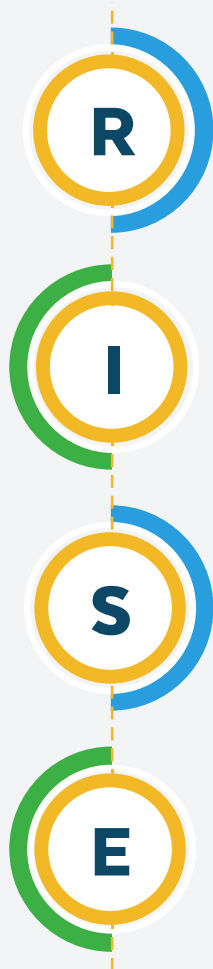
VISION OF TRANSFORMATION



CAPRED becomes a leader in generating valuable policy data and analysis

By 2031, CAPRED establishes its comparative advantage and unique selling point as a source of novel, timely, accurate, informative, and relevant market insights, and policy advice. Data is generated across CAPRED's portfolio, based both on field work and in response to government requests for policy support. CAPRED's inputs influences the government's policy direction and policy choices. CAPRED establishes a policy dialogue space that facilitates open, participatory, inclusive, transparent, and constructive debate about policy problems and solutions. The implications of climate change are embedded in the way government approaches all policy reform. CAPRED policy support creates a deeper and more mature relationship between Cambodia and Australia. Australia is increasingly seen as Cambodia's bilateral partner of choice for reliable, impartial, and high-quality advice.

RISE



RESILIENT

Across the CAPRED portfolio, evidence-based and inclusive policy solutions are developed and implemented that contribute to long-term resilient economic growth that can withstand and recover from economic downturns and shocks. RGC has the ongoing capacity to make more informed policy choices that lead to resilient growth.

INCLUSIVE

Across the CAPRED portfolio, evidence-based and inclusive policy solutions are developed and implemented that contribute to more equitable spatial and demographic distribution of growth. The policy development process is transparent and open to the voices of women, people with disability, and other marginalised groups.

SUSTAINABLE

Across the CAPRED portfolio, evidence-based and inclusive policy solutions are developed and implemented that protect the natural environment for future generations, successfully mitigate and/or adapt to the effects of climate change and contribute to more sustainable economic growth. Government policies are based on sound climate and environmental evidence, which attracts investment and ensures ongoing access to premium markets.

ECONOMIC GROWTH

Government policies are economically inclusive, environmentally sustainable and deliver resilient economic growth for all.

INTERVENTIONS FOR POLICY MAINSTREAMING

PH.01 | INTEGRATE POLICY DEVELOPMENT ACROSS THE CAPRED PORTFOLIO (ANALYSIS/SCOPING PHASE)

CAPRED has generated, and will continue to generate, a wealth of unique, insightful, and timely data, through its monitoring of activities, pilots, and investments. Across the portfolio, CAPRED will generate and analyse field data on industry/market conditions that help to remove blind spots and information gaps. This analysis will be converted into policy and market briefs to support policy dialogue. Briefs will be communicated through various channels, with information and formats tailored to different audiences (PH.01). To complement this, CAPRED will undertake more formal, in-depth research into issues of: competitiveness, economic diversification, market functioning, and digitalisation; GEDSI; and climate change. Where possible, the program will explore the potential of using big data to further probe these issues. This will lead to quality policy advice and dialogue (PH.02).

Research and policy questions are expected to emerge organically through CAPRED implementation as well as through requests for policy support from government agencies. CAPRED will develop a policy assessment tool that each portfolio can use to assess and track progress (analysis, formulation, implementation, monitoring and evaluation). In common with CAPRED's GEDSI and climate work, the Policy Hub will cross-fertilise ideas across all portfolios, and develop common standards, methods, and approaches. Policy development best practice will be integrated into all policy related interventions, and the Policy Hub will provide internal capacity building to help all portfolios formulate, implement, monitor, and evaluate policies on which they are working (PH.03). CAPRED will respond to the RGC's policy needs and in some infrequent cases the program will finance policy proposals from third parties (PH.04).

CROSS-CUTTING LINKAGES

Policy initiatives are mainstreamed across the portfolio. As a matter of principle, CAPRED data and analysis will assess policy impacts (projected and actual) across diverse populations and in terms of climate and the environment. Strategic communications will be central to this work, with performance assessed in terms of observed changes in knowledge, attitudes, and practices.

VISION OF TRANSFORMATION

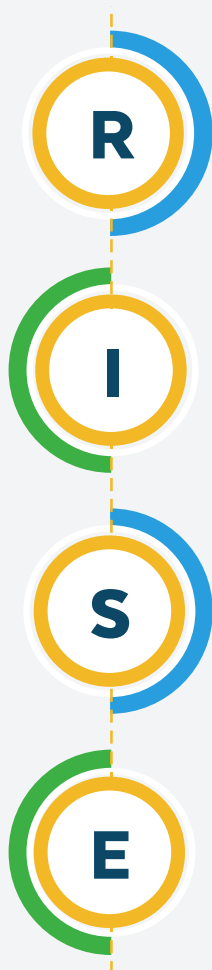


Institutionalise public sector policy forums and policy coordination

The government uses private and public policy platforms to inclusively identify and resolve emerging policy issues. Policy coordination and policy development processes are strengthened, especially in terms of data and policy implementation, monitoring, and evaluation. Policies are increasingly evidence-based, inclusive and climate resilient. By monitoring policy implementation, the RGC perceives that more open and inclusive policy development processes generate better outcomes and are adopted widely.

A results-based government-private sector policy dialogue is operating on a sustainable basis. The process analyses, agrees upon, and actively remedies meaningful constraints that inhibit Cambodia's business and investment climate. Healthy, more inclusive, and constructive government-private sector relationships attract investment and enhance Cambodia's access to premium markets. By 2031, the Government-Private Sector Forum (G-PSF) regularly produces regulatory results that lead to private sector growth. All results aim to promote resilience, inclusivity, and sustainability.

RISE



RESILIENT

Inclusive public and private policy platforms become standard practice for policy development across the Cambodian government because they are seen to generate superior outcomes. This changes perceptions of the RGC attracting quality investment and generating inclusive growth.

INCLUSIVE

Public and private policy platforms provide a voice for diverse stakeholders including the private sector, women, people with disabilities and other marginalised groups. Cambodia is seen as a regional champion of inclusive growth which attracts investment from socially responsible sources, enhancing the incomes and livelihoods of poor and marginalised groups.

SUSTAINABLE

Public and private policy platforms identify and coordinate the development of evidence-based policy solutions that contribute to more environmentally sustainable economic growth. This attracts quality investment from environmentally responsible sources generating inclusive and sustainable growth.

ECONOMIC GROWTH

Strengthened policy platforms and policy coordination further the development and implementation of policies that contribute to broad-based economic growth. This increases quality investment generating employment and incomes and improving livelihoods.

POLICY PLATFORM AND COORDINATION INTERVENTIONS

PH.02 | BUILD NATIONAL CAPACITY FOR POLICY COORDINATION AND CONSULTATION (SCOPING/IMPLEMENTATION PHASE)

CAPRED will strengthen the policy development capacity of key reform nodes within the RGC such as the Supreme National Economic Council (SNEC), Committee on Economic and Financial Policy (CEFP) and, potentially, the Council of Ministers. CAPRED will directly support the RGC to strengthen its public policy platforms and its policy coordination functions (PH.01.01).

CAPRED will support the ability of non-State actors to constructively engage in these public policy platforms. Initially the program will partner with the Cambodia Development Resource Institute (CDRI) to help the government to consider future economic growth paths (PH.02.02). CAPRED will also partner with other Australian government programs such as P4i to mobilise specialist policy expertise, and Ponlok Chomnes to support inclusive policy consultation mechanisms (PH.02.03).

Working with SNEC and the CEFP, CAPRED will assist the RGC to review and revise its policy development processes, including focusing on strengthening procedures for participation, the use of evidence, the assessment of regulatory burdens and environmental impacts, and M&E. Based on capacity gaps, CAPRED will support young, promising policy-makers (especially women and where possible people with disability) to improve their skills and knowledge (PH.02.04), potentially through a partnership with the Australia Awards program and other educational/policy institutions.

CROSS-CUTTING LINKAGES

CAPRED data, analysis and lessons learned from across the Facility will be used to inform public policy forums; specific focus will be given to building the evidence base for climate mitigation, adaptation, disaster risk reduction (DRR) and environmental protection, as well as GEDSI-responsive approaches.

POLICY PLATFORM AND COORDINATION INTERVENTIONS

PH.03 | STRENGTHEN THE GOVERNMENT-PRIVATE SECTOR FORUM (G-PSF: IMPLEMENTATION PHASE)

Working closely with relevant government agencies, the Chamber of Commerce, and other business associations, CAPRED will facilitate public-private dialogue (PPD) and will organise exchanges and engagement with Australian counterparts. CAPRED will provide continuous, hands-on support to revitalise and strengthen the Government-Private Sector Forum (G-PSF) to ensure its sustainability, increase its inclusiveness and to improve both its capacity and performance (PH.03.01). Further support may be provided to establish PPD at sub-national level, through Provincial Private Sector Forums (PH.03.02). Policy issues and briefs developed across the CAPRED portfolio will be presented and integrated, where relevant, into Forum meetings to ensure dialogue is more evidence-based (PH.03.03); GEDSI, climate change and competitiveness are likely early entry points. Finally, G-PSF monitoring processes will be strengthened, with improved capacity to track results in terms of: (i) their own institutional strengthening; (ii) implementation of agreed regulatory outcomes that improve competitiveness; and (iii) tangible private sector (economic) results (PH.03.04).

CROSS-CUTTING LINKAGES

Policy findings and issues across CAPRED’s portfolio (PH.01) may be discussed in G-PSF meetings, as might issues arising from national policy platforms (PH.02). The integration of GEDSI and climate change into G-PSF operating procedures and agendas will be a strong focus of CAPRED’s approach.







3

**Gender Equality,
Disability and
Social Inclusion**

This CAPRED GEDSI Strategy has been framed according to: the CAPRED theory of change and program logic (Figure 3, page 11); DFAT’s Gender at Work framework;²³ and the format of the CAPRED strategy approved by DFAT for the other work areas. This strategy:

- Analyses GEDSI and inclusive economic development and empowerment in Cambodia
- As described below, takes both an integrated (mainstreamed) and targeted approach
- Develops program interventions in two portfolios: (i) the GEDSI Portfolio; and (ii) the Enterprise Development Portfolio
- Links GEDSI interventions to Program outcomes and RISE (resilience, inclusive, sustainable economic growth) through the program logic. Annex 2 (page 195) summarises how the ‘I’ in RISE is applied in all interventions in the CAPRED strategy.

3.1 GEDSI contribution to CAPRED’s theory of change

GEDSI is a focal point of the theory of change in that inclusion is a main thread and ultimate outcome of CAPRED. It is clearly referenced at all levels of the theory of change: the goal, the objective, the end of facility outcomes (EFOs), the intermediate outcomes (IOs), and the work areas. Therefore, inclusion is integrated into every aspect of CAPRED’s work from research and analysis, through the design and implementation of every intervention, to the monitoring and evaluation of results. Inclusion is embodied in, and explained through, CAPRED’s RISE approach. All 34 program interventions identify linkages with, and the value of, this approach to inclusion.

GEDSI is also a contributor to the CAPRED theory of change, not only because inclusion is referenced as a desired approach and outcome, but also because the program’s economic growth objectives cannot be achieved without GEDSI. In short, inclusion is necessary for economic growth, resilience, and sustainability. For example, McKinsey has found that advancing women’s equality in the Asia Pacific could add USD4.5 trillion to the region’s collective annual GDP by 2025 – a 12% increase,²⁴ while the International Finance Corporation (IFC) found that greater engagement of women in e-business alone could add USD280 billion to South-East Asia’s market value in five years.²⁵ The impacts of gender inequality are high. For example, worldwide, the cost of violence against women is estimated at around 2% of the global gross domestic product (GDP), equivalent to USD1.5 trillion, approximately the size of the economy of Canada.²⁶ The cost of excluding people with disabilities costs countries between 3% and 7% of GDP.²⁷ Moreover, successive economic crises and the COVID-19

²³ DFAT. 2023. *Gender Equality Practice Note*.

²⁴ McKinsey Global Institute, 2018. *The Power of Parity: Advancing Women’s Equality in Asia Pacific*.

²⁵ IFC, 2021. *Women and E-commerce in Southeast Asia*.

²⁶ <https://www.unwomen.org/en/news/stories/2016/9/speech-by-lakshmi-puri-on-economic-costs-of-violence-against-women>

²⁷ <https://www.weforum.org/projects/closing-the-disability-inclusion-gap#:~:text=The%20cost%20of%20exclusion%20of,a%20significant%20return%20on%20investment>

pandemic have shown that inequality increases economies' vulnerability to shocks; and gender-friendly policies help countries to diversify their economies.²⁸ Political sustainability depends on greater equality and reduces social divisions which contribute to unrest,²⁹ while environmental sustainability is threatened by the marginalisation of peoples.³⁰

3.1.1 GENDER AT WORK – A FRAMEWORK FOR ANALYSIS

As depicted in Figure 15, CAPRED has applied DFAT's Gender at Work Framework to the Cambodian context and has developed a CAPRED GEDSI at Work Framework. This framework supports the analysis of individual and systemic factors as well as formal and informal influences.

²⁸ This happens in two ways: gender opportunity gaps harm diversification by constraining the pool of human capital in the economy; and gender labour market gaps impede innovation and decrease labour force efficiency. Kazandjian, R. et al, 2016. *Gender equality and economic diversification*, IMF Working Paper.

²⁹ World Bank. Viewed on 3 October 2023 at <https://blogs.worldbank.org/developmenttalk/inclusive-growth-oxymoron>

³⁰ IISD. 2021. Viewed on 3 October 2023 at <https://www.iisd.org/system/files/2021-02/still-one-earth-poverty-and-environment.pdf>



3.2 GEDSI analysis in Cambodia – using the Gender at Work framework

3.2.1 EMPLOYMENT FOR PEOPLE WITH DISABILITY

Population estimates of people with disability (PWD) in Cambodia vary between 2% and 9%.³¹ Living with disability brings an increased risk of poverty³² lower educational outcomes,³³ and lower levels of employment. The International Labour Organisation (ILO) estimates that, in Cambodia, women with disabilities are 19.4% less likely to be in the workforce than the average population, while the rate for men with disabilities is 8.4% less.³⁴

The *Law on the Protection and the Promotion of the Rights of People with Disabilities (2009)* provides rights for people with disabilities to be employed without discrimination in the public and private sectors, that a proportional number of full-time disabled people are employed, and that reasonable accommodation be made at the workplace.³⁵ CAPRED intends to support, implement, and where necessary facilitate improvements to this policy and its regulatory framework.

3.2.2 WOMEN AND INFORMAL WORK

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) reports³⁶ that, while women own the majority (61%) of MSMEs in Cambodia, only about a quarter of all formally registered businesses are women-owned. The report notes that the socio-cultural context disincentivises women from registering a business in their names, and that there is a lack of access to finance, markets, and business support services. In addition, being outside of the formal system renders them unable to access the social protection scheme (e.g., national social security fund), and to receive any intervention support from the government or development agencies, as illustrated during the COVID-19 pandemic.

³¹ Compared with WHO estimates of a global prevalence of 15%, variance in the percentages for Cambodia is largely due to differences in how disability is defined for census and data-gathering purposes. In general, it is difficult to acquire accurate population data in developing countries. <https://borgenproject.org/disability-and-poverty-in-cambodia/> (2020 blog).

³² NIS, Ministry of Planning. 2014. *Cambodian Socio-Economic Survey*.

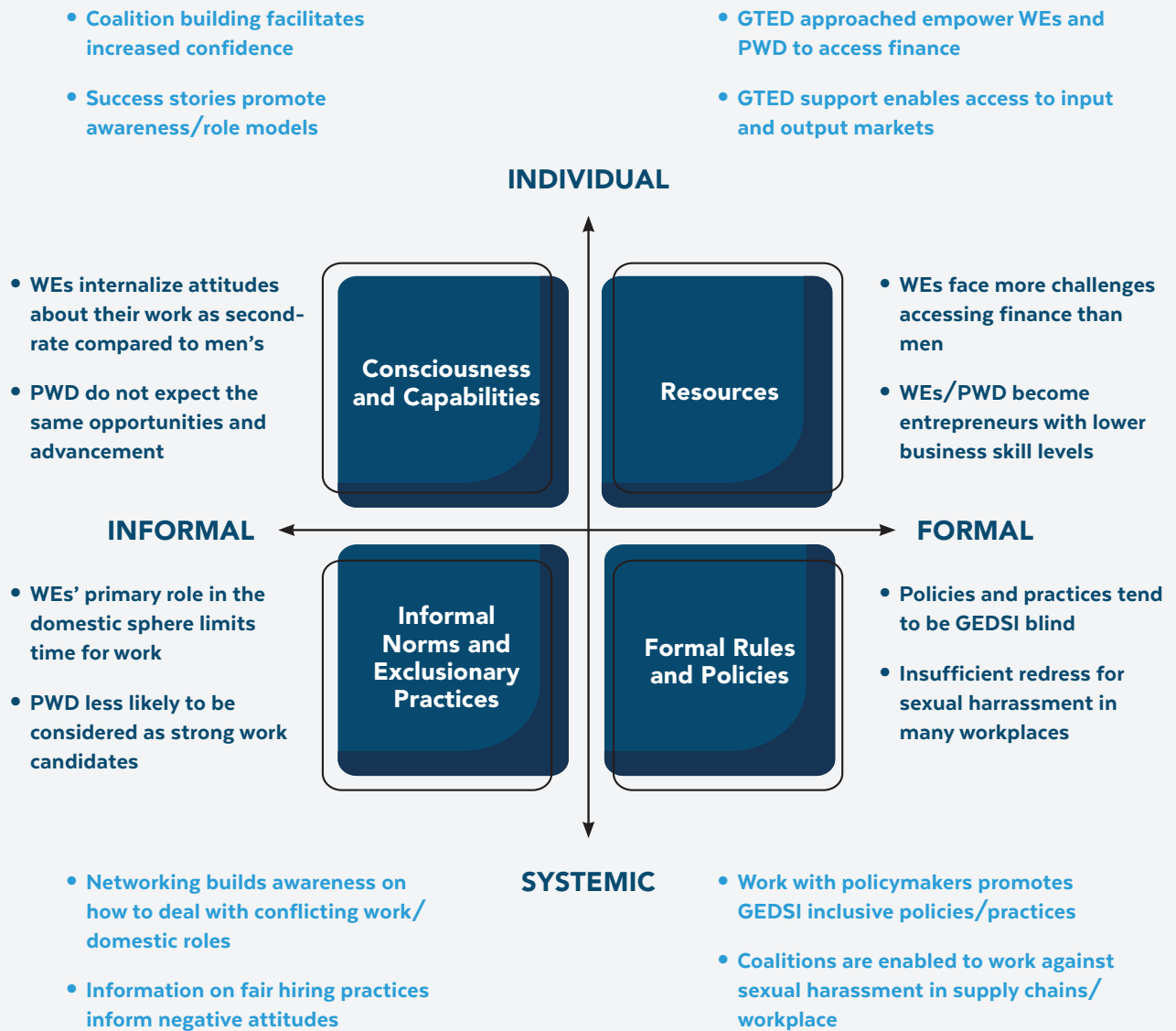
³³ UNESCO, 2018. *Education and Disability: Analysis of data from 49 countries*, Information Paper 49.

³⁴ International Labour Organization, 2019. Kingdom of Cambodia Decent Work Country Program 2019-2023

³⁵ Irish Aid/ILO. N.d. *Inclusion of People with Disability in Cambodia*. https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/publication/wcms_115096.pdf

³⁶ UNESCAP. 2021. *Policy Guidelines on Increasing Business Registration and Access to One-Roof-Service for Women-led MSMEs*. <https://www.unescap.org/kp/2022/policy-guidelines-increasing-business-registration-and-access-one-roof-service-women-led>

FIGURE 15 CAPRED GEDSI AT WORK FRAMEWORK



● **Examples of GEDSI at Work Challenges**

● **Examples of CAPRED approaches that target or integrate GEDSI**

ABBREVIATIONS

GTED: GEDSI-Transformative Enterprise Development
 PWD: People with Disability
 WEs: Women Entrepreneurs

Note: Based on DFAT's Gender at Work Quadrant

Cambodia has one of the highest rates of female labour force participation in the region, but women are over-represented as employees in the informal workforce (at 85%). As a result, women are more likely than men to be in unpaid or insecure employment and to work in poor conditions without the benefit of social protection schemes. They face a gender wage gap of 19%.³⁷ The building of a strong workforce (entrepreneurs and workers) depends on formalisation and a large talent pool (requiring male and female participation)



with accompanying improvements in adherence to standards, good business practice, and the building of a capable workforce. As CAPRED works with the public and private sectors on formalisation and equitable development, an emphasis on inclusion will be key in realising RISE.

3.2.3 UNDERLYING SOCIAL NORMS

Many of the norms that shape gender relations in Cambodia are codified in the Chbab Srey and Chbab Proh traditional codes of conduct for women and men that were, until recently, taught in schools. Due to their cultural embeddedness, the codes continue to shape public and family life. For example, the National Childcare Policy reinforces the idea that women are responsible for looking after children and the household, rather than the idea that these responsibilities are shared; and women entrepreneurs face negative judgements by their family (54%), and their community (71%) when starting their businesses, while others report limiting their sales because they cannot travel far from home due to reputational and safety concerns.³⁸ Similarly, social norms underpin the stigma and discrimination experienced by PWD.

In the workplace, women in business report that it can be hard to talk to their male colleagues because of the perceived incompatibility between behaviours considered more feminine, such as empathy and kindness, and behaviours associated with leaders, such as self-confidence and assertiveness.³⁹ Although CAPRED is not a social program per se, these social norms impact women's ability to participate in the economy. Programming will, therefore, tackle key priorities such as the care economy and socialising a screening tool and guidelines to urge a change in social norms.

3.2.4 WOMEN'S REPRESENTATION IN PUBLIC AND PRIVATE SECTORS

Women are under-represented in leadership at all levels. As of February 2021, only 21.6% of seats in parliament were held by women.⁴⁰ Women represent only 17% of those in middle and senior managerial positions in the private sector. These two statistics suggest that, with men in positions of authority, change for women may be more difficult to achieve, even with the

³⁷ UNDP, 2021. The gender wage gap in Cambodia.

³⁸ Soeters, S., Grant, M., Salinger, A., & Willetts, J., 2020. *Gender equality and women in water, sanitation and hygiene (WASH) enterprises in Cambodia: Synthesis of recent studies*. ISF-UTS, Sydney, Australia.

³⁹ UN Cambodia, 2021.

⁴⁰ UN Women, <https://data.unwomen.org/country/cambodia>

best intentions, due to unconscious bias and perspectives of privilege. However, with external pressures for women's engagement (in terms of graduation and investment) as well as growing awareness, CAPRED can work with public and private counterparts to encourage, motivate, and incentivise inclusive change.

3.2.5 GENDER-BASED VIOLENCE

Recent analysis of Cambodia's 2019 Social Institutions and Gender Index score attributed its low score on 'restricted physical integrity' to Cambodia's high incidence of sexual and gender-based violence (SGBV).⁴¹ Sexual harassment at work, which is pervasive, mostly goes unreported,⁴² and there are high rates of abuse perpetrated against transgender women in public spaces.⁴³ A review of policy indicates that the Labour Law is weak when it comes to harassment clauses and that Cambodia has not ratified ILO Convention C190 with standards for governments, employers and unions to prevent gender-based violence and harassment in the workplace. Cambodia has yet to officially ratify this important Convention. In the case of sexual harassment in the workplace, CAPRED can work with the private sector to understand the need for adequate and enforced policies, and mechanisms for redress. As sexual harassment scandals are impacting business success globally, businesses and investors in South-East Asia have a growing interest in such support.

3.2.6 THE RURAL-URBAN GAP AND MINORITY COMMUNITIES

With higher levels of poverty in rural areas, lower levels of education and challenges to access of all kinds of services (education, health, agricultural inputs, output markets, skills, infrastructure, and so on), the rural-urban gap is widening. This challenge is exacerbated for women, especially for those who are heads of households – they are more likely to be landless or land-poor than their male counterparts.⁴⁴ Indigenous people and ethnic minorities who are concentrated in rural areas are often landless with significantly poorer health outcomes and lower rates of literacy.⁴⁵ This means that to achieve inclusive growth, CAPRED will need to be particularly cognisant of these factors in the development of the agricultural sector, supply/value chains, enterprises and finance, and will need to analyse and design interventions that integrate women and other excluded populations.

3.2.7 CARE WORK AND THE CARE ECONOMY

Social and cultural norms have led Cambodian women to carry a disproportionate degree of responsibility for unpaid care work. The care work burden carried by Cambodian women is high relative to their counterparts in other countries; a 2018 ILO report found that Cambodian men undertake only 8.7% of total unpaid care work, the second lowest rate among the 67 countries surveyed.⁴⁶ The COVID-19 pandemic intensified this workload; 35% of Cambodian women (a high percentage relative to other South-East Asian countries) reported that their unpaid workload had increased in at least three care activities, compared with 20% of men (a low percentage compared with other countries).⁴⁷ Women's care load is a major constraint to their economic opportunities as workers or entrepreneurs, to their education and personal development, and to their expression of voice and leadership.

⁴¹ National Institute of Statistics. June 2021. *Thematic Report on Gender*.

⁴² Leang Lo and Op Vibol, 2015 *Legal Analysis: Sexual Harassment in Cambodia, Care Cambodia*.

⁴³ CCHR, 2018. *Fact Sheet: Violence against women in Cambodia*.

⁴⁴ Scurrah, N. and Hirsch, P. 2015. *The Political Economy of Land Governance in Cambodia*, University of Sydney.

⁴⁵ CIPA. 2019., *Situation of Indigenous Peoples in Cambodia, Submission for the 3rd Cycle of Universal Periodic Review of Cambodia, 32nd Session of the Human Rights Council*, Cambodia Indigenous Peoples Alliance.

⁴⁶ ILO. 2018. *Care work and care jobs for the future of decent work*.

⁴⁷ ASEAN and UN Women, 2021.

Recognising care work and its contribution to society and addressing the impact that caring has on families (particularly on women) is critical to achieving gender equality and its wider social and economic benefits.⁴⁸ Childcare is an essential 'infrastructure',⁴⁹ and investment in care businesses is inherently low carbon and gender-smart.⁵⁰ The benefits of investments in childcare are felt by direct users, in national productivity – and the broader community into the future⁵¹ – and by businesses.⁵²

The privately-owned care business sector in Cambodia is likely to grow rapidly, including in eldercare. CAPRED's entry point into care work will be to coordinate with key stakeholders and to conduct a scoping study to fully understand the existing sector and its ecosystem, its constraints, and opportunities. In working in the care economy, CAPRED will test various business models of public-private partnership to increase access and make the sector more competitive and productive. The care economy provides enormous potential for making links and enhancing learning across CAPRED.

⁴⁸ Oxfam in Cambodia. 2020. *Share the Care! Make the invisible care work visible.*

⁴⁹ Washington Center for Equitable Growth. *Factsheet: What does the research say about care infrastructure?* <https://equitablegrowth.org/factsheet-what-does-the-research-say-about-care-infrastructure/>

⁵⁰ Kaplan, Sarah. 2020. *How the Caring Economy can Revive Us.*

⁵¹ Lu, L. & Muriow, A., 2022. *Donor Agency Engagement in Gender Lens Investing: Approaches and Opportunities*, Criterion Institute, DCED, Cambridge, UK.

⁵² Ibid.



3.3 How CAPRED will work

CAPRED's GEDSI work is intended to mainstream GEDSI using two key approaches – integration and targeting (i.e., a 'twin-track approach'). It is important to note that targeted and integrated GEDSI programming approaches are not mutually exclusive. Targeted activities will sit at different levels of CAPRED's plans and strategies. For instance, CAPRED has a small number of interventions that are primarily targeted at achieving GEDSI outcomes, such as 'Gender Responsive Budgeting' and 'building the care economy.' But more often, targeting will come in the form of specific activities in other intervention areas (for example, in promoting social inclusion in the water sector, or ensuring that policy processes are inclusive). CAPRED will take a twin-tracked approach as follows:

- **Integration** incorporates GEDSI into the design and implementation of activities across the CAPRED portfolio. Integration is organised into two key areas: (i) internally-facing work including CAPRED policies (e.g., human resources, codes of conduct), communications, evidence building, MERL, and planning and reporting; and (ii) enabling portfolio managers to incorporate GEDSI and women's economic empowerment into their interventions, through the policies they promote, and the market activities they implement.
- **Targeting:** CAPRED will also develop a portfolio of work that focuses primarily on addressing challenges to the inclusion of marginalised groups. The three key areas for CAPRED targeted interventions are: (i) promoting the care economy; (ii) making the private sector business case for improving GEDSI within the workplace; and (iii) finance and investment through both business acceleration (applicable to small and medium-sized enterprises) and microenterprise growth. The latter two targeted areas are in the enterprise development portfolio.

FIGURE 16 DEFINITIONS - GEDSI TARGETING VS. INTEGRATION



Targeted GEDSI programming is designed specifically to address the needs and obstacles faced by women, people with disabilities, and other marginalised groups; the primary objective of a targeted action is to promote GEDSI opportunities and outcomes. Targeted programming typically involves working with specific organisations or groups that represent these populations.



GEDSI integration (or mainstreaming) is the process of assessing the implications for women, PWD, and other marginalised groups of any planned action that has other primary objectives. It is a strategy for making the concerns and experiences of marginalised groups an integral dimension of the design, implementation, monitoring and evaluation of the planned action. This is done so that all individuals may have equal access to, and may benefit equally—so that inequality is not perpetuated (adopted from the United Nations Human Rights Office of the High Commissioner, at <https://www.ohchr.org/en/women/gender-integration>).

3.3.1 THE GEDSI INFLUENCING STRATEGY

GEDSI is a primary program concern and to be successful CAPRED will support and influence all portfolios and interventions to integrate GEDSI into their planning and implementation of activities and outputs. Positive relationships, open avenues for dialogue, mutual trust, and respect will underpin this approach. The GEDSI agenda is founded upon:

- Mutual respect in all communications with excellent listening and explanation skills
- Responsiveness to support the needs of all portfolios in a timely and reasonable manner including capacity building, field trips, provision of evidence and knowledge, etc.
- Empowerment of all portfolios to apply GEDSI learning and tools
- A willingness to compromise and seek innovative solutions to overcome challenges which consider the motivations and incentives of government and private sector partners
- Provision of evidence for the business case and the value of GEDSI to the overall economy that can be productised for work with the private sector (e.g., briefs with statistics and stories)
- Piloting and quick wins on GEDSI to build the capacity and confidence of the portfolio, and to identify innovations that can help to advance GEDSI in CAPRED and in Cambodia more widely
- Participation in reflection and learning events where success stories for GEDSI in work areas can be celebrated, and challenges discussed in a collegial manner.

3.3.2 PARTNERSHIPS AND COALITION BUILDING

Partnerships and coalition-building are critical for the successful delivery of GEDSI outcomes. Public, private, and civil society partners will not only be integral to the success of CAPRED's GEDSI work, but also to the long-term sustainability of inclusive economic growth.

Care economy partnerships: At an early stage of development (scoping and analysis), CAPRED will seek collaboration with key partners active in the care economy such as the World Bank, UNESCAP, Oxfam and other civil society partners. The advancement of the enabling environment as well as investment and regulatory frameworks will be crucial in establishing care services.

Policy-level work: Working on Gender Responsive Budgeting (GRB) and policies that promote GEDSI and women's economic empowerment, CAPRED will engage with partners in key ministries such as the Ministry of Economy and Finance (MEF), the Public Financial Management Reform Programme, the Ministry of Women's Affairs (MOWA), the Ministry of Agriculture, Forestry and Fisheries (MAFF), the Ministry of Commerce (MOC) and the Ministry of Industry, Science, Technology and Innovation (MISTI). Development partners such as the UNDP, the International Monetary Fund (IMF) and local NGOs can also be effective partners in accelerating and supporting GEDSI-relevant policies.

Coalition partnerships: The CAPRED GEDSI team is networking to build the team's own knowledge and awareness, and also to promote enhanced GEDSI in economic programming in Cambodia. Networks will help the team to reflect on intersectionality in the CAPRED program through consultation processes with networks such as the Gender and Development Network, the Cambodian Disabled People's Organization, Loveisdiversity (LGBTIQ+) and the Cambodia Indigenous Peoples' Organization.

3.3.3 WORKING WITH PEOPLE WITH DISABILITY

Based on dialogue with, and guidance from, the CBM Global Inclusion Advisory Group, CAPRED is reframing and reinforcing its work to help people with disability so this can be increasingly mainstreamed across the program. To achieve this, CAPRED is undertaking the following:

- Recruiting a member of staff or advisor with disability inclusion expertise and/or lived experience of disability, to lead and support more robust disability analysis, design and implementation of disability strategies/activities across work areas, and to contribute to the development of resources such as briefing notes/guides that may be specific to the needs of the work areas (e.g., disability in agriculture production, and disability in access to clean water). This individual should ideally lead on the following areas as well.
- Reviewing GEDSI tools and approaches to enhance disability inclusion, develop/adapt specific tools and approaches for disability inclusion especially among private sector partners (for example, innovation in supply chains and workforce development).



- Undertaking further dialogue to improve the way CAPRED addresses disability inclusion across the program, and how CAPRED communicates and appropriately resources it. Make use of regular management meetings and periodic review processes (including DFAT Investment Monitoring reports) to help strengthen practice incrementally and maintain accountability in respect of commitments to disability inclusion.

- Reach out to/form alliances with partners such as the Cambodian Disabled People's Organization and ensure that

CAPRED is up-to-date in terms of recent best practice and guidance, particularly in the Cambodian context.

- Strengthen CAPRED's approach to accessibility across all CAPRED events, training, webinars, etc. and include disability as a topic in reflection and learning sessions.
- Ensure that the MERL Framework includes specific disability inclusion elements (disability inclusion objectives, targets against mainstream indicators, data disaggregation, targeted disability-related indicators, quantitative and qualitative data, accessibility, etc.).

3.3.4 APPROACH TO INTERSECTIONALITY

Applying an intersectionality lens will deepen CAPRED's GEDSI approach, through raising awareness about inequalities within marginalised groups and not treating all members of a particular identity group as a single entity. With both internal teams and external partners,

CAPRED will promote an understanding of how some members within the group, relative to others, will have more or less power and privilege, or may face multiple, intersecting, and aggravated forms of discrimination. For example, women with disabilities will experience the discrimination faced by all women as a class, as well as discrimination directed towards people with disabilities, and discrimination specific to women with disabilities.

An intersectional perspective can also combine gender and/or disability with age, ethnicity, urban vs. rural, etc. Therefore, CAPRED will also work with partners who understand and promote intersectionality.

3.3.5 GEDSI TOOLS

CAPRED has developed, adapted, and reviewed several frameworks and tools to guide GEDSI integration within CAPRED's thinking, learning, planning, and MERL. These include: a GEDSI ecosystem tool to encourage CAPRED teams and partners to integrate approaches that overcome GEDSI barriers and achieve resilience within their context; the Participation Ladder that supports a step-by-step approach to achieving the equitable participation of women and other marginalised groups; and a GEDSI continuum that will help to assist and measure CAPRED's progress towards more transformative GEDSI practice over time. Of particular interest, CAPRED's Private Sector Screening Tool will enable private sector assessment and inform targeted support to strengthen the GEDSI focus and outcomes of private sector partners.



3.3.6 GEDSI AND MERL

GEDSI indicators and approaches have been integrated into the MERL strategy. Each intervention will have its own theory of change through which GEDSI progress will be tracked. CAPRED will implement a mixed method of quantitative and qualitative assessment to track and assess GEDSI results.

Quantitative: The MERL strategy includes a comprehensive framework that includes GEDSI-disaggregated indicators and GEDSI-specific indicators.

Qualitative: CAPRED will conduct qualitative assessments using interviews, focus group discussions, most significant change stories, and more comprehensive case studies. Such qualitative tools will dig deeper into GEDSI-specific topics such as women's thoughts on new financial opportunities (appropriateness, accessibility, flexibility, etc.) or the experience of people with disabilities in the workplace (reasonable accommodation, physical accessibility, flexibility). This information will provide a more nuanced understanding of challenges, opportunities, and potential new approaches to improve GEDSI interventions and outcomes.

FIGURE 17 PLACEMENT OF GEDSI POLICY WORK WITHIN THE PROGRAM

- GEDSI integrated into policies supported by work in CAPRED portfolios (GE.01.01)
- Policies supporting GEDSI within the public sector (GE.02.01)
- Policies supporting the establishment and growth of gender transformative enterprises, based on field experience delivering business development services (GE.02.02, although this could have been placed under the enterprise development portfolio)
- Policies supporting women in the private sector workplace (GE.02.02, although this could have been placed under the enterprise development portfolio, ED.02)
- Policies supporting gender transformative enterprises in their access to finance (GE.02.02, although this could have been placed under the enterprise development portfolio, ED.03)

3.4 GEDSI Interventions

The following pages depict CAPRED's GEDSI interventions (in a simple hierarchical structure), together with its vision of transformation and related pathways to RISE (resilient, inclusive, and sustainable economic growth). GEDSI work, especially relating to policy, is found throughout CAPRED; its placement under specific interventions and portfolios is open to interpretation. Following this, detailed tables describe the general content of each intervention.

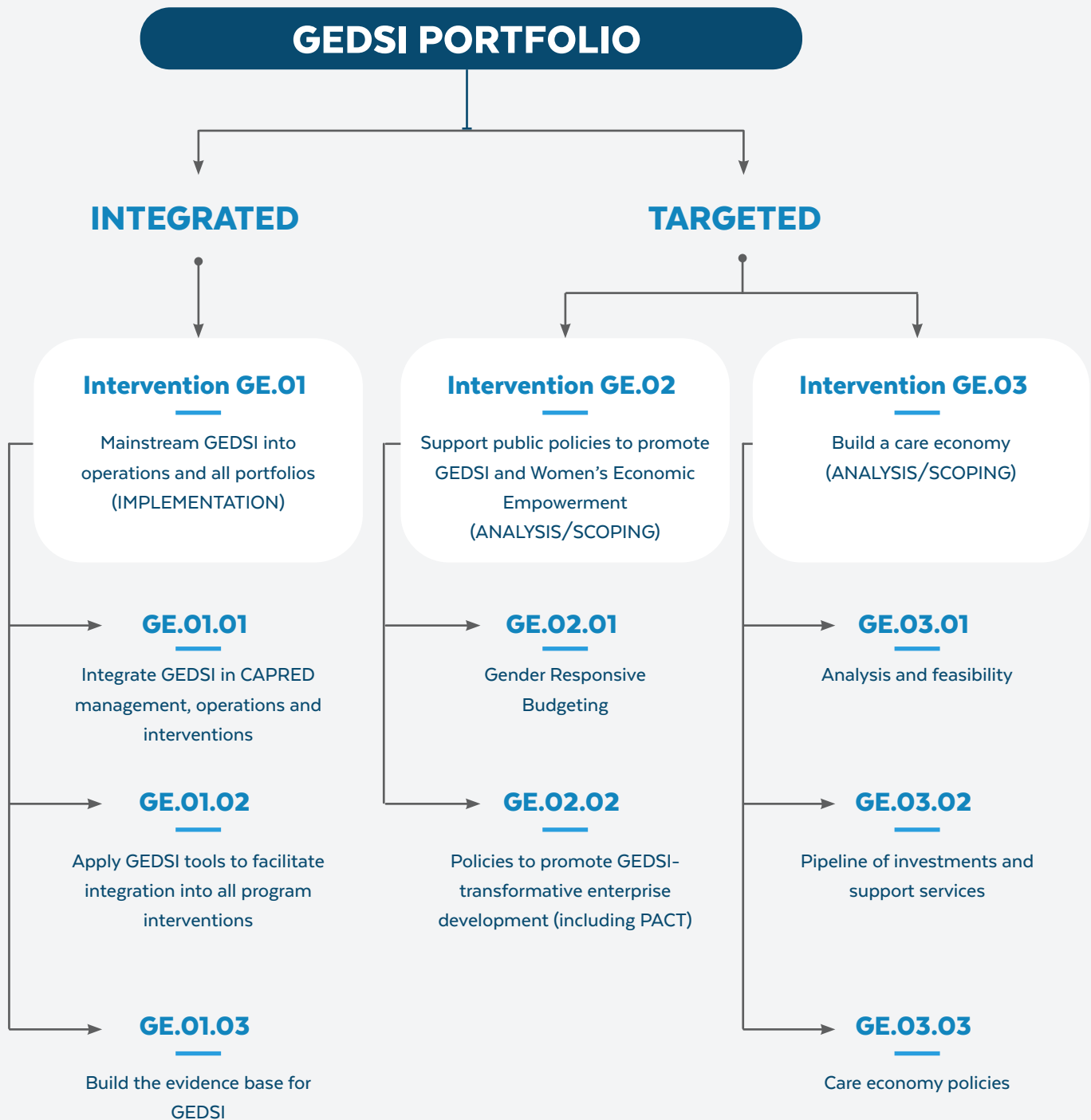


TABLE 6

GEDSI PORTFOLIO - PATHWAY TO RISE



Note: GEDSI = gender equality, disability and social inclusion; GTED = GEDSI-transformative enterprise development; PWD = people with disability

VISION OF TRANSFORMATION



Integration

CAPRED staff increasingly and independently promote inclusion in all of their work. The evidence-base for GEDSI approaches is well established, successfully convincing stakeholders to effectively promote inclusion. CAPRED interventions, across the entire portfolio, lead to sustainable and resilient GEDSI transformation. Across the portfolio, CAPRED interventions lead to increased participation, voice, access and opportunities for women, people with disabilities, the poor, the elderly, ethnic minorities, and other marginalised groups. Results created across all portfolios lead to economic growth which is equitably and fairly distributed. These changes are scaled and sustained through a systems approach, through improved policies (and policy capacity), through robust markets, and through lasting coalitions and networks. GEDSI integration tools developed by CAPRED are widely adopted by other stakeholders.

RISE



RESILIENT

CAPRED staff and partners have the knowledge and confidence to continue to pursue GEDSI-transformative development even when faced with scepticism, resistance, and setbacks. GEDSI-transformative interventions, across the CAPRED portfolio, enable women, PWD and other marginalised groups to be more resilient to climate, environmental, economic, and social changes and shocks.

INCLUSIVE

CAPRED interventions, across the portfolio, lead to increased participation, voice, access and opportunities for women, people with disabilities, the poor, the elderly, ethnic minorities, and other marginalised groups. Capacity to implement GEDSI transformations (including the use of GEDSI tools developed by CAPRED) is sustainably built within CAPRED stakeholders. Results, created across all portfolios, lead to economic growth which is equitably and fairly distributed.

SUSTAINABLE

GEDSI transformations, developed and implemented across the CAPRED portfolio, last into the future. They promote and lead to improved sustainable environmental management and sustainable economic growth. Women's roles in environmentally sustainable economic growth are increasingly valued and leveraged.

ECONOMIC GROWTH

GEDSI integration across the CAPRED portfolio results in more equitable distribution of the benefits of growth, which attracts higher quality investment from environmentally and socially responsible sources. GEDSI policies are increasingly seen as a key to achieving the government's human development goals outlined in the Pentagonal Strategy.

GEDSI INTEGRATION INTERVENTIONS

GE.01 | MAINSTREAM GEDSI INTO OPERATIONS AND ALL PORTFOLIOS (IMPLEMENTATION PHASE)

Mainstreaming will ensure all CAPRED initiatives leave no one behind and contribute to resilient, inclusive and sustainable outcomes across all portfolios (GE.01.01). Within CAPRED, individual and organisational GEDSI capacities will be strengthened through policies, awareness-raising, dialogue and capacity building. The program will develop and employ a series of well-defined and innovative tools and systems to ensure all interventions: (i) have been designed to promote inclusion, in terms of both their processes and expected results; (ii) target, screen, and select the right beneficiaries and service partners; (iii) provide incentives and nudges to support the adoption of GEDSI best practice; and (iv) mitigate risks and safeguard against potentially negative impacts (GE.01.02). In this respect, GEDSI integration will be strongly data driven. In everything it does CAPRED will identify gender gaps and inequalities and will use evidence to ensure the needs and interests of both women and men, and all marginalised groups, are considered in all decision-making processes. Data will be fully integrated into CAPRED monitoring, evaluation, research, and learning (MERL) initiatives (GE.01.03), including the analysis of women's perspectives and perceptions, the documentation of detailed GEDSI case studies, and the design and evaluation of all program pilots and their impacts. CAPRED will ensure its GEDSI approaches are scaled, that partnerships and coalitions for change are built, that integrated GEDSI activities are scaled through influence, and that GEDSI is integrated into policies, and the strengthening of robust, inclusive markets.

CROSS-CUTTING LINKAGES

This intervention integrates GEDSI across the entire CAPRED portfolio. It will share a common approach and method with climate resilience and disaster risk reduction, leading to improved coordination and implementation efficiency. GEDSI analysis is considered a cornerstone of best practice in terms of policy development/Policy Hub.

VISION OF TRANSFORMATION

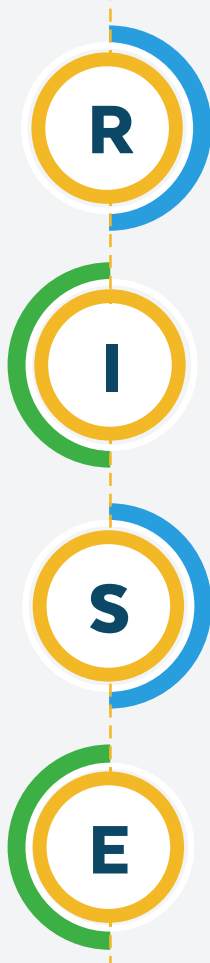


GEDSI policies and the care economy (targeted)

Women, people with disability and other marginalised groups (e.g., youth, poor communities, the elderly, etc.) have increased voice and representation in policy processes. RGC policies and practices are significantly more responsive to GEDSI needs. CAPRED-supported policies promote inclusion, women's economic empowerment and GEDSI-transformative enterprise development (GTED). Through gender-responsive budgeting, and using evidence of gender and other gaps, public resources are increasingly allocated to achieve GEDSI outcomes. Improved GEDSI policies and greater resource allocation better enable the government to address formal and informal structural GEDSI constraints. This leads to improved access and opportunities and to a more equitable and fair distribution of benefits for marginalised groups.

A vibrant, sustainable care economy is established, mobilising significant investment, creating jobs, and raising incomes. The sector is carbon neutral. Services are of a high quality and are cost competitive and accessible. Care services are well-regulated ensuring high service standards and creating a conducive environment that encourages private sector participation. The care economy facilitates increased workforce participation by women and traditional care givers.

RISE



RESILIENT

An improved policy environment, with an increased allocation of resources, economically empowers women, people with disability, and other marginalised groups and enables them to better withstand shocks (economic, social, and environmental). Increasing the availability of care economy services allows women to enter the workforce, while also advancing their enterprises, increasing their incomes, contributing to women's economic empowerment, and reducing household vulnerability.

INCLUSIVE

Women, people with disability and other marginalised groups increasingly participate in policy development processes. Their voices are heard, and policies become responsive to their needs. With a vibrant care economy that results in increased enterprise and job opportunities, women and other groups are empowered to make choices that balance work-life demands.

SUSTAINABLE

Inclusive green policies are better resourced, ensuring their implementation is more stable (not interrupted due to budget shortfalls) and sustainable. These policies support green growth and environmental protection that benefit women and other marginalised groups. The care economy, with significant private sector participation, is economically sustainable and cost efficient.

ECONOMIC GROWTH

A sound enabling environment for economic growth is in place which promotes inclusion. Women's enterprises grow and the care sector expands, increasingly producing high quality, inclusive jobs and raising incomes. Care services are of a high quality; they facilitate increased workforce participation by women and traditional care givers.

GEDSI TARGETED INTERVENTIONS

GE.02 | SUPPORT PUBLIC POLICIES THAT PROMOTE GEDSI AND WOMEN'S ECONOMIC EMPOWERMENT (ANALYSIS/SCOPING PHASE)

CAPRED's aim is to build awareness, capacity and success stories that demonstrate the strong connection between public policies (including Gender Responsive Budgeting [GRB]), women's economic empowerment, and women's contribution to growth. CAPRED will work with the Ministry of Economy and Finance (MEF), the General Secretariat Committee of Public Financial Management Reform Program, other Ministries (MOWA, MOC, MISTI, and MAFF) and other stakeholders to advance GRB adoption within the Public Financial Management Reform Program. CAPRED will also work to gradually introduce a more intersectional approach to GRB (GE.03.01). CAPRED will identify key policy obstacles to promoting GEDSI and women's economic empowerment (GE.02.02). While some of this policy analysis will spring from sector, market or national analysis, the main approach will be to generate practical, field-based evidence of what the obstacles are, how GEDSI-transformative enterprises cope with these obstacles, and how pilot initiatives may remove some of these impediments. This will be done by working with, and providing business development services to, a limited set of SMEs, through civil society partnerships. Based on this, CAPRED will learn what works and will engage the government in evidence-based policy dialogue.

CROSS-CUTTING LINKAGES

GEDSI policy constraints may emerge across the CAPRED portfolio or directly by promoting a limited set of SMEs through civil society partnerships. Work with SMEs will also be tied to key CAPRED sectors, especially food and agro-processing which have high GTED potential. The nexus between climate change, the environment, and women's economic empowerment will be explored in this intervention.



GEDSI TARGETED INTERVENTIONS

GE.03 | BUILD A CARE ECONOMY (ANALYSIS/SCOPING PHASE)

CAPRED's objective is to advance the care economy agenda in order to establish both (i) the need for care options that enable women to contribute to economic growth, and (ii) the viability of private or public-private models of care. CAPRED will begin by conducting an assessment to understand the current players, approaches, willingness, challenges, and opportunities in the care economy (childcare, elderly care and care of people with disability). It will start with a stakeholder mapping of the sector (public, private and civil society service providers). Analysis will then investigate the costs and benefits of service provision, the constraints and feasibility of private sector provision, and the potential role of the government in service provision, financing, and regulation (GE.03.01). As the sector is analysed, it is expected that initial pilot interventions will arise and can be evaluated; this is especially likely in the agro-processing sector. Based on the studies and piloting activities with private partners, CAPRED will roll out the initiatives for an investment pipeline of the care economy that is affordable to the general population (GE.03.02). In its later years, CAPRED will work with the government to review and develop policies that support private sector participation in the care economy (GE.03.03).

CROSS-CUTTING LINKAGES

The need for care economy services cuts across agriculture production and processing and the trade sector in which CAPRED is working and where women are either employed or are entrepreneurs. Providing care services aims to draw more women into the workforce or into a different set of jobs in which their participation was previously limited: the burden of being the household's main care provider has traditionally hampered them from achieving this.









4



**Climate
Resilience**

4.1 Current situation

Climate change poses a significant threat to Cambodia's food, water, and energy security. It is considered among the world's most vulnerable countries to climate change, facing rising temperatures and more frequent extreme weather events.

The country has experienced an average increase of 0.18°C per decade since 1960 and is projected to experience a catastrophic 4.5°C increase by 2100 under the highest emission pathway.⁵³ Even if global emissions remain at a level that results in just a 2°C rise, climate change is expected to reduce Cambodia's GDP by 2.5% by 2030 and 9.8% by 2050.⁵⁴

The Tonle Sap Basin is vulnerable to the combined effects of climate change and human influences, such as upstream dam construction and deforestation. This puts millions of people at risk of water and food insecurity as the population exposed to catastrophic flooding could grow to around 4 million by the 2040s.⁵⁵

Rising temperatures and droughts reduce agricultural, labour, and hydropower productivity, while floods cause damage to productive assets and infrastructure, such as roads, piped water and irrigation systems. Agriculture, fisheries, garment manufacturing, and tourism have borne the greatest impact from climate change events, with a significant cost to a large, predominantly female, workforce.⁵⁶ Extreme climate conditions and associated disasters especially impact the rural poor in Cambodia, leaving families facing food and income insecurity, and difficult choices regarding the best way to adapt. Women are always disproportionately affected.⁵⁷

Cambodia's most profitable export markets, such as the European Union (EU), are implementing more stringent requirements on traceability and carbon neutral supply chains.⁵⁸ The garment and footwear industry is a case in point, with global brands facing increased pressure



⁵³ Cambodia's Third National Communication [https://unfccc.int/sites/default/files/resource/20220921_Third percent20National percent20Communication_Cambodia.pdf](https://unfccc.int/sites/default/files/resource/20220921_Third%20National%20Communication_Cambodia.pdf)

⁵⁴ Cambodia's Updated NDC (2021) https://unfccc.int/sites/default/files/NDC/2022-06/20201231_NDC_Update_Cambodia.pdf, see also <https://ncsd.moe.gov.kh/dcc/climate-finance>

⁵⁵ Climate Risk Country Profile (2021), ADB and World Bank <https://www.adb.org/publications/climate-risk-country-profile-cambodia>

⁵⁶ Cambodia's Updated NDC (2021) https://unfccc.int/sites/default/files/NDC/2022-06/20201231_NDC_Update_Cambodia.pdf

⁵⁷ Uniacke, P., 2018. Climate Adaptation Strategies and the Role of Gender, Asia Foundation.

⁵⁸ K. Ellis et al., Summary policy brief on low carbon competitiveness in Cambodia. (2013) ODI. <http://cdn-odi-production.s3-website-eu-west-1.amazonaws.com/media/documents/8598.pdf>

to comply with energy efficiency and social standards throughout their supply chains. The 2022 'EU Supply Chain Act' requires companies to manage social and environmental impacts along their entire value chain.⁵⁹ Once the Act comes into full effect, Cambodian manufacturers supplying multinational brands will be required to comply. The EU's Carbon Border Adjustment Mechanism (CBAM) will impose a levy on carbon-intensive products. While this will not have an immediate impact on Cambodia's exports, it could be applied to downstream producers in the future.⁶⁰ The risk is particularly acute for smaller factories or enterprises that have limited knowledge/capacity to equip themselves for future regulatory tightening.⁶¹

Cambodia's financial sector also faces challenges. Multinational banks are increasingly adopting environmental, social and governance (ESG) commitments, which includes managing climate risks in their loan portfolio. The Cambodian financial sector is increasingly reliant on offshore financing. It is estimated that local banks had a USD6.7 billion gap between their deposit base and their loan portfolio in 2021.⁶² If local banks cannot comply with progressively stringent ESG requirements, they will find it increasingly difficult/costly to access offshore financial markets.

Climate adaptation and mitigation are prioritised in a range of Cambodian government policies and strategies, but there has been limited tangible action. In 2021, the RGC committed to a net zero carbon emission by 2050 via its updated Nationally Determined Contribution (NDC) and its Long-term Strategy for Carbon Neutrality.⁶³

The National Strategic Development Plan (NSDP) and the Cambodia Climate Change Strategic Plan 2014–2023 call for mainstreaming climate change across all sectors.⁶⁴ Climate resilience is one of the five corners in the Pentagonal Strategy. Institutional mechanisms are in place at both national and sub-national levels, but their capacities and resources remain low. Integration of climate priorities within the government budgeting framework is still at an early stage, and the capacity to access existing multilateral climate funds is a work in progress.

Cambodia's NDC commitments by 2030 are approximately USD8 billion, equivalent to almost 30% of Cambodia's GDP in 2021. The government budget is insufficient to meet this financing goal, which means that much of the investment required will need to come from offshore green funds, private banks and through private sector investment. However, institutional capacity in the National Bank of Cambodia (NBC) and private banks is low. The NBC has no regulations in place requiring banks to assess climate risk in their loan portfolio, no defined framework for green finance, and an inability to track green financing. Local banks, therefore, have no capacity to assess and report against these risks, or to assess which projects qualify as green finance.

⁵⁹ EU-wide supply chain law in sight (July 2023) _ <https://www.roedl.com/insights/esg-news/2023-3/eu-wide-supply-chain-law-in-sight>

⁶⁰ EU Carbon border adjustment mechanism: Implication for climate and competitiveness (June 2023) [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2022\)698889](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2022)698889)

⁶¹ Cambodian National Accounts.

⁶² Mekong Strategic Capital, 2022.

⁶³ <https://ncsd.moe.gov.kh/resources/document/cambodia-LTS4CN-En>

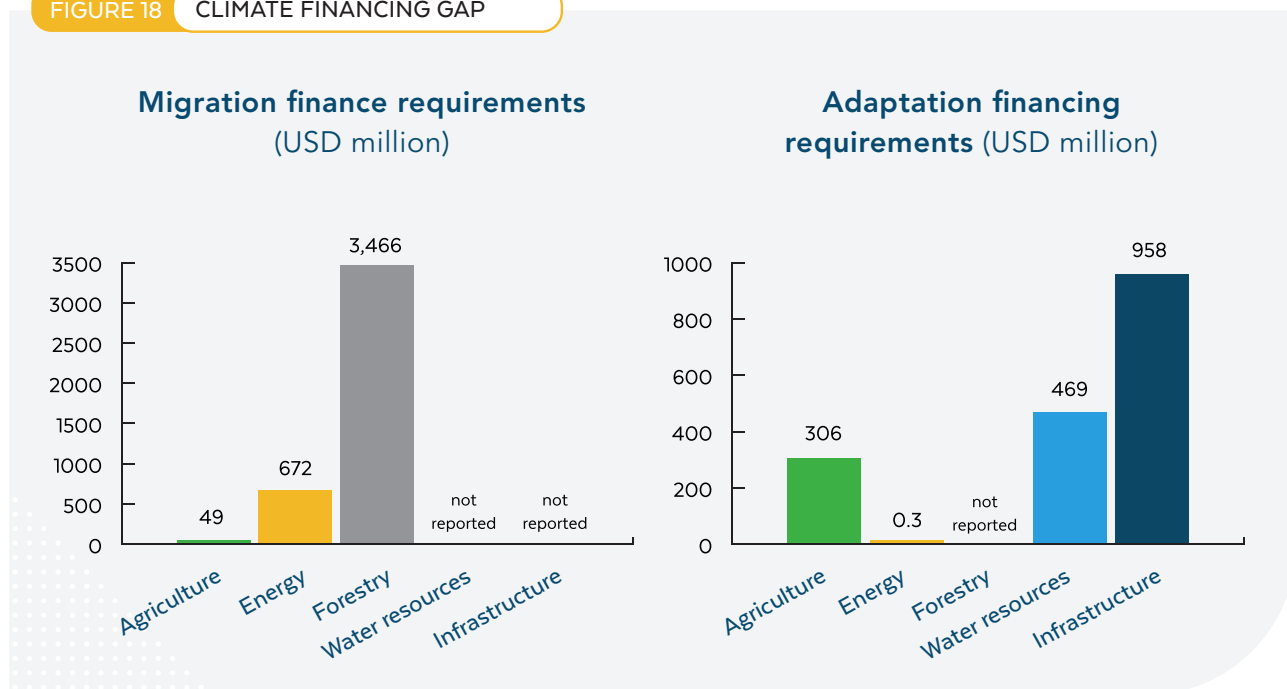
⁶⁴ https://unfccc.int/sites/default/files/resource/Cambodia_CCCSP.pdf



Cambodia’s updated NDC (2020) identified the finance requirements in a range of sectors that will be required to achieve these goals. These are considered to be highly conservative figures.

The areas of greatest relevance for CAPRED are as follows:

FIGURE 18 CLIMATE FINANCING GAP



CAPRED is, therefore, well-positioned to help Cambodia to achieve its NDC commitments. Most of its interventions focus on promoting inclusive public and private investment in infrastructure (water and clean energy) and the agriculture value chain. By conforming with the NDC, the program will be better aligned with Australia’s new International Development Policy, which prioritises an increasing commitment to help partner countries to build resilient food, water, and energy systems as well as to protect against climate-induced loss and damage.⁶⁵

⁶⁵ Australia International Development Policy 2023.

4.2 How CAPRED will work

CAPRED's climate strategy is, therefore, based around two main themes (a twin-track approach):

- **Integration/mainstreaming:** CAPRED will enhance climate change adaptation and/or mitigation interventions across the portfolio, ensuring alignment with Cambodia's NDCs and helping to meet Australia's climate financing commitments.
- **Targeted interventions:** CAPRED will develop a portfolio of targeted interventions to address Cambodia's NDC financing gap and build the capacity of public and private financial institutions to regulate and manage a broad-based green finance portfolio.

4.2.1 INTEGRATION

CAPRED has developed a disaster risk reduction and climate change (DRRCC) screening tool⁶⁶ to assess risks and opportunities for disaster risk reduction (DRR) and climate change in each intervention. This screening tool is designed to identify exposure to risks and opportunities and to maximise opportunities for CAPRED's portfolio to align with Cambodia's NDCs. In particular:

- The DRRCC tool is applied at the **intervention level**, which allows CAPRED to capture detailed data across the portfolio, as well as the program's overall contribution to NDC and RISE objectives. The tool assesses climate risks, contributions, and enhancement opportunities:
- **Risk:** The tool identifies interventions with significant exposure to disasters, climate change, and other environmental impacts. Those considered higher risk will go through an in-depth assessment using CAPRED's environmental management system (EMS).⁶⁷
- **Contribution:** The level of funding that can be attributed to, and counted as, climate finance according to the Organisation for Economic Co-operation and Development (OECD) Rio Markers. Activities are classified as Not Targeted, Significant or Principal.⁶⁸
- **Enhancement:** Identifying ways in which each activity/intervention could be adjusted to reduce risk, increase its contribution, or otherwise incorporate measures to improve overall environmental protection.
- **Screening** for all existing interventions has been completed. Moving forward, screening will take place at the design stage of each intervention and then be reviewed every six months to determine progress, problems, and remedial actions.

⁶⁶ Adapting a tool developed by P4i.

⁶⁷ The EMS is a more robust and in-depth assessment using empirical evidence and site-specific assessment. The EMS is aligned with relevant Cambodian and Australian guidelines and regulations. The EMS assessment covers disaster risks, climate change, biodiversity and broader environmental safeguards.

⁶⁸ Under the OECD criteria, 'Significant' refers to the contribution of an intervention which has other development objectives but has been designed to help meet climate risk concerns, 'Principal' climate change is the primary purpose of the intervention, and the intervention would not have been funded (or designed that way) but for the climate objective. https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

The initial DRRCC screening process identified four key areas where CAPRED's portfolio can make a significant contribution to climate finance and maximise alignment with Cambodia's NDCs:

- **Climate-smart agriculture and agri-food systems:** Interventions promoting climate-resilient and resource-efficient inputs, technologies, and practices. This includes interventions supporting more competitive, resilient, and lower carbon agri-food processing.
- **Climate-resilient and emission mitigating infrastructure:** Interventions embedding climate-resilient designs and appropriate climate-risk modelling in all physical infrastructure investments (for example, water supply systems, solar mini-grids, etc.). This also includes interventions aiming to contribute to lowering emissions such as promoting renewables, energy efficiency, e-mobility, etc.
- **Climate-resilient enterprises and supply chains:** Interventions supporting private sector partners to comply with/build competitive advantages in climate-related compliance requirements on a cost competitive basis—for example, through traceability and measuring, reducing, and reporting their supply chain carbon footprint.
- **Climate-responsive policies:** Interventions aiming at formulating or influencing policies either by embedding consideration of climate risks/opportunities, or by targeting institutional adaptive capacity or resilience to climate change.

4.2.2 TARGETING

This is where CAPRED design interventions are outside, but interrelated with, its domain interventions. The interventions are primarily targeting climate change mitigation/adaptation and thus are considered to be 'Principal' contributors.

The targeted portfolio has been informed by CAPRED's work over the past year examining climate financing constraints. Noting that this is a crowded donor space, CAPRED has identified that there is limited focus on the role of private investment in meeting Cambodia's NDC commitment. This is CAPRED's niche and will form the backbone of its work over the coming years. The two main areas for initial investment are:

- **Addressing the NDC financing gap:** Establishing local green finance facilities and mechanisms to mobilise the private banking sector, accessing international climate funds, green lending, and building capacity of banks/MFIs to build a green loan portfolio.
- **Strengthening financial sector climate capacity:** Addressing gaps in the enabling environment, including the lack of a green taxonomy (that is, the classifications used), green lending regulations, regional clean energy trading, and other institutional support for budgeting and financing.

These are broad areas that need further scoping and relationship building, so CAPRED will initially focus on supporting Cambodia to implement the Cambodian Climate Finance Facility (CCFF), including by helping to develop a pipeline of bankable projects, and supporting the NBC to establish the foundations of a regulatory framework for green finance.

4.2.3 GEDSI INTEGRATION IN CLIMATE RESILIENCE

The twin-track approach will also promote gender equality, support for people with disabilities, and social inclusion. Climate change and disaster risks disproportionately affect the poor, vulnerable and marginalised in society. CAPRED will focus on promoting the voice and representation of women, PWD, and other marginalised people, whose knowledge, insights, and capacities are critical to addressing climate change. CAPRED will also leverage the tendency of women entrepreneurs and women in private sector management and governance to make greener business decisions.⁶⁹

4.2.4 IMPLEMENTATION APPROACH

Australia has recently increased its support for climate action in Cambodia. The portfolio, which is in its early stages, requires ongoing development. The program has mapped out an indicative timeframe in which the portfolio will be developed and expanded.

Below is the indicative/adaptive implementation roadmap for climate change work:

Short term (Years 1-2): Integration efforts will further embed systematic internal approaches to screening, measuring, and reporting contributions against the NDC and other DFAT requirements. Targeting will seek entry points to promote private sector financing mechanisms/facilities and financial sector regulations.

Medium term (Years 2-4): Integration efforts will focus on replicating and/or enhancing contributions so that more interventions become 'Significant' or 'Principal'. Targeted activities will explore deeper engagement in promoting private financing in priority sectors while stepping up the focus on carbon financing, green industrial policies, private sector readiness for carbon transition, and other critical financial sector regulations.

Long term (Years 3-5): DRRCC will be deeply integrated within all activities, with the majority being 'Significant' or 'Principal'. CAPRED will focus on communicating lessons learnt, evidence and knowledge to partners and the RGC. Targeted interventions will be subject to change, as the Facility develops and matures, but will have achieved broader influence via support for the RGC's institutional reform efforts, such as climate-relevant fiscal, industrial, and competitiveness policies.

4.2.5 PARTNERSHIPS AND COALITIONS

CAPRED understands that partnership and coordination underline all of its climate change delivery. This helps CAPRED to identify demand-driven, high-priority, and complementary interventions with other partners.

As an entry point, the program will seek opportunities to join the Cambodia Climate Change Alliance (CCCA) which is a multi-donor trust fund that provides strategic support to the National Council for Sustainable Development (NCSDD). The alliance engagement with CCCA also provides a channel for promoting CAPRED's/DFAT's contribution to the NDC and the sharing of lessons learned from its climate portfolio.

⁶⁹ See for example Hechavarría, M. 2016. *Mother nature's son? The impact of gender socialisation and culture on environmental venturing*, International Journal of Gender and Entrepreneurship.

In addition, CAPRED sees the importance of seeking collaboration with key partners active in complementary areas of agriculture, renewable energy, and green financing. The United States Agency for International Development (USAID) and ADB are active in agriculture and forestry conservation, while the UNDP's work cuts across green energy, mobility, and financing. GIZ and USAID have jointly built the capacity of the NCSD. CAPRED will coordinate closely with these partners seeking opportunities for policy advocacy and complementarity.



4.3 Climate resilience interventions

The following pages depict CAPRED's currently envisioned climate change interventions (in a simple hierarchical structure). Following this mapping, more detailed tables describe the general content of these interventions, CAPRED's vision for transformation and RISE (resilient, inclusive, and sustainable economic growth), and how groups of interventions lead to intermediate and end of facility outcomes. Each intervention describes its strategy for scaling (so that CAPRED's work can be institutionalised and sustained into the future), as well as its integration of GEDSI and other cross-cutting issues.

CLIMATE RESILIENCE PORTFOLIO

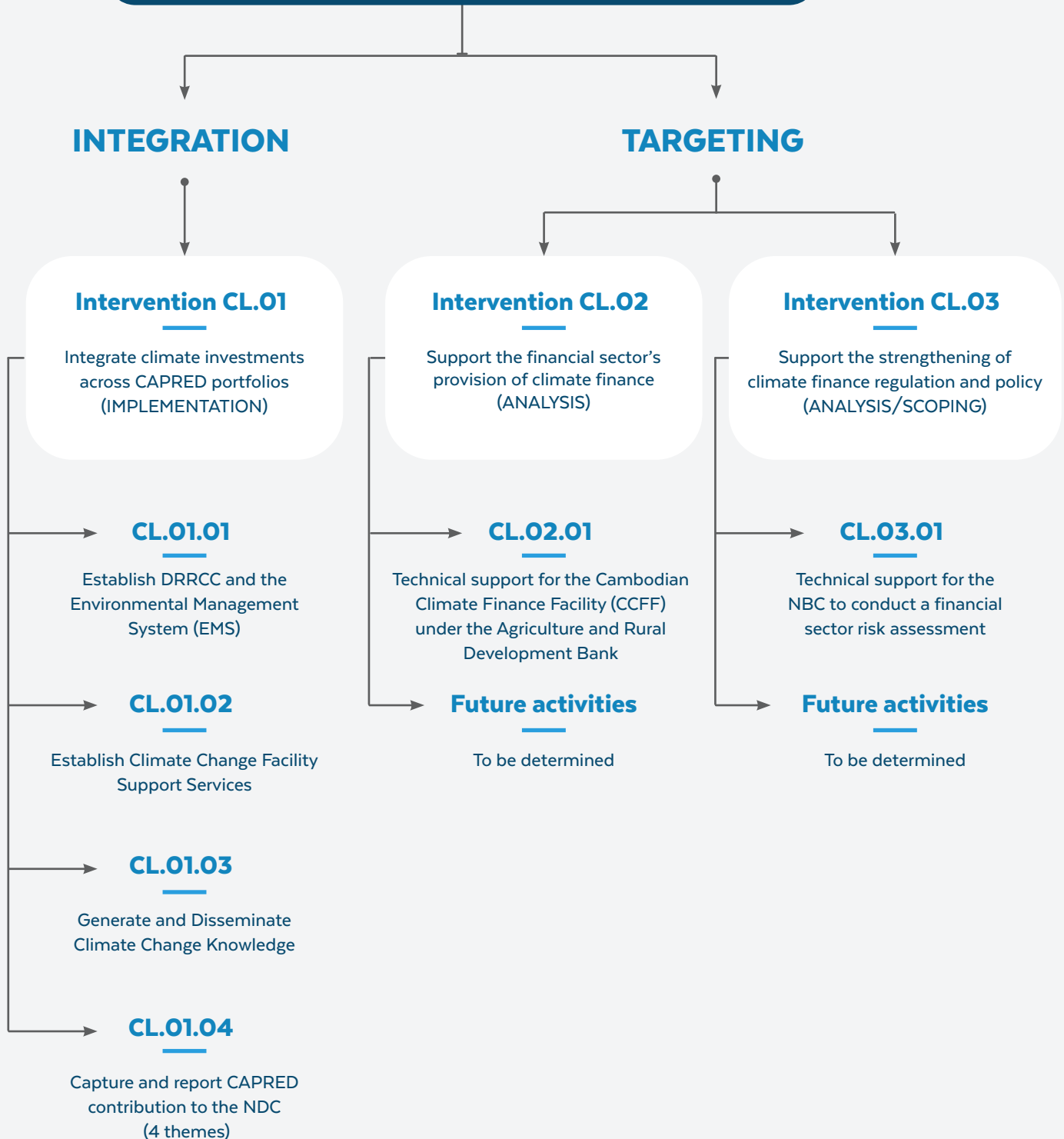
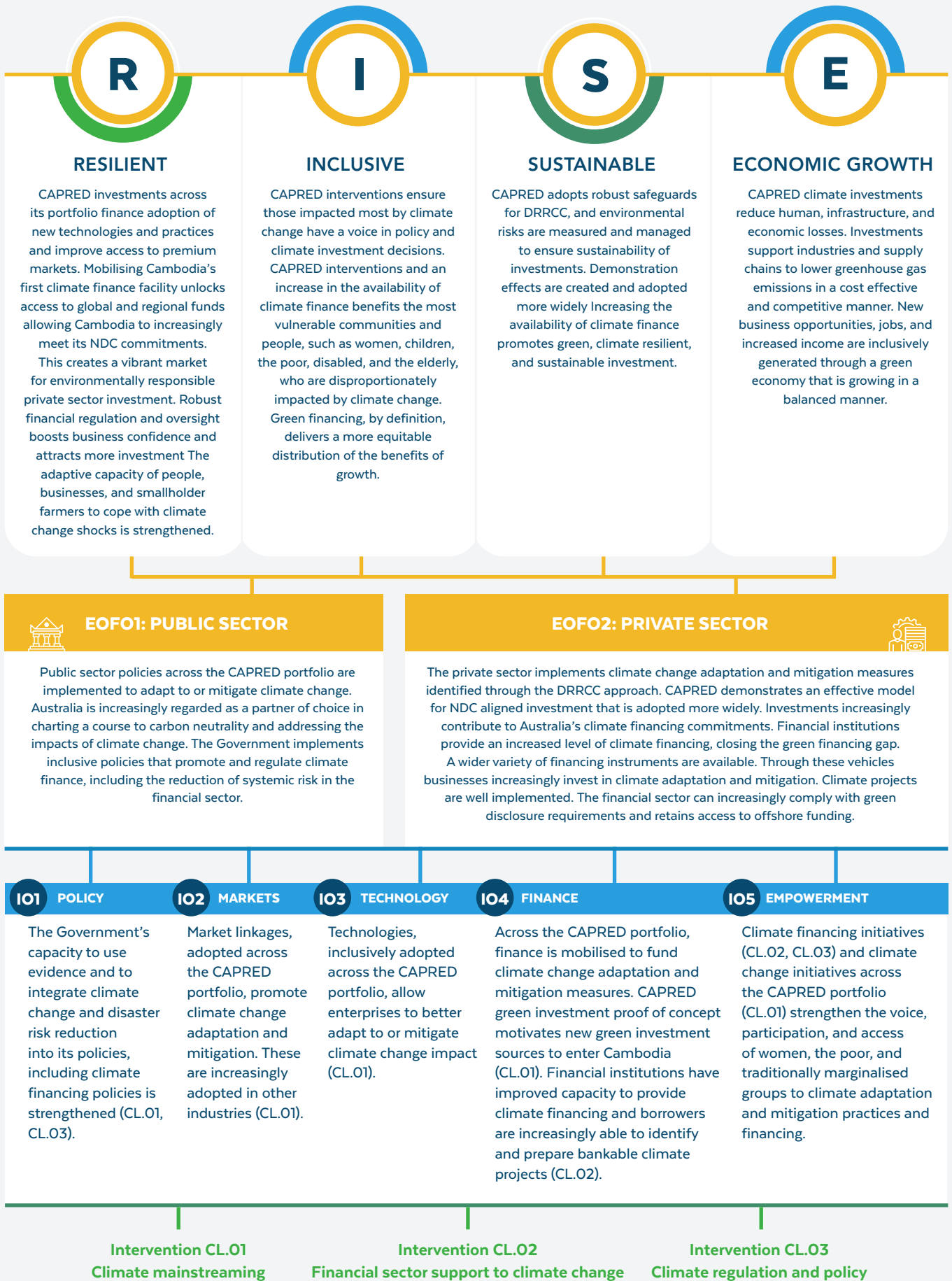


TABLE 10

CLIMATE RESILIENCE PORTFOLIO - PATHWAY TO RISE



Note: DRRCC = disaster risk reduction and climate change; NDC = Nationally Determined Contribution

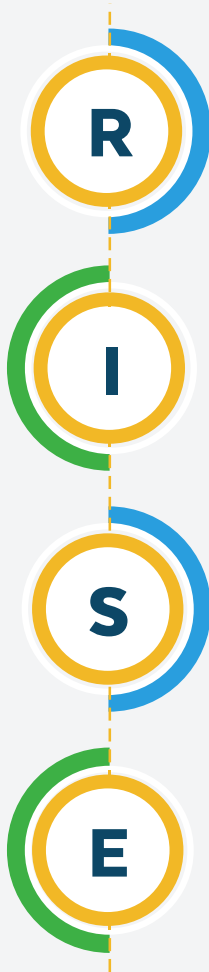
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Climate integration

By the end of the project, all CAPRED interventions will have integrated climate change and produced meaningful results that mitigate or adapt to climate change. These contribute directly to Cambodia's climate-response efforts. They lower GHG emissions and contribute to reducing human, infrastructure, and economic losses.

RISE



RESILIENT

CAPRED promotes investment in climate-related sectors, such as resilient infrastructure and agri-food systems. This creates demonstrable effects that attract quality, environmentally responsible investment into these sectors. Investment creates inclusive growth, adoption of new technologies, and access to premium markets, thereby improving the adaptive capacity of people, businesses, and smallholder farmers to cope with climate change shocks.

INCLUSIVE

The GEDSI-climate change nexus is embedded in all interventions, with those impacted most by climate change having a voice in policy and investment decisions. This improves outcomes for the most vulnerable communities and diverse people, such as women, children, youth and the poor, disabled, and elderly.

SUSTAINABLE

CAPRED adopts robust safeguards for DRRCC, and environmental risks are measured and managed to ensure the impact sustainability of its investments. These create demonstrable effects that are adopted widely across government. Australia is increasingly regarded as a partner of choice in charting a course to carbon neutrality and adapting to the impacts of climate change.

ECONOMIC GROWTH

CAPRED investments in climate priorities contribute to reducing human, infrastructure, and economic losses. Investments promote growth opportunities by supporting industries and supply chains to lower GHG emissions in a cost effective and competitive manner.

CLIMATE INTEGRATION INTERVENTIONS

CL.01 | INTEGRATE CLIMATE INVESTMENT ACROSS CAPRED PORTFOLIOS (IMPLEMENTATION PHASE)

All CAPRED interventions will adopt the DRRCC approach to screening, tracking, and regularly reviewing climate risks and opportunities. A robust Environmental Management System (EMS) will be established to ensure that climate risk in CAPRED interventions is effectively identified and efficiently managed (CL.01.01).

CAPRED will develop a dedicated climate team to support domains and other cross-cutting areas, providing expertise resourcing, measurement, and knowledge generation. Based on regular DRRCC portfolio reviews, the climate team will also support domain teams to adjust and develop new initiatives with stronger climate elements, with more 'Significant' and 'Principal' interventions over time (CL.01.02).

The climate support team will work with domain and MERL teams to generate climate change related evidence and lessons learnt across the portfolio and disseminate them to partners for knowledge exchange and to inform CAPRED's policy advice (CL.01.03).

CAPRED will capture its contribution to Cambodia's NDCs and Australia's climate financing commitments across each of the domains and report/communicate its contribution through direct engagement with the government (Ministry of Environment) and/or strategic partnerships (e.g., via the CCCA; CL.01.04).

CROSS-CUTTING LINKAGES

This entire work area is, by definition, supporting the cross-cutting implementation of climate resilience across the portfolio. It will intensively support each of the domains and cross-cutting areas.



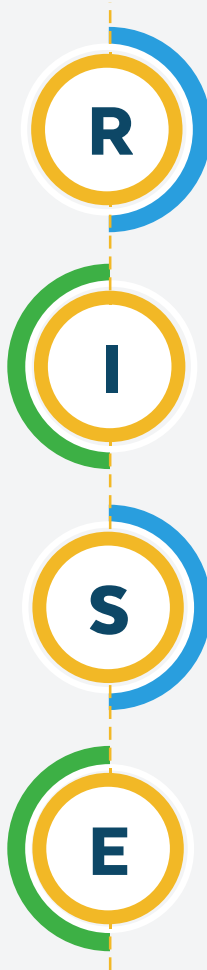
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Targeting (closing the climate financing gap and ensuring financial sector readiness)

By 2030, Cambodia will have closed the financing gap to meet its NDC commitments. A robust local green finance sector plays a significant role in financing climate adaptation and mitigation investments. Various financing mechanisms are in place to mobilise local and international climate financing, especially for priority sectors. Cambodia has a robust financial sector institutional and regulatory capacity that is better equipped to meet its climate change objectives. Climate risk management is embedded in the financial sector. Policies and regulations provide clear signals, guidance, and incentives for investment/financing climate actions.

RISE



RESILIENT

Mobilising Cambodia's first climate finance facility creates a demonstration effect and unlocks access to global and regional funds. Investment capital is increasingly available to meet Cambodia's NDC commitments. This creates a vibrant market for environmentally responsible private sector investment. The financial sector can comply with green disclosure requirements and retains access to offshore funding. Robust financial regulation and oversight boosts business confidence and attracts more investment, which further fosters resilient growth.

INCLUSIVE

An increase in the availability of climate finance benefits the most vulnerable communities and working people, including women, people with disability and the poor, who are disproportionately impacted by climate change. Green financing, by definition, delivers a more equitable distribution of the benefits of growth.

SUSTAINABLE

Increasing the availability of climate finance helps to promote green and sustainable investments, which support climate mitigation and adaptation.

ECONOMIC GROWTH

Increasing the volume of climate finance means more investments, jobs and income for all. It ensures ongoing access to premium markets and establishes a more sustainable and equitable long-term growth trajectory.

INTERVENTIONS TO CLOSE THE FINANCE CLIMATE GAP AND ENSURE FINANCIAL SECTOR READINESS

CL.02

SUPPORT THE FINANCIAL SECTOR'S PROVISION OF CLIMATE FINANCE (ANALYSIS PHASE)

To begin to close the climate financing gap, CAPRED will begin by providing technical support for the Agriculture and Rural Development Bank to implement the Cambodian Climate Finance Facility (CCFF). This will permit access to funds from the Green Climate Fund (GCF). The CCFF is expected to be a USD100 million facility with financing contribution from the RGC and the GCF, with the potential of additional technical support from development partners. CAPRED's support will include: (i) establishing an implementation team, policies, and Standard Operating Procedures (ii) capacity building, and (iii) developing a pipeline of bankable climate projects for CCFF funding. The project portfolio potentially includes water, energy, and energy efficiency. GEDSI will be integrated throughout policies, training, and lending project preparations (CL.02.01). Going forward, intervention options may include, but are not limited to: establishing financial mechanisms to mobilise the banking sector; accessing international climate funds; promoting green lending/bonds; and building capacity for the NBC and the banks/microfinance institutions (MFIs). Selection and sequencing of the intervention will follow the implementation approach outlined in section 4.2.4.

CROSS-CUTTING LINKAGES

The CCFF's proposed investment target areas include clean water, renewable energy, agriculture and agro-processing, and energy efficiency investments, among others. Supporting the CCFF will provide a source of green financing that underpins investment in all CAPRED work areas. CAPRED will also work on the demand side, preparing a pipeline of bankable investments to help the CCFF hit the ground running.



INTERVENTIONS TO CLOSE THE FINANCE CLIMATE GAP AND ENSURE FINANCIAL SECTOR READINESS

CL.03

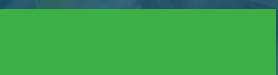
SUPPORT THE STRENGTHENING OF CLIMATE FINANCE REGULATION AND POLICY (SCOPING/ANALYSIS PHASE)

CAPRED will begin by supporting the National Bank of Cambodia (NBC) in conducting an initial climate-risk assessment for the financial sector to identify areas that require regulatory strengthening (CL.03.01). Going forward, intervention options may include green and social taxonomy (categorisation and vocabulary), green lending regulations, promoting regional clean energy trading, and other institutional support for budgeting and financing. Selection and sequencing of interventions will follow the implementation approach in section 4.2.4. Policies and regulation will fully integrate inclusion, promoting equitable access to climate financing, and the distribution of climate related benefits to different social and economic groups including smallholder businesses, as well as women and enterprises led by marginalised groups and individuals.

CROSS-CUTTING LINKAGES

Many of CAPRED's private sector partners could qualify for green investment, but the lack of a regulatory and enabling environment effectively locks them out of this investment stream. Improving the enabling environment is expected to unlock financing to help CAPRED to promote investment in the infrastructure (energy and water) and agriculture sectors.







5

Agriculture and Agro-Processing

5.1 Current situation

Agriculture has been the cornerstone of Cambodia's economy for centuries. In the period following the Peace Accord through to 2012, propelled by market liberalisation and expanding land frontiers, agriculture accounted for two thirds of Cambodia's reduction in poverty and a quarter of its GDP growth. Since then, declining productivity, rapid urban expansion in prime farming regions, and rural–urban migration has stalled the growth of agriculture: it can now be classed as low-productivity, often producing low-value crops in an inefficient manner. Nevertheless, despite two decades of strong growth in manufacturing and tourism, agriculture still accounts for around 20% of GDP, and provides 44% of female and 39% of male employment.⁷⁰ It generates a high multiplier effect in the economy, and creates

jobs and income through both forward and backward links with industry.⁷¹



In its policies, the RGC continues to recognise the significant role agriculture plays in driving inclusive growth, through improvements in livelihoods, ensuring food security, reducing poverty, and providing resilience in times of shock. This was demonstrated during the financial crisis of 2008 and the COVID-19 pandemic. However, the agriculture sector is increasingly susceptible to climate change and its traditional drivers of growth (factor accumulation) have run their course. Therefore, to reinforce growth it will be essential to increase productivity, reduce costs, strengthen climate resilience, and, most importantly, to expand value addition and access lucrative export markets. These changes will be necessary to transform and modernise Cambodia's agricultural sector.

Initially, CAPRED will focus on crops with the greatest export potential. These include: (i) rice (and rice by-products), (ii) cashews, (iii) cassava, (iv) mangoes, and (v) bananas. These crops have been chosen because they are grown at scale and at the quality required by international markets. CAPRED will also further study crops that have significant import substitution potential, including: (vi) maize and (vii) vegetables.

5.1.1 AGRICULTURAL PRODUCTIVITY AND COMPETITIVENESS

Agriculture remains in a low-productivity state in Cambodia. For instance, rice farmers gather an average wet season yield of 3.2 tonnes per hectare compared with 5.9 tonnes in Vietnam.⁷² In addition, the gap between wet season and dry season yield is 1.32 tonnes in Cambodia while it is only 503 kg in Vietnam. Farmers are predominantly price-takers, often selling their

⁷⁰ World Bank. 2021. Gender Analysis of the Cambodian Labor Market.

⁷¹ Roland Rajah. 2020. Structural Transformation and the Role of Agriculture in the Cambodian Economy: Past, Present and Future. Australian Government (DFAT) and Cambodia-Australia Agricultural Value Chain Program (CAVAC), Cambodia, p.2.

⁷² Cambodia Agriculture Survey, 2020 (<https://microdata.nis.gov.kh/index.php/catalog/38>)

crops to cross border traders immediately after harvest, when they have little bargaining power. Only small volumes of pure varieties are found, further reducing value. Generally, soil health is poorly managed, leading to increased application of fertiliser and chemicals to maintain (already low) yields. Overall, practices are outdated, and inefficient, and poor farming households survive by the narrowest of margins.

To enhance productivity, **CAPRED will increase the availability, quality, reliability and affordability of key agricultural inputs and mechanisation.** There is tremendous scope to innovate. Quality inputs are more expensive in Cambodia than they are in neighbouring countries, and mechanisation rates remain low. By applying a GEDSI lens, CAPRED will maximise inclusive impact by selecting the most appropriate crops, by developing methods and approaches for working, thereby increasing farmer incomes (responding to differences in gender, ability, or other forms of marginalisation), and by promoting viable and sustainable markets.

Furthermore, input supply markets do not function well and do not consistently meet the needs of farmers. For example, farmers tend to use low quality seeds, often grown on their own farms to save costs. These seeds are not certified and produce low yields, reducing farmers' confidence and risk-taking by investing in higher quality inputs. Yet there is tremendous potential to pilot and scale productivity enhancing technologies, such as digital supply chain technologies, drones and other forms of mechanisation. Water resource management could also be improved through the adoption of drought resistant crop varieties, and the uptake of water-saving irrigation technologies (e.g., drip, sprinkler, etc.).



CAPRED will support the government to develop and implement policies that enhance competitiveness and promote more diversified production. Although policy support will evolve over time, initially CAPRED will focus on lowering tax rates on agricultural machinery, calibrating maximum residue limits (MRLs) on domestic consumption, streamlining registration and other procedures that, unchecked, can inflate costs.

5.1.2 MARKET LINKAGES

Cambodia's agriculture sector is dominated by smallholder farms. There are around 1.6 million farming households. The average farming household encompasses 1.77 ha of agricultural land while approximately 70% have less than 2 hectares. This small-scale production creates significant inefficiencies in value chains, increasing cost and reducing competitiveness. Against this backdrop, the global food system is becoming more capital intensive. Economic returns from agriculture have accrued to capital- and skill-intensive parts of the agro-food supply chain rather than to smallholders, many of whom struggle to earn a living wage and respond to climate change disruptions.

There is significant space to meet market demand for improved crop quality and consumer demand for affordable, but higher quality, food, such as more traceable provenance, and environmental and ethical standards. This requires (and rewards) farm efficiency and innovation. To improve productivity and quality, farmers require inputs, capital, liquidity, price stability, clear standards, information, and training.

Major players in making these investments and providing these services are the actors working at scale on either side of the smallholder system – either input suppliers or purchasers and processors. These actors have the financial capacity and the incentive to invest in expanding and upgrading production to meet market demand. As such, **CAPRED will work to build sustainable market connections that create trust between producers and buyers.** Without trust, buyers will be unwilling to make the considerable downstream investments required for value chains to function more efficiently; equally, without trust, farmers will be unwilling to honour contracts when buyers appear to take advantage of them through price manipulation. A wide range of models that build market connections between buyers (aggregators, processors) and producers (smallholders) will be tested, including contract farming, out-grower models, and technology transfer.

5.1.3 RESEARCH AND AGRO-PROCESSING TECHNOLOGIES

The Food and Agriculture Organization of the United Nations (FAO) cites weak research and dissemination as a key reason for poor performance in the food industry.⁷³ This inhibits the development of new, innovative products that can better respond to consumer preferences. Research is constrained by a lack of networking (nationally and internationally), weak links between industry and markets, poor research infrastructure, and a shortage of technical experts; and despite the increasing enrolment of women in higher education, women students and researchers face structural barriers arising from gender norms.⁷⁴ Similar problems exist within the Cambodian Agricultural Research Development Institute (CARDI), which specialises in research for agricultural production.

To respond to these challenges, CAPRED will support the emergence of a small, inclusive ecosystem of diverse food industry researchers and service providers, both public and private. At the same time, CAPRED envisions CARDI becoming a leading, world-class agricultural research organisation; as such CAPRED will support a wide range of institutional changes within CARDI to upgrade its research products and to better respond to its clients. Finally, CAPRED will test the feasibility of establishing an industry-facing food innovation centre, partnering with one or more higher education institutions.

CAPRED will pilot and evaluate new agro-processing technologies. If successful, these will be disseminated through food industry researchers and service providers. Links will also be made with CAPRED's work to develop energy efficiency contracts.

5.1.4 AGRO-PROCESSING AND VALUE ADDITION

The Cambodian food industry is in its early stages. Despite its significant potential for producing high quality goods, there are very few businesses that have been developing products that are sold at scale, either domestically or overseas. Global experience suggests that strong food export industries are built off the back of competitive and dynamic domestic

⁷³ FAO. 2021. *National Agricultural Innovation System Assessment in Cambodia, Consolidated report*. https://www.fao.org/research-extension-systems/resources/publications/en/?page=5&ipp=5&tx_dynalist_pi1 percent5Bpar percent5D=YToxOntzOjE6IkwIO 3M6MToiMCI7fQ percent3Dpercent3D

⁷⁴ Cambodian Institute for Cooperation and Peace, 2016. *Doing Research in Cambodia: Making models that build capacity*.

⁷⁵ The World Bank, 2019, *Export Diversification: opportunities and challenges for developing countries*.

markets.⁷⁵ Cambodian produce is, however, generally sold in local markets or in bulk to processors in Thailand, Vietnam, or China, often at rock bottom prices. There are just a few successful domestic food industry champions, and the food processing and value addition that does take place domestically is generally small (or medium scale, at best). There are no food processing clusters (this undermines economies of scale) and there is a lack of market enablers, such as business development services (e.g., firms that provide services such as packaging, branding, demand side research, facility upgrade advice, etc.).

For the past three decades, Vietnamese and Thai agro-processors have seen Cambodia as a satellite production centre that helps supply their agro-processing industries. Quality and productivity are typically of little concern.

According to ADB,⁷⁶ despite agriculture accounting for over 20% of the economy, in 2018, agro-processing accounted for just 1.1% and 1.5% of Cambodia's GDP and total employment, respectively, well below the ASEAN average of 4.6% and 2.5%.

The RGC recognises that modernising agro-processing is crucial for generating value addition, increasing rural employment, and spurring more resilient and inclusive growth. Enhancing agro-processing features prominently in many RGC policies and strategies: the *Industrial Development Policy 2015-2025*,⁷⁷ the *Masterplan for Crop Production by 2030*,⁷⁸ and the *Cambodian Trade Integration Strategy 2019-2023*.⁷⁹

The fundamental challenge for expanding agro-processing is twofold. First, Cambodia's high-cost structures make it uncompetitive. Second, it has not achieved the economies of scale required to compete in this high-volume, low-margin business. There are inefficiencies at every

point along its complex value chains, each of which requires concerted investment to change. CAPRED will be selective in the way it works.

CAPRED will focus on a small number of high value crops that have the greatest market potential – crops that are grown at scale and for which there is global demand. Sector selection and systems analysis will be driven (as far as is feasible) by the establishment of Agri-food Industrial Parks (AIPs), and the demand of businesses and their identified markets, but other crops will be considered as the portfolio evolves, particularly where opportunities for enhanced inclusion arise.

The program will also focus on demonstration effects. For example, Australian investment will initially be channelled into a small number of business areas that have the greatest chance of success. Over time, as evidence emerges, CAPRED will scale successful business models by

⁷⁶ ADB. 2022. Leveraging new and emerging sectors can help Cambodian economy to return to growth after COVID-19 (Unpublished).

⁷⁷ RGC. 2015. Cambodian Industrial Development 2015-2025.

⁷⁸ MAFF. 2016. Development of Master Plan for Crop Production in Cambodia by 2030.

⁷⁹ MOC. 2019. Cambodia Trade Integration Strategy 2019-2023.



leveraging private sector investment.

To achieve this, CAPRED will utilise its full arsenal of tools from across the program, including energy efficiency, access to clean water, climate change, inclusivity, and supply chain (production) efficiency. Each domain will be actively engaged to address different aspects of the challenge. To create value addition, CAPRED will:

- **Establish an AIP.** The objective is twofold. First, CAPRED will test the economic feasibility of the AIP model and, if it works, scale it. Second, the AIP will have the backing of a powerful group of RGC stakeholders. It, therefore, provides a platform to engage in policy dialogue around issues of trade and competitiveness, GEDSI, transaction costs, industrial development policy, spatial corridor development, and other key issues.
- **Build the evidence base, pilot, and scale zero waste and other environmentally sustainable business models.** Waste management, and the unrealised economic value of waste products, can expand business opportunities. CAPRED will support agro-processors to invest in processing waste and lower grade raw materials into commercial products, animal feed and fertilisers; this will improve environmental outcomes and lower carbon footprints. It will make Cambodian agro-processing more attractive to international investors.



5.1.5 ACCESS TO AGRICULTURAL FINANCE

At the household or the micro, small and medium enterprises (MSMEs) level, agricultural credit accounts for less than 10% of formal finance. But the reality is more complex. Most households have debt, and do not distinguish between borrowing for business operations, investment, or consumption. Evidence indicates that, in multiple ways, women bear the brunt of indebtedness in rural households, a situation that is exacerbated in times of economic crisis. So, while farmers need finance to invest and grow, they are already highly leveraged. Working in the access-to-finance space is therefore fraught with risk.⁸⁰

Sources of credit vary by farm size and type of operation. Commercial growers and associated businesses tend to use microfinance institutions (MFIs) and banks, while smaller farmers typically prefer community savings, loan institutions, traditional moneylenders, and credit for purchasing inputs. The proportion of small farmers who are reported to be taking loans from moneylenders appears to be increasing. Because debt is collateralised, most farming households are fully leveraged and cannot access further credit. For women, often managing smaller plots or serving as unpaid family labour, access to finance is even more limited.

Because of these risks CAPRED will take a cautious approach. The program will support initiatives where financial products are linked directly to investment or operating capital requirements, and are customised to meet the needs of women as well as men borrowers. This activity will be strongly associated with the work focusing on market links. For example, using digital tools for supply chain optimisation may also include digital finance for buyers/ aggregators to ensure that they have sufficient liquidity during the harvest season. Similarly, farmers may be able to purchase crop insurance as part of a digital package that includes extension advice, weather forecasting, and digital payment (e-wallets).

At the processor or exporter level, finance for investment, growth, and trade will be managed through other intervention areas. For example, the program will work to match investment in modern processing machinery with our energy efficiency work. Similarly, in trade and export promotion work, CAPRED will link exporters with international investors or regional investment funds (both concessional and commercial).

⁸⁰ See for example, Ngo, Sothath and Chan, Sophal, 2010. *More Vulnerable: The impact of the economic downturn on women in Cambodia*, Oxfam, for evidence from the 2009 global financial crisis; early indications during the pandemic identified that a similar situation would prevail as a result of the COVID-19 pandemic; see for example FAO, 2020. *Rapid assessment of COVID-19 outbreaks on agriculture and food security in Cambodia: Policy response*.

5.2 How CAPRED will work

In this domain, key approaches include:

- **CAPRED will drive inclusive growth in the agricultural sector.** Women figure prominently at every stage in agricultural value chains and constitute the majority of the agricultural workforce. Farming households tend to practise a strong division of labour; women are often unpaid family workers and find it challenging to work in the sector with little support and no direct income. Women also work as collectors, retailers, and wholesalers in crops and value chains. However, in many cases, women and other marginalised groups are often undermined when policies, laws and regulations do not explicitly recognise the specific challenges and barriers that they face in accessing beneficial products, technologies, finance, and services. These challenges manifest in symptoms such as lack of land ownership, limited collateral and lower levels of skill and knowledge; but they are founded in inequitable social norms. Therefore, CAPRED will strenuously avoid 'GEDSI neutral' approaches to policy and economic reform in the agricultural sector. Starting from assessment and analysis, CAPRED will integrate GEDSI within all agriculture policy reform and service development. For example, CAPRED has engaged an agriculture finance consultant to conduct an inclusive analysis of financial constraints and opportunities. This analysis will highlight social, cultural, gender, age, economic and physical barriers to financial access.
- **CAPRED will fully integrate climate change adaptation and mitigation into all of its agricultural support.** Agricultural production is both a victim of, and significant contributor to, climate change. Increasingly, farmers face severe drought, flood, heat and pests. At the same time, the sector generates carbon emissions, land degradation, environmental pollution and inefficient consumption of water resources. CAPRED will employ a climate-smart perspective, avoiding climate neutral approaches that render environmental harm invisible. For example, CAPRED will assess and pilot approaches to crop insurance related to climate change and unpredictable weather patterns (e.g., reduced rainfall, increased heat). Additionally, when CAPRED's climate change, environmental sustainability, and disaster risk reduction strategy has been completed, the additional integration of issues and solutions will be possible.
- **CAPRED will take a market systems approach, always focusing on benefiting the smallholder, particularly the poor and marginalised.** The aim will be to strengthen demand, and raise prices for farmers by creating connections downstream, both in terms of purchasing and providing appropriate inputs, finance, and services for farmers.
- **CAPRED will learn and collect market intelligence.** CAPRED will establish itself as a pre-eminent provider of new and unique data and information that catalyse change in the system. CAPRED will use this data in creative ways to keep policy-makers abreast of recent developments. This is especially important in emerging trends in production and productivity, in observing price fluctuations, in understanding and intervening in uncompetitive markets, and in assessing inequalities among farmers.

- **CAPRED will provide additionality (complementarity) and collaborate with strategic partners.** There are numerous development partners active in agricultural production and agro processing. USAID’s Harvest III, and Strengthening the Climate Resilience of Agricultural Systems in Cambodia and Vietnam (the GIZ project), work on similar crops and also co-finance value chain investment. CAPRED will collaborate closely to avoid overlap. The International Fund for Agricultural Development’s Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade (ASPIRE-AT) and ADB’s Agricultural Value Chain Competitiveness and Safety Enhancement operate in different ways but will require close coordination. CAPRED will work closely with the DFAT-funded Mekong Water Solutions on water resource management issues. Many development partners active in agriculture incorporate GEDSI; to ensure coordination, sharing of promising practice and avoiding duplication, CAPRED will continue to support MAFF to host six-monthly GEDSI and agriculture coordination workshops.

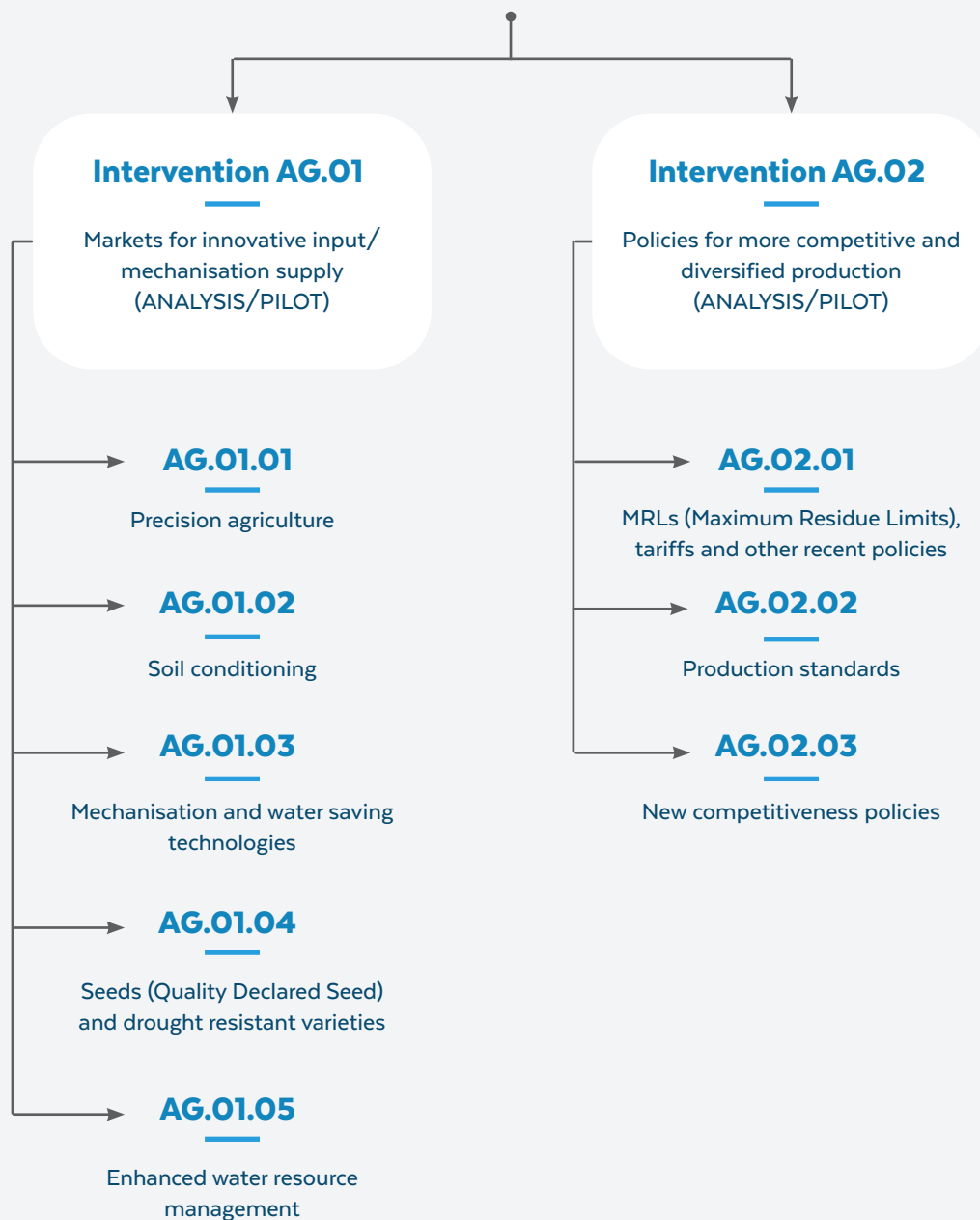
5.3 Agriculture and agro-processing interventions

The following pages depict CAPRED’s strategic agriculture and agro-processing interventions (in a simple hierarchical structure), together with its vision of transformation and related pathways to RISE (resilient, inclusive, and sustainable economic growth). More detailed tables then further describe the content of these interventions. Because this is CAPRED’s least developed portfolio, the initial scope is broad, as the Facility will continue to identify promising entry points. Not all elements of the strategy below are expected to be fully implemented.



AGRICULTURAL PRODUCTION PORTFOLIO

PRODUCTIVITY AND COMPETITIVENESS



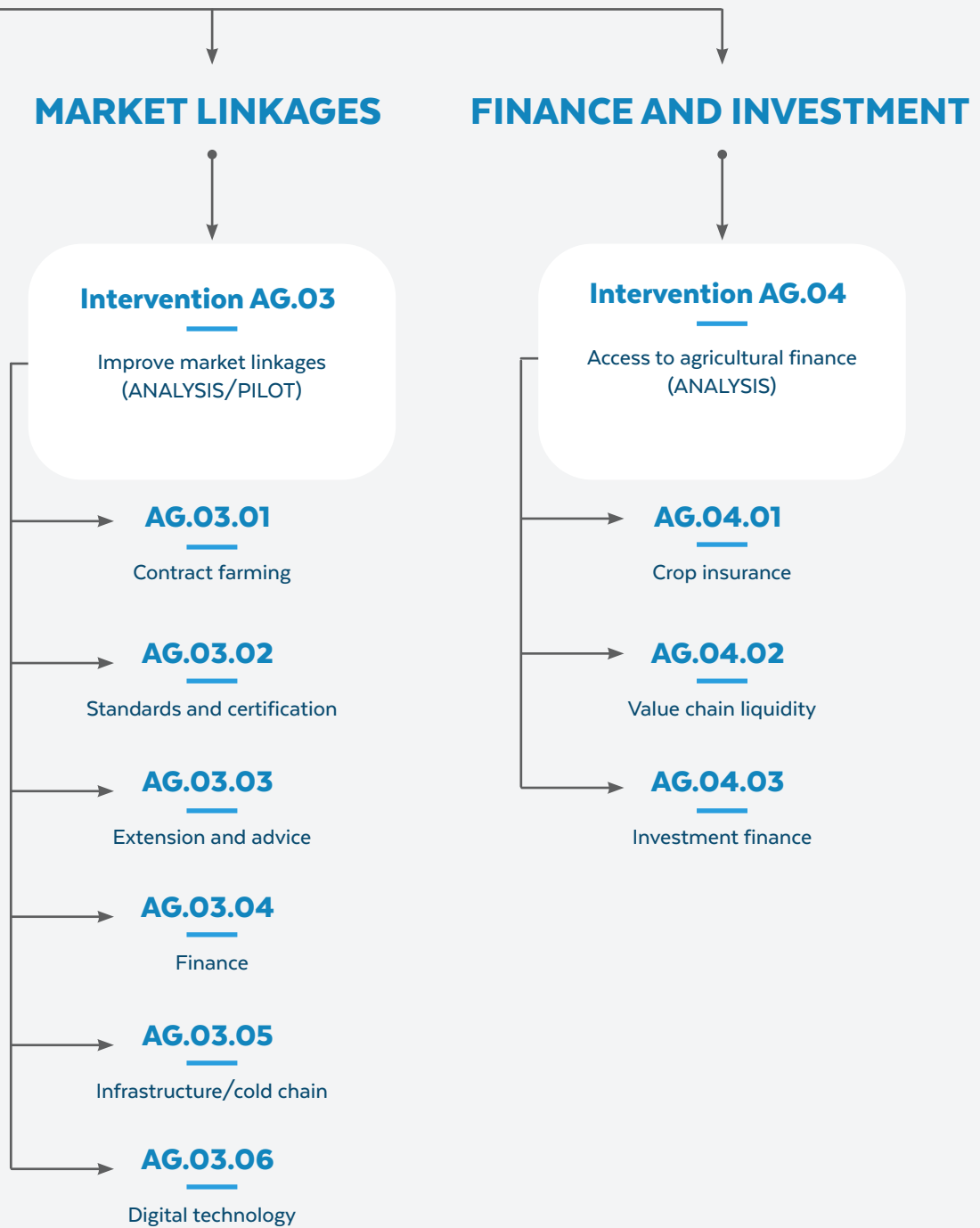
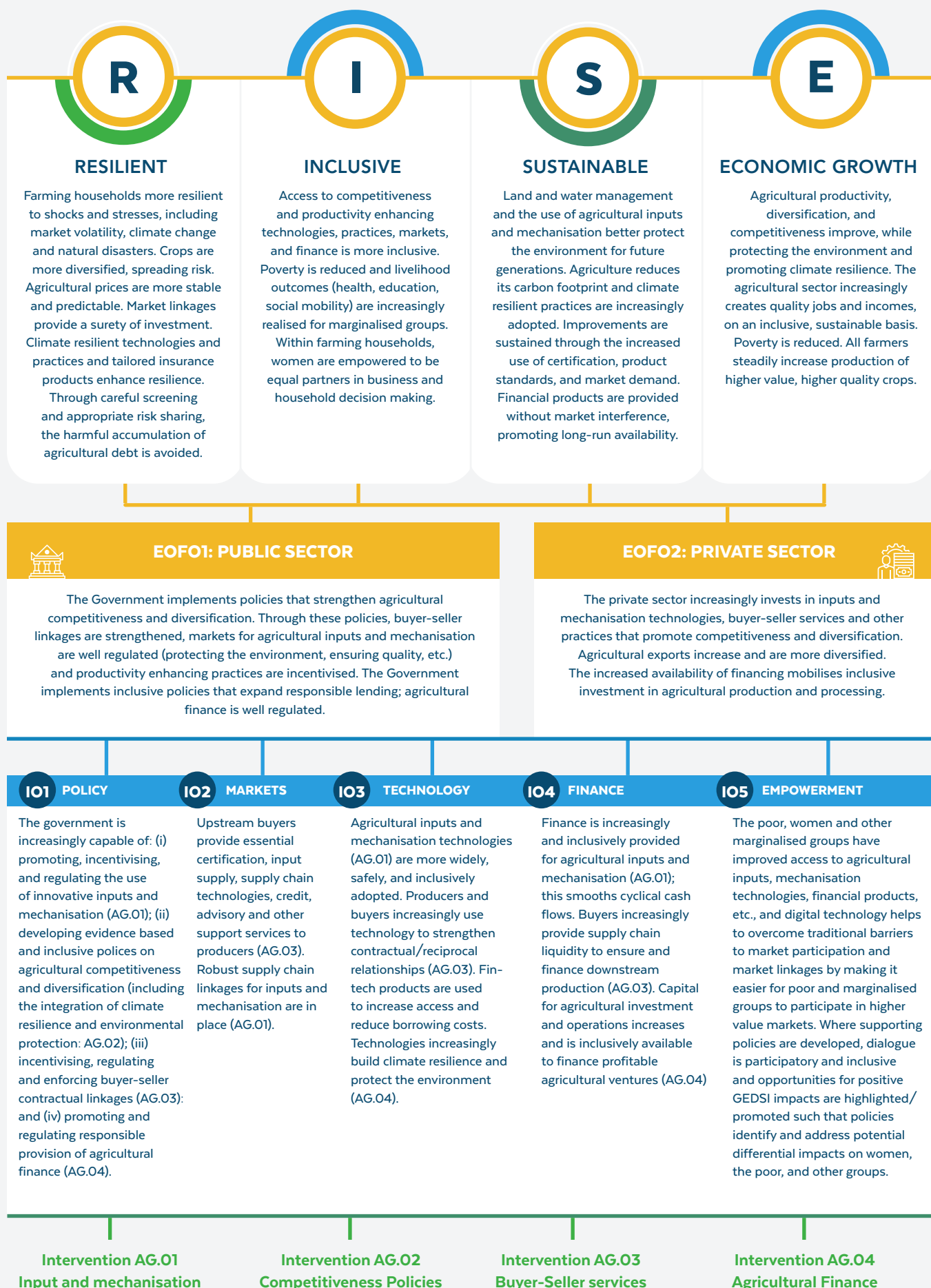


TABLE 14 AGRICULTURAL PRODUCTION PORTFOLIO - PATHWAY TO RISE



Note: GEDSI = gender equality, disability and social inclusion

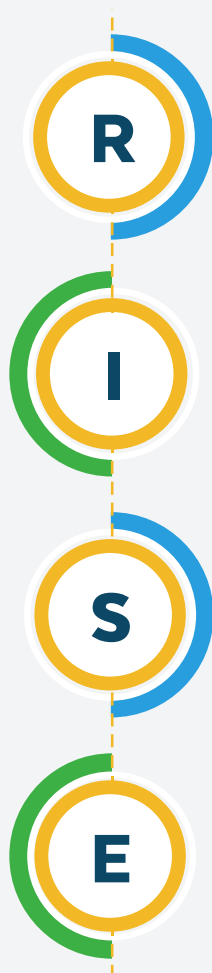
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Agricultural productivity

Farming households increase their productivity, with corresponding increases in on-farm income. This will be achieved by reducing costs and improving farming efficiency through the adoption of better-quality inputs, modern climate resilient agricultural practices (including improved water resource management), mechanisation, and agri-tech solutions for traceability and supply chain management. A significant proportion of these households will be either poor or female headed. These changes will be underpinned by government policies that encourage improved sector competitiveness and more diversified agricultural production.

RISE



RESILIENT

Investments in inputs that enhance productivity, information, and technologies (including climate adaptation measures) will make farming households more resilient to shocks and stresses, including market volatility, climate change, natural disasters, etc. Crop diversification will support more resilient income streams.

INCLUSIVE

Access to technologies and practices that improve productivity are inclusive and the benefits of increased productivity reach poor and marginalised populations and reduce poverty. This enhances social outcomes (health, education, social mobility) for marginalised groups. Within farming households, women are empowered to be equal partners in business and household decision-making.

SUSTAINABLE

Better land management, more efficient use of environmentally harmful inputs (for example, fertiliser and pest management), water resource management and reduced carbon footprint in value chains are preconditions for long-term productivity. Deep and competitive input markets, a strong enabling environment, and continued profits ensure investment and productivity gains are sustainable.

ECONOMIC GROWTH

Agricultural yields, productivity, and competitiveness improve. Cambodia's agricultural sector is increasingly innovative and profitable, generating increased income and employment and attracting investment.

INTERVENTIONS FOR AGRICULTURAL PRODUCTIVITY AND COMPETITIVENESS

AG.01 | MARKETS FOR INNOVATIVE INPUT/MECHANISATION SUPPLY (ANALYSIS/PILOTING PHASE)

CAPRED will promote the adoption of a wide range of inputs, including seeds, fertiliser, and plant protection, as well as mechanisation. The process for each technology will move from piloting to evaluation, to scaling at market level. CAPRED will pilot fertiliser and plant protection, including the promotion of dosage services that employ digital soil scanning (that is, precision agriculture; AG.01.01). The program will also pilot straw chopping for soil conditioning (AG.01.02) and mechanisation technologies (AG.01.03). In addition, CAPRED will facilitate the use of Quality Declared Seeds (QDS), with sales reaching 75,000 MTs, supplied by 20–50 private seed producers and 1,200 agricultural cooperatives. CAPRED will improve water resource management through drought resistant crop varieties (AG.04). Finally, the program will support the uptake of water-saving technologies (for example, drip, sprinklers), (AG.05). To reach market scale, CAPRED will stimulate demand through education, training, and strategic communications. It will strengthen supply by supporting investments by multiple input providers and enhance access to finance where this is a constraint.

CROSS-CUTTING LINKAGES

The inputs and technologies promoted will protect the environment by enhancing efficiency and reducing carbon footprints. It will promote disaster risk reduction through adaptation, focusing on technologies that build resilience to floods and drought. Equitable access to technologies will be promoted and information campaigns will be specifically tailored to women, youth, the poor, etc. It will support the government to develop policies that improve competitiveness (AG.02).



INTERVENTIONS FOR AGRICULTURAL PRODUCTIVITY AND COMPETITIVENESS

AG.02 | POLICIES FOR MORE COMPETITIVE AND DIVERSIFIED PRODUCTION (ANALYSIS/PILOTING PHASE)

Cambodian farmers face high prices for agricultural inputs and technology. Several recent policy initiatives are underway to address these problems. The government is eliminating its 35% tariff on agricultural spare parts and streamlining its import regulation procedures; these changes are expected to lower rental prices for tractors and tillers and to expand their usage. In addition, the government has recently recalibrated maximum residue limits; while this will not affect exports (which have their own standards) it is expected to increase productivity for products sold locally (AG.02.01). Finally, CAPRED will support the government in its development of production standards (AG.02.02) and it will continually facilitate evidence-based policy dialogue on the comparative production costs of various crops (AG.02.03). It is expected that policy opportunities in terms of competitiveness and diversification will continue and CAPRED will remain flexible to changing circumstances. Changes will be scaled through the government's implementation of market-friendly competitiveness and diversification policies.

CROSS-CUTTING LINKAGES

All policy support provided by CAPRED will address impacts on the environment, climate resilience, and GEDSI; policy dialogue will be inclusive. Policy issues will be identified across the Agriculture and Agricultural Processing Portfolio and will be unified through a coherent dialogue about competitiveness and diversification.



VISION OF TRANSFORMATION



Market linkages

A significant number of farmers benefit from improved linkages with the buyers of their produce. In return for a more predictable supply, buyers provide more stable prices and invest in backward linkages such as certification, input supply, supply chain technology, credit, advisory (extension) services, and other supporting infrastructure and services. Quality and standards of production improve.

RISE



INTERVENTIONS TO STRENGTHEN MARKET LINKAGES

AG.03 | IMPROVE MARKET LINKAGES (ANALYSIS/PILOTING PHASE)

CAPRED will work with its upstream partners to build more structured and mutually beneficial buyer-seller relationships. In this relationship, upstream partners provide inclusive services to producers that will expand production and strengthen product volume, quality, and reliability. Each market (rice, cashews, cassava, mangoes, bananas, vegetables) is expected to face different constraints and therefore require different market solutions. Solutions will be piloted and, if successful, scaled to national level. The overarching objective is to optimise supply chains to overcome the inefficiencies inherent in smallholder value chains. CAPRED will maintain flexibility but will initially focus on the following buyer-seller services: (i) contract farming (AG.03.01); (ii) market certification requirements (Good Agricultural Practice [GAP], fair trade, MRL, etc.: AG.03.02); (iii) downstream extension and advisory services (AG.03.03); (iv) downstream finance (operating and investment capital: AG.03.04); (v) development of supporting infrastructure (for instance, cold chains: AG.03.05); and (vi) promotion of digital technology to support the entire value chain (AG.03.06). Market relationships will be sustained by developing formalised, enforceable buyer-seller contractual arrangements along the value chain. Policy support from the government, to promote and roll-out these arrangements, will be pursued.

CROSS-CUTTING LINKAGES

CAPRED will ensure access to upstream services, especially for poor and marginalised households. All crops, practices, and technologies promoted through market linkages will be inclusive, will protect the environment, and, where possible, will build climate resilience.



VISION OF TRANSFORMATION



Agricultural finance

Value chains have sufficient operating and investment credit to ensure that markets operate at greater efficiency and that capital is allocated to more productive investments.

RISE



INTERVENTIONS FOR AGRICULTURAL FINANCE

AG.04 | EXPAND ACCESS TO AGRICULTURAL FINANCE (ANALYSIS PHASE)

CAPRED will investigate the liquidity (operating capital) and investment capital constraints affecting the agricultural value chain from production to export. A wide range of financial instruments will be assessed including crop insurance (AG.04.01), value chain financing and input credit (AG.04.02), investment and digital financing tools (AG.04.03), among others. CAPRED will work with the RGC to address instances where the financial sector regulatory framework is a barrier to adoption. CAPRED will ensure focus by trialling and testing in a few markets with a small number of partners. If successful, CAPRED will support financial institutions to provide new product lines to meet the rising demand of diverse clients, and the RGC to strengthen relevant financial regulations

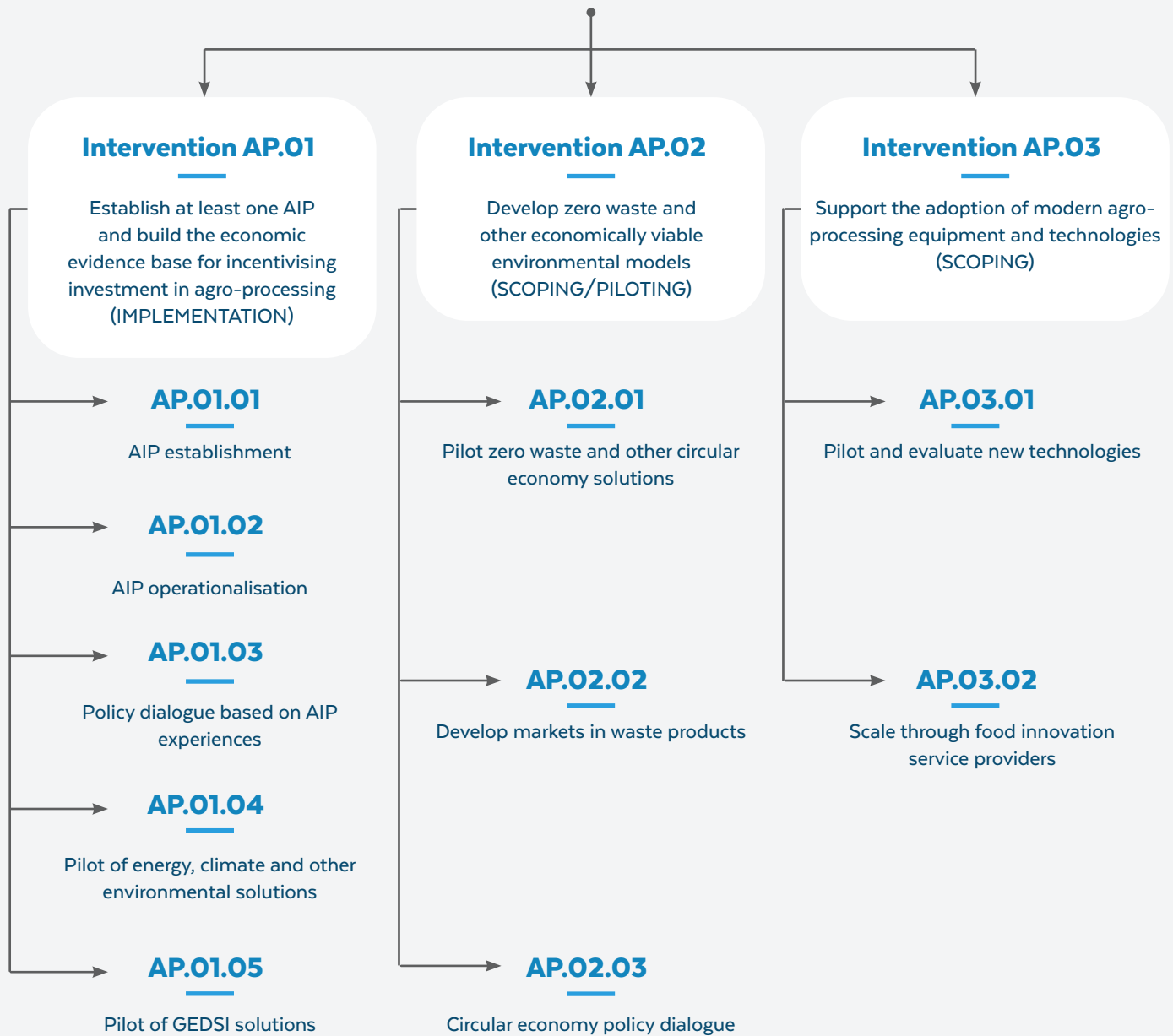
CROSS-CUTTING LINKAGES

CAPRED will ensure equal access to the financial instruments it supports. Safeguards for borrowing, in terms of household indebtedness, access and risk mitigation for vulnerable populations, and environmentally-responsible lending practices, will be a precondition for CAPRED engagement. Where climate financing (CL.02) supports agriculture the two initiatives will be integrated.



AGRO-PROCESSING PORTFOLIO

VALUE ADDITION



DEMAND-DRIVEN FOOD INDUSTRY SERVICES

Intervention AP.04

Support demand-driven, market oriented agri-food research and food innovation services (SCOPING/IMPLEMENTATION)

AP.04.01

CARDI institutional reforms

AP.04.02

Develop researchers' capacity

AP.04.03

Subsidise initial service provision

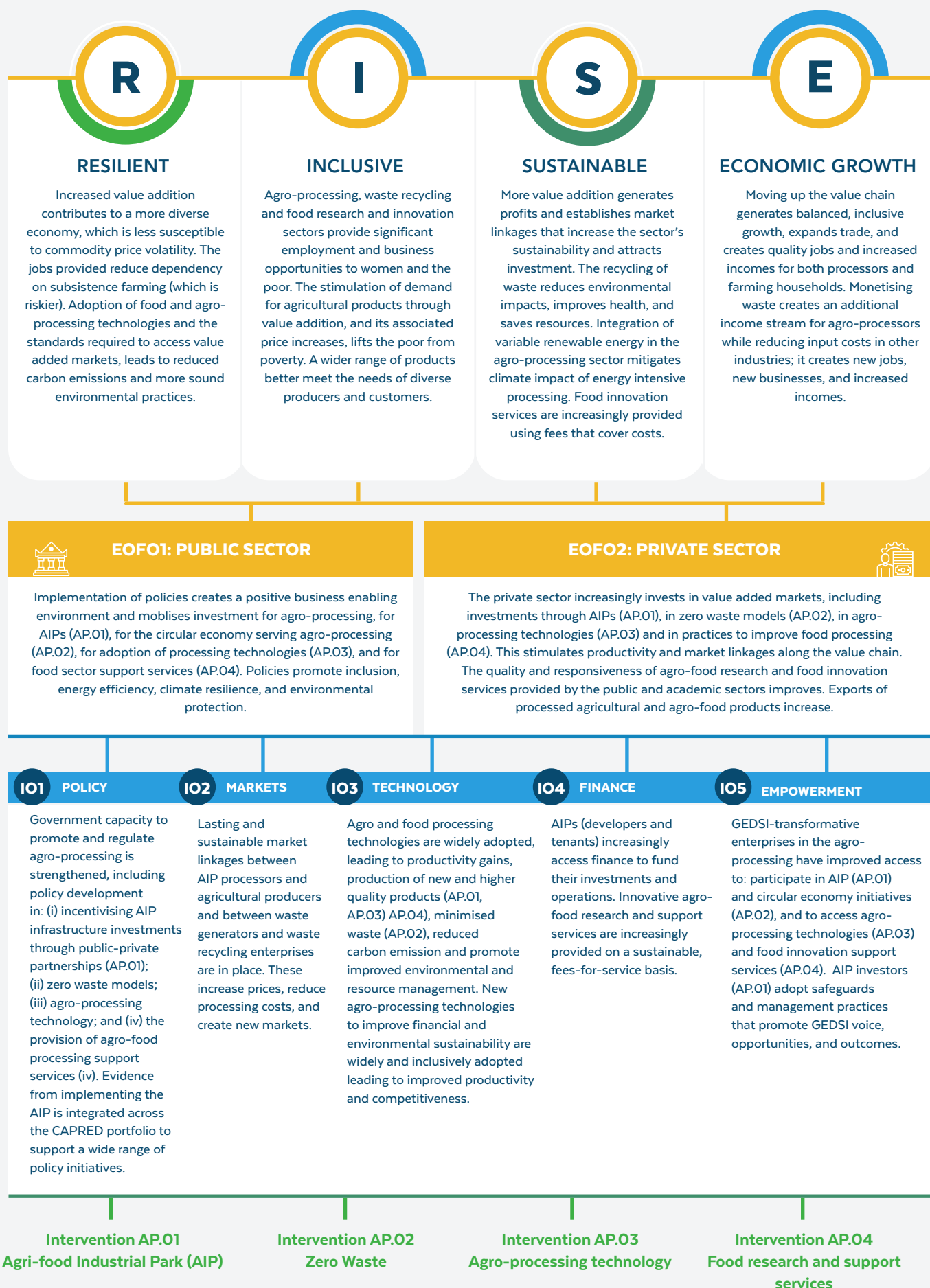
AP.04.04

Hold Food Innovation Summits

AP.04.05

Test the viability of a food innovation center

TABLE 19 AGRO-PROCESSING PORTFOLIO - PATHWAY TO RISE



Note: AIP = Agri-food Industrial Park; GEDSI = gender equality, disability and social inclusion

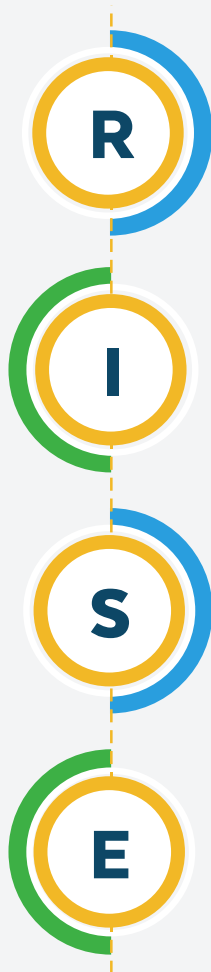
VISION OF TRANSFORMATION



Expand value addition

Value chains have sufficient operating and investment credit to ensure markets operate at greater efficiency and that capital is allocated to more productive investments.

RISE



RESILIENT

Increased value addition contributes to a more diverse economy, which is less susceptible to commodity price volatility; it also reduces dependency on subsistence farming by providing increased employment opportunities. Reduced carbon emissions and compliance with international standards increase access to premium markets.

INCLUSIVE

The agro-processing and waste recycling sectors provide significant employment and business opportunities for women and the poor. Women increasingly have the opportunity to own or run these businesses. The stimulation of demand for agricultural products through value addition—and its associated price increase—inclusively lifts the poor from poverty.

SUSTAINABLE

More value addition generates profits and establishes market linkages that increases the sector's sustainability and attract investment. The recycling of waste reduces environmental impacts, improves health, and saves resources. Integration of variable renewable energy mitigates the climate impact of energy intensive processing. Reduced carbon emissions and compliance with international standards provides green growth.

ECONOMIC GROWTH

Moving up the value chain creates quality jobs and generates increased incomes for both processors and diverse farming households. Monetising waste creates an additional income stream for agro processors while reducing inputs costs in other industries. The development of a market for waste creates new jobs and new businesses and increases incomes.

INTERVENTIONS FOR INCREASING VALUE ADDED

AP.01 | ESTABLISH AT LEAST ONE AIP AND BUILD THE ECONOMIC EVIDENCE BASE FOR INCENTIVISING INVESTMENT IN AGRO-PROCESSING (IMPLEMENTATION PHASE)

The AIP is one of the RGC's key initiatives to grow the agro-food value addition industry. The Cambodia-Australia Agricultural Value Chain Program (CAVAC) feasibility study on AIPs projected each developer would invest USD188 million; annual revenues per tenant would reach USD1.7 million; 103,000 jobs would be provided; and AIPs would reduce the poverty headcount by 20,680 by 2045. AIPs are, therefore, projected to operate at scale and help to meet national aspirations for growth in the agro-processing sector. Overall, CAPRED will support the establishment—governance and procurement—of at least one AIP (AP.01.01). Its operationalisation will be supported through intensive capacity development of both the developer and the AIP's tenants (AP.01.02). The program will address the issue from two different entry points. First, it will work on the bricks and mortar investments needed to help the RGC to realise this crucial initiative. At the same time, it will utilise the investment as a platform for broader policy dialogue on how to overcome the weak competitiveness of agro-processing in Cambodia (AP.01.03). The AIP will be used to gain practical experience in piloting energy efficiency, climate resilience, and environmental initiatives (AP.01.04). Due to the intensive nature of CAPRED's engagement, and the high risks of exclusion, the AIP intervention will serve as a hub where concentrated inclusion efforts and learning can be centred (AP.01.05).

CROSS-CUTTING LINKAGES

The AIP is a platform that can be used to bring together many of CAPRED's objectives, including: (i) better agricultural export performance; (ii) more productive agriculture; (iii) incentivisation of investment; (iv) GEDSI outcomes by focusing on livelihoods of, and addressing opportunities and risks for, poor and marginalised groups; (v) climate mitigation through renewable energy, energy efficiency and water resource management; (vi) climate adaptation in more sustainable agricultural value chains; and (vii) more inclusive and investment friendly policy. Lessons learned from AIP implementation will be used to inform and promote RISE policies across the agriculture and other manufacturing sectors.

INTERVENTIONS FOR INCREASING VALUE ADDED

AP.02 | DEVELOP ZERO WASTE AND OTHER ECONOMICALLY VIABLE ENVIRONMENTAL MODELS (SCOPING/ANALYSIS PHASE)

CAPRED will work with agro-food processors to identify and pilot zero waste and other circular economy models (AP.02.01). Through this, CAPRED will explore the possibility of viability gap financing for first movers. Where successful, and to generate results at scale, CAPRED will support the development of broader markets for waste products (AP.02.02). Lessons learned will be documented and will form the basis of policy briefs to engage the government in policy dialogue around incentivising viable environmental models (AP.02.03).

CROSS-CUTTING LINKAGES

Women and GEDSI-transformative enterprises will form the foundation of the circular economy and their voice and participation will be promoted and incentivised. A comprehensive approach will be taken to identify and address environmental risks and to test opportunities for investment and technology adoption. Zero waste initiatives will be piloted within the AIP (AP.01).



INTERVENTIONS FOR INCREASING VALUE ADDED

AP.03 | INCREASE THE ADOPTION OF MODERN AGRO-PROCESSING EQUIPMENT AND TECHNOLOGIES (SCOPING/ANALYSIS PHASE)

Many processors in Cambodia rely on basic (manual) processing methods that significantly reduce competitiveness. Machinery is often old, inefficient, inappropriate, or unaffordable (particularly for women). As a result, Cambodian processors cannot compete with Thai and Vietnamese buyers. Agro-processing firms report that one of their biggest challenges is to identify the right technology and the skilled workforce required to operate it. CAPRED will work with agricultural processing firms to pilot appropriate, inclusive technology solutions, and provide the technical capability (and co-investment) required to accelerate adoption rates in the industry (AP.03.01). Where technologies are proven to work, they will be scaled (AP.03.02).

CROSS-CUTTING LINKAGES

Equal access to technologies will be ensured. Technology will be promoted through agricultural finance (AG.04) and through demand driven food-sector service providers (AP.04).



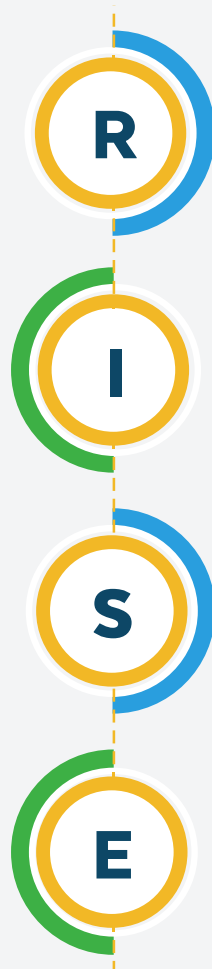
VISION OF TRANSFORMATION



Demand-driven food industry services

A sustainable market for demand-driven research and other business development services is developed, meeting the needs of the food industry. Services are provided on a profitable or cost-recovery basis by both the public and private sectors, applying the principle of 'who does who pays.' Services support competitiveness, enhancing product development, production and processing, the adoption of technologies and processes, improved management, and access to markets. Participating public sector organisations are increasingly strategic and customer-oriented in their approaches. The services sector understands the business case for delivering inclusive services that are accessible to diverse populations.

RISE



RESILIENT

A fully competitive, profitable food research and food innovation services sector responds well to market volatility. Services provide help, and firms optimise food processing procedures, which increase profits and enable business growth. Economic resilience provides greater resistance to economic and climate shocks.

INCLUSIVE

The food processing sector provides significant employment and business opportunities to women and the poor. Women increasingly have opportunities to own or run a business in the food processing sector. A more customer-oriented service sector develops viable products that meet the needs of diverse producers and customers.

SUSTAINABLE

Environmentally sound practices are adopted by the food processing industry, which helps Cambodian products to access more stable and higher-value markets, including export markets. At the same time, improved practices reduce the carbon footprint of businesses contributing to sustainable growth.

ECONOMIC GROWTH

The market for demand-driven agro-food research and food innovation support services grows, is competitive, and is profitable. This mobilises investment and generates inclusive, quality jobs and incomes in both the service sector and the underlying agro-food sector. The research and support provided (product development, adoption of new technologies and processes, and the identification of new markets) increases Cambodia's competitiveness, expands trade, and contributes to broad based economic growth.

INTERVENTIONS FOR DEMAND-DRIVEN FOOD INDUSTRY SERVICES

AP.04 | SUPPORT DEMAND-DRIVEN, MARKET-ORIENTED AGRO-FOOD RESEARCH AND FOOD INNOVATION SERVICES (SCOPING/ ANALYSIS/IMPLEMENTATION PHASE)

CAPRED will identify suitable business models for an industry aligned, demand-driven food innovation service sector. The sector will provide research, advice, training, and business development services. First, CAPRED will support organisational reforms in the Cambodian Agricultural Research Development Institute (CARDI). These are expected: to expand CARDI's product range; to help CARDI to operate in a more strategic, customer-oriented, and responsive fashion; to strengthen CARDI's financial sustainability (possibly using fees-for-service); and to help CARDI become more inclusive in its approaches and organisational development (AP.04.01). Second, CAPRED will support the capacity development of select research institutions (AP.04.02); this may involve either training or organisational development. To kick-start linkages between industry, the public sector, and academia, CAPRED will partially subsidise the provision of demand-driven services (initially through continuation of the previously successful Food Innovation Fund, co-financed by Khmer Enterprise; AP.04.03). These agro-food research and food innovation services will include assistance in: (i) adopting new technologies, (ii) product development, (iii) processing, packaging, and branding, (iv) food safety and standards, (v) market intelligence, (vi) marketing, and (vii) strengthening business operations by building inclusive business models. Finally, CAPRED will help to organise Food Innovation Summits (AP.04.04), and will test the economic viability of a food innovation centre, exploring a variety of possible structures and delivery models (AP.04.05). Links with Australian and other international research centres (especially the Regional Comprehensive Economic Partnership [RCEP] signatories) will be explored.

CROSS-CUTTING LINKAGES

CAPRED will support the professional development of female (and disabled) researchers and advisors and will provide access to GEDSI-transformative enterprises to receive support services. Service providers will increasingly provide services that help firms access higher value markets, which will lead to a reduction in carbon emissions, introducing traceability, ensuring resilient supply chains, minimising environmental harm, and developing socially compelling marketing strategies (based on inclusive business models). CAPRED will work to reduce overlapping mandates and build complementarity between State-owned service providers. CAPRED will advocate for government policy that allows an economically viable services eco-system to emerge. Service providers will be engaged to support (and learn from) CAPRED innovations in: the AIP (AP.01); zero waste models (AP.02); trade; climate mitigation through renewable energy (EN.01); energy efficiency (EN.02) and water resource management (WA.01); and climate adaptation in more sustainable agricultural value chains (AG.03).







6



Trade, Investment and Enterprise Development

6.1 Current situation

Cambodia is striving to become an upper middle-income country by 2030, after having achieved World Bank lower middle-income status in 2015. The government has embraced economic and market diversification and integration as a pathway to this prosperity. This stance is deeply embedded in its *Rectangular Strategy, Phase 4*, as well as numerous supporting policies and strategies.⁸¹ The *Cambodia Trade Integration Strategy 2019-2023* (from MISTI) establishes a strong link between trade expansion and poverty reduction, gender equality, and greater inclusivity. Cambodia actively participates in regional and global economic integration initiatives (for instance, in ASEAN, RCEP, and the World Trade Organization [WTO]).



The path to economic integration will be challenging. Cambodia lags far behind its neighbours Vietnam and Thailand, which have modernised their economies and are among an elite group of countries at the pinnacle of the international trade system. Cambodia's trade performance is hampered by structural economic impediments: insufficient economic diversification; an unequal distribution of the benefits of growth; low and declining productivity; low quality and weak export linkages; and low domestic investment. These challenges are economy-wide and can only be addressed by deep structural reforms and a long-term public investment program. The country must invest in human capital, improve inclusive market institutions, get better at public investment management, and upgrade links to global value chains.

Investments in the trade and investment landscape are required at three levels: (i) national-level legal and regulatory framework, across all economic sectors; (ii) sector-specific policies and investments to address unique industry challenges; and (iii) enterprise-level support for export and investment readiness, along with nurturing a growing cadre of high performing firms that can compete at the global level. Given the scale of the task, CAPRED will focus on a subset of these challenges and act as a catalyst for change. The focus at the enterprise level will be driven by a GEDSI-Transformative Enterprise Development (GTED) lens to ensure GEDSI is integrated across CAPRED's private sector engagement.

In all of CAPRED's trade and investment work it will be important to build strong linkages with DFAT's regional and ASEAN-focused programming. Key partners include the Regional Trade for Development program, the Mekong Australia Partnership, the Australia-ASEAN Enhanced Trade and Investment Cooperation program, and the Economic Research Institute for ASEAN and East Asia support program.

⁸¹ Including the Cambodia Trade Integration Strategy Update (CTISU 2019 - 2023); the 2021 Investment Law; the Cambodian Industrial Development Policy (IDP) 2015-2025; the Economic Diplomacy Strategy 2021-2023; and the Strategic Framework and Programs for Cambodia's Economic Growth in Living With COVID-19 in the New Normal (2021-2023).

6.1.1 TRADE

Cambodia is one of 46 countries categorised as a Least Developed Country (LDC) by the United Nations, which allows access to the EU's duty-free quota-free initiative—the *Everything but Arms Scheme*. However, Cambodia's status may change by as early as 2027 (as long as no major global crises emerge), likely resulting in deep structural shifts in the composition of Cambodia's exports. Over the past two decades, access to preferential trade stimulated the creation of a low value-addition manufacturing industry. Components are shipped in, and assembled products are shipped out, gaining preferential trade treatment along the way. The dollarised economy incentivises this kind of industry. A strong currency makes imports cheaper, so it makes sense to import components and do just enough value addition to meet the degrees of transformation thresholds. This disincentivises investments in export industries that require significant value addition or local production of components.

It is, therefore, imperative to prepare for LDC graduation and develop economic plans to lessen its potential negative impacts. To help the RGC to prepare to manage the transition, CAPRED will provide strategic, high-quality, rapid, and responsive technical assistance. CAPRED will support the government to develop a proactive roadmap to apply for second-best tariff preference and to raise awareness among key stakeholders in sectors such as agriculture and manufacturing. CAPRED will also support the RGC to meet its multilateral trade commitments, such as its *2025 Trade Policy Review for the World Trade Organization*, and to develop its *Trade Integration Strategy Update (2024-2028)*. It will support the RGC to better facilitate trade and strengthen trade promotion. Work will be closely coordinated with other development partners such as the UN, the EU's ASEAN Regional Integration Support (ARISE Plus), and WTO focal points in Cambodia and Geneva.

An important first step in preparing for LDC graduation is to fully leverage existing and upcoming free trade agreements (FTAs). Cambodia has increased its activity at the regional and multilateral level. It successfully chaired ASEAN in 2022, which increased momentum for the ASEAN-Australia-New Zealand FTA upgrade. It is an active member of RCEP, which commenced in January 2022 and is the world's largest FTA. Recently, Cambodia has signed three bilateral FTAs— with China, Korea, and the United Arab Emirates—and is in the process of negotiating others. CAPRED will assist the government to work with the private sector to translate these trade agreements into increased exports and investment. CAPRED and DFAT will support the development of an FTA portal and other measures to enhance the reliability and predictability of Cambodian exporters. GEDSI activities will be built into all interventions to ensure marginalised groups enjoy the benefits of all FTAs on an equal footing.

Cambodia's exports need to be actively and practically promoted. CAPRED will work directly with private sector partners to ensure that its support for trade policy is grounded in economic reality. A rapid analysis of new agricultural export opportunities under FTAs will be conducted. CAPRED will deepen support to firms along the value chain, such as helping with export and branding strategies and identifying (and potentially co-investing in) priority investments.

CAPRED will support selected exporters to meet international standards, including organic, Good Manufacturing Practices (GMPs), Hazard Analysis Critical Control Point (HACCP), as well as those required by the International Organization for Standardization (ISO), etc. The program will support the Cambodia Rice Federation (CRF) to promote high quality rice brands in international markets.

CAPRED will also work with exporters/Business Member Organisations (for example, the

Cambodia Cashew Nut Federation [CCNF]) to conduct demand-side analysis of potential export markets and develop export and branding strategies. CAPRED will develop a pipeline of local SMEs to enhance export readiness through co-investment (partnership) modalities. Women-led business will be prioritised for support.

Upgrading Quality Infrastructure (QI) services is a key to unlocking trade opportunities.

To increase its exports, Cambodia must produce safe products that comply with market requirements. Even with FTAs in place, Cambodia still faces Non-Tariff Barriers (NTBs) such as Sanitary and Phytosanitary standards, and compliance with end-market certifications, regulations, and procedures. Emerging NTBs related to climate change also threaten Cambodia's market access, with increasingly stringent rules on supply chain carbon footprint, bans on certain agri-chemicals, etc. These barriers are especially onerous because of gaps in Cambodia's QI system, including low capacity and overlapping RGC mandates.

CAPRED will support the development of a National QI policy and will strengthen QI systems in the agriculture/food export sector. The program will develop the capacity of public and private bodies (laboratories, etc.) that implement standards, accreditation, metrology, and conformity assessment (testing, inspection, and certification). The focus will be on understanding constraints from the perspective of the private sector and then advocating for more streamlining and reduced costs. It will seek opportunities to promote private sector participation in the QI services sector.

6.1.2 INVESTMENT

Cambodia's growth has been heavily reliant on FDI, particularly from China, clustered in a narrow band of sectors. For example, the construction sector has been a major driver of growth, but with China's property giants facing trouble at home, Cambodia's 20-year construction boom is running out of steam.

Located in the heart of ASEAN, Cambodia is still a frontier market that is smaller and less liquid than those of neighbouring countries. Venture capital and private equity report the lack of an investible pipeline, few examples of well executed investments, and limited local expertise to assist with project sourcing and due diligence. This disincentivises investment, particularly when it is coupled with a paucity of supporting infrastructure (logistics, cold chain, etc.) and the slow pace of legislative and regulatory reform. With the era of free money at an end, investment capital is becoming scarcer, and Cambodia must find ways to tap into remaining investment streams, such as green finance.

As is the case with trade, the challenges to mobilising investment are economy wide, and CAPRED needs to be selective. As such, CAPRED will focus on supporting national-level policy so that there is an adequate legal and regulatory framework in place, and on working to ensure that these changes are supported by the requisite capacity. Other investments will be more selective and linked to CAPRED's main work areas (agriculture, energy, climate change, etc.). For example, the Cambodian Climate Change Financing Framework will target investments in agriculture, agro-processing, energy efficiency and water, among other areas.

The 2021 Investment Law recently began implementation with the completion of its supporting sub-decree in June 2023. The Investment Law offers a variety of incentives such as income tax and customs duties exemptions. The Law allows investors to apply for Quality Incentive Project eligibility to the Council for the Development of Cambodia (CDC) if the investment value exceeds USD5 million, while offering a 150% tax write-off for investments in human resource development, upgrading industrial facilities, and improved welfare for women and men workers (for example, worker accommodation, food courts, day-care facilities, and

other welfare enhancing measures).⁸² The Law will significantly engage women, people with disability and marginalised groups in trade and investment. As of yet, the Law does not have the required systems and processes to become operational. CAPRED will provide technical support to develop an implementation roadmap, offering niche capacity development in areas such as developing market intelligence, supporting trade negotiation, responding to trade policy reviews, and raising awareness of the economic and social benefits of an enlightened GEDSI approach to trade and investment.

CAPRED will leverage its engagement with the Cambodian Chamber of Commerce, using the Government-Private Sector Forum (G-PSF) as a platform for discussion and consultation on issues related to investment. Where opportunities arise, the program will support integration of investment promotion in Cambodia's diplomatic network.

Despite its potential, FDI in the food sector has been very low. In 2022, approved FDI

projects in Agriculture and Food Processing comprised only 5.1% of all projects, compared with 22.8% in garments and 68.6% in the non-garment industry (ADB 2023). Building on prior work, CAPRED will continue to support the Agri-food Investment Desk (AFID) team to develop proactive investment strategies and investor targeting approaches. CAPRED will organise periodic Food Innovation Summits. Targeted capacity building will be offered in areas such as strengthening information gathering and data collection relating to agriculture, with a specific focus on building the evidence base/business case for GEDSI in agro-processing, trade and investment. The program will help to facilitate better collaboration among the cross-ministry teams that form the AFID taskforce and steering committee.

To attract FDI, local enterprises require strengthening to become viable as potential investment partners. One of CAPRED's main strengths is that it uses live investments in the

private sector as a platform for dialogue with the government. It is critical that the program's work at the policy and inter-ministerial level is informed and underpinned by practical engagement with the private sector.

CAPRED will build a pipeline of local SMEs to upgrade their investment readiness through co-investment (partnership) modalities. Key areas of focus will be strengthening corporate governance and financial compliance, and working with AFID to match firms with potential investors and investment funds.

CAPRED will also support the investment readiness of enterprises through training, technical



⁸² CDC. 2022. *Law on Investment*. <https://cdc.gov.kh/wp-content/uploads/2022/04/20220114-Law-on-Investment-English-Version-443pm.pdf>

assistance and working through, and with, the ADB Frontier Facility, development donors and other impact investors and associations. CAPRED will explore opportunities to work with the Australian Chamber of Commerce to have frequent dialogues with the CDC to improve the investment climate for Australian investors.

6.1.3 ENTERPRISE DEVELOPMENT

Business formalisation

Nearly 90% of Cambodian enterprises are MSMEs. While they generate 70% of all employment, only 5% of the estimated total of 500,000 MSMEs are formally registered. The process for registration is costly and complex and once businesses are registered, they face ongoing fees and licensing requirements. Thus, the bureaucratic process and opportunities for graft is a strong disincentive for formalisation, and it does not make sense for many MSMEs to register.

The lack of formalisation, however, can affect business development and expansion by limiting access to business loans, import and export licences, or establishing a brand. In attempting to increase formalisation, CAPRED will take a very cautious approach to avoid causing harm, since the majority of businesses do not value registration. (They typically see it as a cost, with little benefit.) Therefore, CAPRED will first fully understand the reasons, obstacles, and policy options in possibly supporting business formalisation. Depending on the results of this analysis, CAPRED may possibly: (i) identify different registration processes for different types of enterprises (with a strong focus on gender disparities); and (ii) investigate the use of targeted information campaigns to raise awareness among different enterprises.

Related to this, the RGC is interested in developing a streamlined, contactless online registration process. CAPRED may support this initiative in the future, should it be shown to be feasible and beneficial. For those businesses that do value formalisation, this system will make it faster and simpler and will reduce opportunities for exploitation (particularly for women-led businesses).

GEDSI-transformative enterprise development (GTED)

Over time CAPRED will more fully develop its strategy to support MSMEs. Given its broad scope, CAPRED will first focus its MSMEs support on GEDSI-transformative enterprises. Section 3.2.2 (page 52) highlights the situation women face in undertaking informal work. To highlight a few aspects: while women own the majority (61%) of MSMEs in Cambodia, only about a quarter of all formally registered businesses are women-owned; women comprise 85% of the informal workforce; the wage gap between women and men for equivalent work, which cannot be explained by other factors and that is, therefore, likely to be attributable to gender discrimination, is 19%.

The private sector offers many entry points to facilitate greater equity and inclusion. A 2019 IFC study reports that 61% of businesses in Cambodia are owned by women, that their businesses make a profit, but that women face particular constraints as entrepreneurs and as women in growing their businesses.⁸³ Challenges include: limited financial literacy; barriers to digitalisation; barriers to accessing business financing; limited professional networks; hesitation to formalise their businesses; limited access to mentoring and skill development; challenges in utilising opportunities for mentoring, attending events or upgrading skills due

to the need to juggle business and family obligations; and issues in business processes and management related to cultural roles and norms.⁸⁴ CAPRED interventions will have a strong focus on improving access to finance for GEDSI-transformative enterprises, with different financial products developed for different sizes and types of enterprises.

A basic CAPRED premise is that supporting inclusion in private sector workplaces is good for business. GEDSI investments will result in a more capable workforce; will increase productivity; and will lead to increased employment and profits. Since GEDSI investments pay for themselves, CAPRED's approach will be to provide evidence of this profitability and to initially reduce risk in such investments.

6.2 How CAPRED will work

In this work area, CAPRED will adopt the following key methods and approaches.

- **Integrate GEDSI:** CAPRED will mainstream GEDSI into trade and investment policies using integrated and targeted approaches. CAPRED's approach will develop the evidence base and business case for enhancing GEDSI in agro-processing, trade, and investment. GEDSI targeted interventions will be informed by analysis that identifies specific barriers to participation for marginalised groups. CAPRED will also integrate GEDSI principles into all research, capacity building and other support for the RGC and agro-exporting firms. The objective is to promote a better GEDSI enabling environment so that marginalised groups can meaningfully participate in trade and investment. CAPRED will strongly encourage the RGC to meet its commitments to the GEDSI principles laid out in existing international and regional trade agreements. It will encourage the inclusion of women and marginalised groups in trade dialogue, and work with the CDC to increase the focus on GEDSI in the implementation of the new Law on Investment and other related policies and strategies. CAPRED will carry out a desk review of existing data on disability participation in export value chains to assist in evidence-based inclusive policy-making. CAPRED will also advocate for meaningful consultation with disability advocacy groups.
- **Be Climate-Informed:** In the area of LDC graduation and the leveraging of FTAs, CAPRED will identify and pursue inclusive climate change themes of international agreements and policy. This will not only facilitate Cambodia's graduation aspirations, but it will also ensure that international best practice is adopted, benefiting Cambodian industry and citizenry. These best practices will also be implemented in investment promotion, and incorporated into assessment, analysis, and capacity building. For example, CAPRED will ensure that AFID is well-informed about international climate commitments and best practice, and include relevant data and market intelligence in proposals, briefs, advisory services and so on.

⁸³ IFC, 2019. Exploring the opportunities for women-owned SMEs in Cambodia.

⁸⁴ KAS et al., 2020. The Path to Success: How Women-owned Businesses Transform in the Era of Digitalisation. Case Studies from Indonesia, Cambodia, Malaysia, and Myanmar, KAS Publishing, Berlin.

- **Learn and collect market intelligence:** CAPRED will continue its work with private sector partners in trade and investment. Years of experience suggest that policy dialogue is more effective when it is underpinned by real, on-the-ground investments. It will pilot novel



approaches and, where possible, take these to scale. CAPRED will establish itself as a preeminent source of unique data and information from the industry. It will use this data in creative ways to keep policy-makers abreast of recent developments. This is especially important in trade and investment where policy-makers are often too far removed from, and unaware of, the underlying constraints faced by the private sector.

- **Provide additionality (complementarity) and collaborate with strategic partners:** CAPRED will coordinate closely with a wide range of existing programs that promote trade and investment. The EU-funded (GIZ implemented) ASEAN Regional Integration Support (ARISE Plus Cambodia) program works to strengthen trade integration between ASEAN States and to help Cambodia to meet Cambodian WTO commitments. GIZ implements a climate-focused agricultural markets program. USAID's Harvest III works closely on agricultural trade promotion (exports). Khmer Enterprise have an Export Market Development Grant and CAPRED will, where possible, support this initiative with a pipeline

of investments and potential partners. Finally, ADB has the Frontiers Fund, which CAPRED will be working, and potentially capitalising, on over the coming years.

6.3 Trade, investment and enterprise development interventions

The following pages depict CAPRED's strategic trade, investment, and enterprise development interventions (in a simple hierarchical structure) together with their visions of transformation and related pathways to RISE (resilient, inclusive and sustainable economic growth). Following this, detailed tables describe the general content of each intervention.



COMPANY PROFILE

HANDCRAFTED
CASHEW NUTS
STUNG TRENG

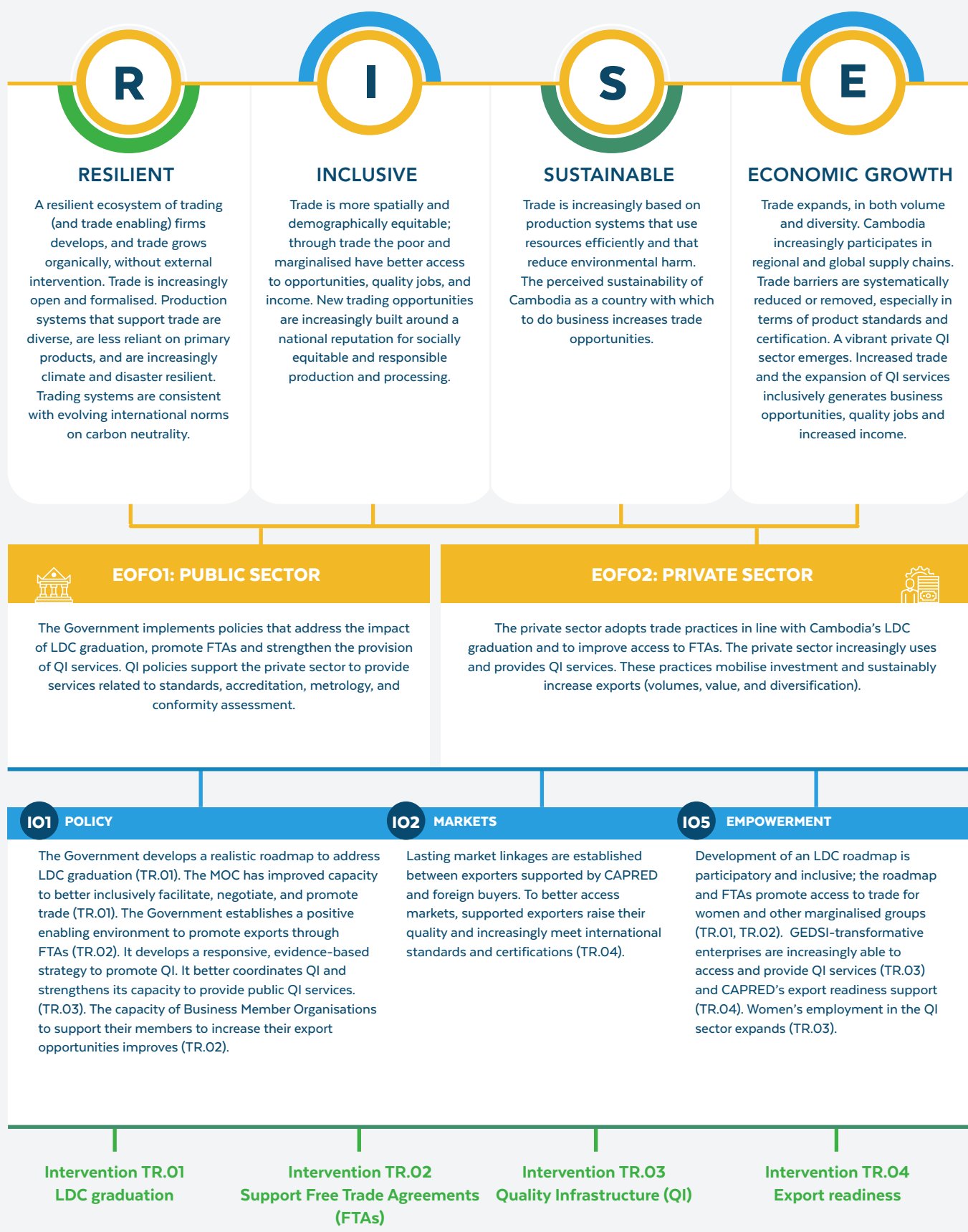
SAKATA

Austrian
Aid
Cambodia Australia
Partnership
Cooperation
CAP-D





TABLE 23 TRADE PORTFOLIO - PATHWAY TO RISE



Note: FTA = free trade agreement; GEDSI = gender equality, disability and social inclusion; LDC = least developed country; MOC = Ministry of Commerce; QI = quality infrastructure

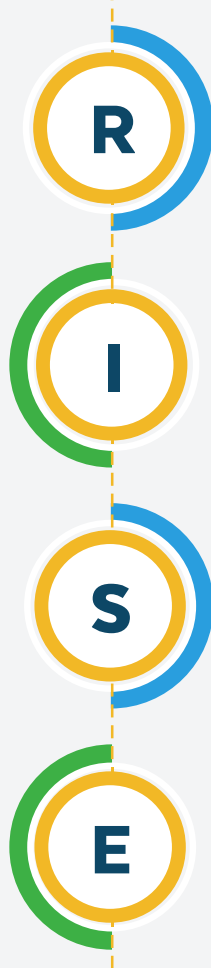
VISION OF TRANSFORMATION



Expanding trade opportunities

With CAPRED support, the value of Cambodia's exports continues to grow. By taking advantage of regional and bilateral trade agreements, exports become more diversified so that, by 2031, the share of garments, footwear, rice, cassava, and tourism are reduced from their current value of 80%. Trade with ASEAN increases significantly. Non-tariff barriers are overcome through improved standards, accreditation, metrology, and conformity assessment (testing, inspection, and certification). QI services are expanded, credible, and are provided on a sustainable, market-oriented basis. The opportunities and benefits of trade are more equitably distributed; growth in trade does not cause negative environmental impact.

RISE



RESILIENT

A resilient ecosystem of trading (and trade enabling) firms develops, and trade grows organically, without external intervention. Trade in goods and services becomes increasingly open and formalised. Production systems that support trade are diverse, are less reliant on primary products, and are increasingly climate and disaster resilient. Trading systems are consistent with evolving international norms on carbon neutrality.

INCLUSIVE

Trade is more spatially and demographically equitable; through trade, the poor and marginalised have better access to opportunities, quality jobs, and income. New trading opportunities are increasingly built around a national reputation for socially equitable and responsible production and processing.

SUSTAINABLE

Trade is increasingly based on production systems that use resources efficiently and that reduce environmental harm. The perceived sustainability of Cambodia as a country with which to do business increases trade opportunities.

ECONOMIC GROWTH

Trade expands, in both volume and diversity. Cambodia increasingly participates in regional and global supply chains. Trade barriers are systematically reduced or removed, especially in terms of product standards and certification. A vibrant private QI sector emerges. Increased trade and the expansion of QI services inclusively generates business opportunities, quality jobs and increased incomes.

INTERVENTIONS FOR EXPANDING TRADE

TR.01 | SUPPORT PREPAREDNESS FOR LDC GRADUATION AND TRADE POLICY (SCOPING/ANALYSIS PHASE)

To address the loss of preferential trade access upon LDC graduation, CAPRED will support the government to develop a proactive, strategic response and roadmap (TR.01.01). This will apply for second-best tariff preference and will raise awareness among key stakeholders in sectors such as agriculture and manufacturing. CAPRED will also support the RGC to meet its multilateral trade commitments (TR.01.02), such as its 2025 Trade Policy Review for the World Trade Organization, and to develop its Trade Integration Strategy Update (2024-2028). The program will develop the capacity of the Ministry of Commerce to better facilitate trade, to develop trade in services, to implement digital trade, and to strengthen trade promotion, trade negotiation, trade dialogue, and the participation of women and marginalised groups.

CROSS-CUTTING LINKAGES

Agriculture comprises about 22% of Cambodia’s exports; CAPRED will ensure that all of its trade activities have an appropriate focus on agriculture. Changes in the structure and nature of trade are likely to impact women and the poor; all work supported by CAPRED will have the goal to expand access to trade for all marginalised groups. CAPRED will encourage the inclusion of women and marginalised groups in trade dialogue. Trade and climate finance will be linked (through CL.02).



INTERVENTIONS FOR EXPANDING TRADE

TR.02 | WORK WITH THE RGC TO LEVERAGE FREE TRADE AGREEMENTS (SCOPING/ANALYSIS/IMPLEMENTATION PHASE)

Cambodia is an active member of regional trade groups such as RCEP, the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) and other FTAs. CAPRED will assist the government to meet its trade commitments and to develop implementation roadmaps. CAPRED will support the RGC to enhance access to trade information for traders (for example, using the FTA portal: TR.02.01) and to improve the predictability of exports through platforms that promote self-certification (to meet ASEAN Trade in Goods and RCEP commitments). CAPRED will work with partner country administrations, and possibly establish a Rules of Origin verification platform in the Ministry of Commerce (TR.02.02).

CROSS-CUTTING LINKAGES

Agriculture comprises about 22% of Cambodia's exports; CAPRED will ensure that all of its trade activities have an appropriate focus on agriculture. Changes in the structure and nature of trade are likely to impact women and the poor; all work supported by CAPRED will have the goal to expand access to trade for all marginalised groups. CAPRED will encourage the inclusion of women and marginalised groups in trade dialogue. Trade and climate finance will be linked (through CL.02).



INTERVENTIONS FOR EXPANDING TRADE

TR.03 | SUPPORT THE STRENGTHENING OF QUALITY INFRASTRUCTURE (QI) SERVICES (SCOPING/ANALYSIS PHASE)

CAPRED will support the development of a National QI policy (TR.03.01) and will strengthen QI for all sectors of the economy. The initial focus will be on the agriculture and food export sectors. A key first step will be to fully understand constraints from the demand side (that is, what do businesses need most?) to streamline agricultural trade (TR.03.02). Based on this market perspective, the program will develop the capacity of public and private bodies (laboratories, etc.) that implement standards, accreditation, metrology, and conformity assessment (testing, inspection, and certification: TR.03.03). CAPRED will support the capacity development of key QI policy institutions (TR.03.04). It will help to clarify the roles of the Ministry of Industry, Science, Technology and Innovation (MISTI) versus the Ministry of Commerce (MOC). In carrying out these activities, CAPRED will work closely with United Nations Industrial Development Organization and explore opportunities for links with Standards Australia.

CROSS-CUTTING LINKAGES

QI work will be linked closely to the agriculture and agro-processing portfolio. Conformity assessment is especially important in terms of water quality (WA.01), agricultural inputs (AG.01), value chains (AG.03), the AIP (AP.01), and demand driven industry services (AP.04). CAPRED will pursue opportunities to expand employment of women and other marginalised groups in all QI bodies – for example, laboratories, metrology, etc.



INTERVENTIONS FOR EXPANDING TRADE

TR.04 | WORK WITH THE PRIVATE SECTOR TO PROMOTE EXPORTS (SCOPING/ANALYSIS/IMPLEMENTATION PHASE)

CAPRED will develop a pipeline of local SMEs to enhance export readiness, branding, and market intelligence through co-investment (partnership) modalities. Support packages will be developed on a case-by-case basis (TR.04.01). This may include capacity building or technical support to develop export strategies and to provide linkages between supply and demand side market actors (TR.04.02). GEDSI-transformative enterprises will be prioritised for support. CAPRED will also support exporters to raise quality and increasingly meet international standards and certifications (TR.04.03). In addition, the program will work with Business Member Organisations (the Cambodia Cashew Nut Federation [CCNF], the Cambodia Rice Federation [CRF], etc.) to better serve their members, to conduct demand side analysis of potential export markets, and to develop industry level branding strategies (TR.04.04).

CROSS-CUTTING LINKAGES

Export promotion will take into account both opportunities and required changes resulting from LDC graduation and free trade agreements (TR.01, TR.02); as with other CAPRED trade initiatives, there will be a strong focus on agriculture, agro-processing, ensuring inclusivity, and potentially accessing climate finance (CL.02).



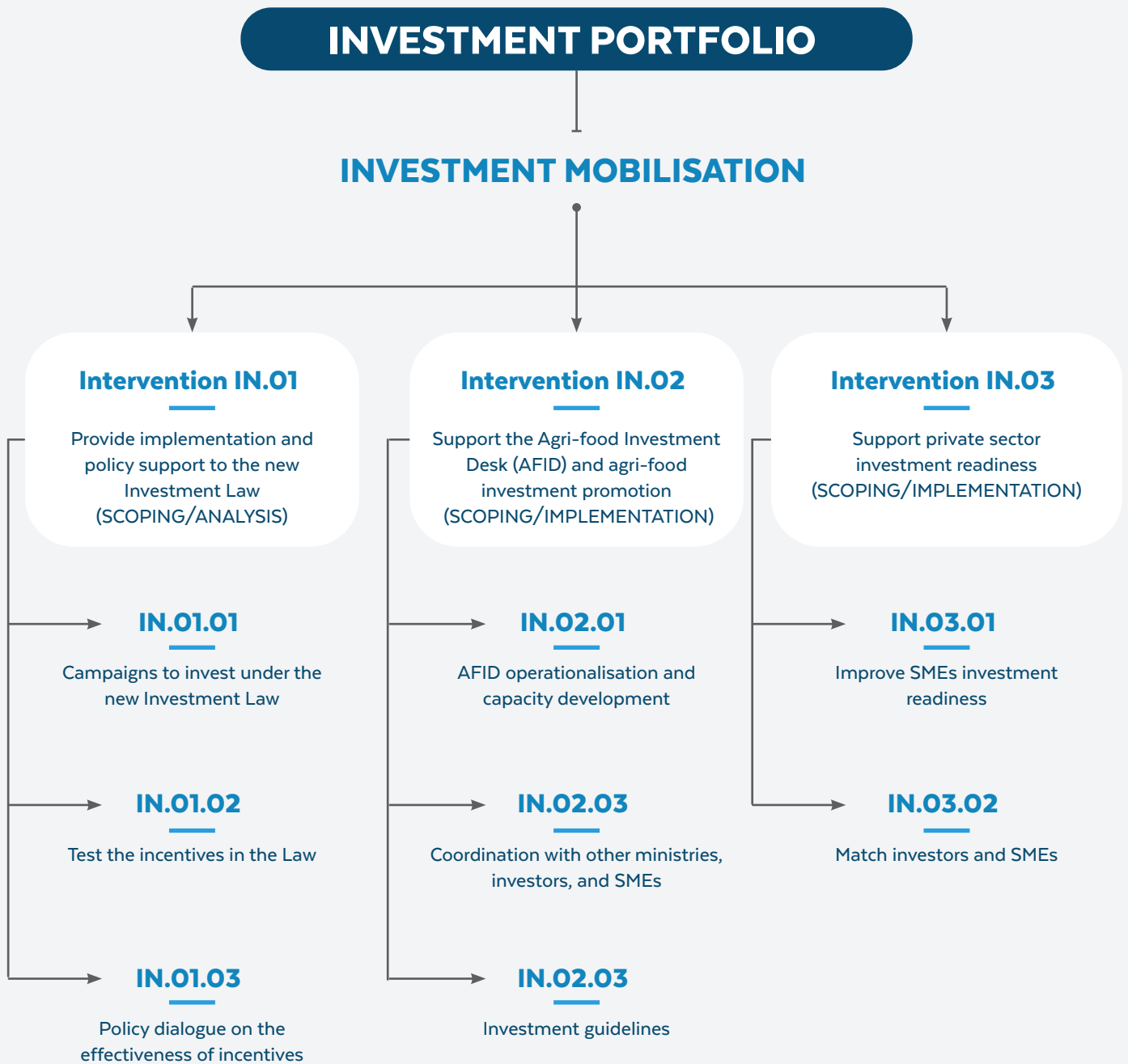
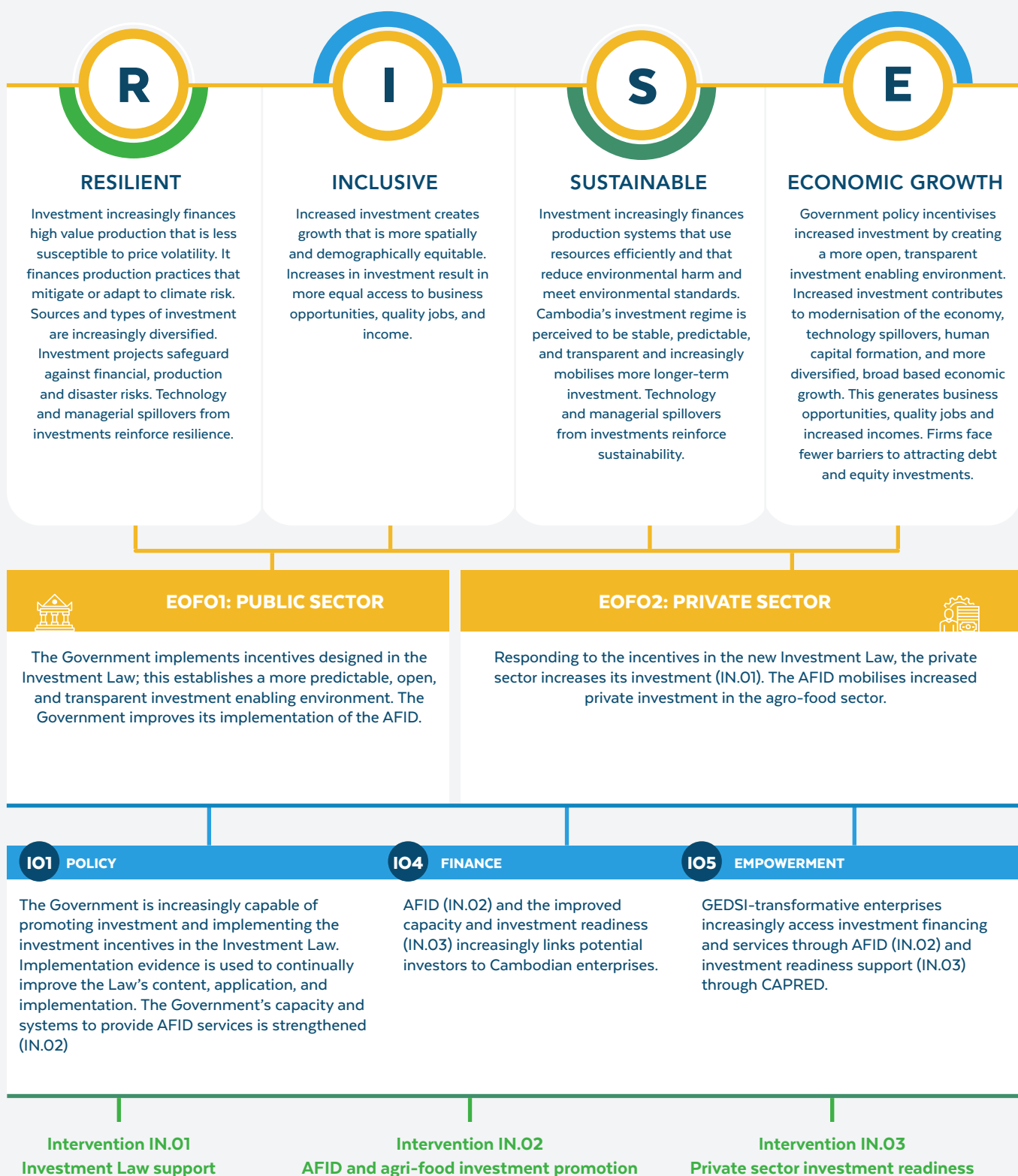


TABLE 26 INVESTMENT PORTFOLIO - PATHWAY TO RISE



Note: AFID = Agri-food Investment Desk; GEDSI = gender equality, disability and social inclusion

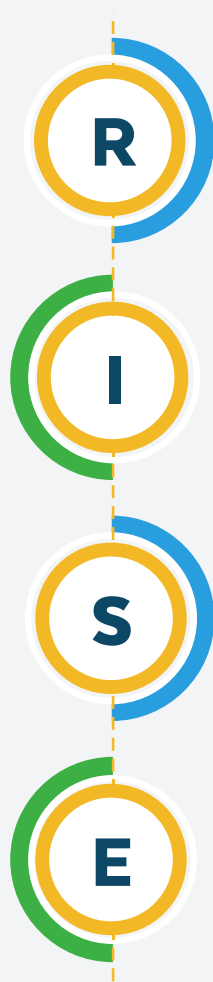
VISION OF TRANSFORMATION



Investment mobilisation

By implementing the 2021 Investment Law, Cambodia attracts quality, sustainable FDI investment. Additional FDI leads to the creation of new, quality jobs, many of which are held by women. Government policy incentivises foreign investment, with transparent and predictable investment promotion policies and processes, and adequate protections for international investors. FDI supports a more equitable spatial and demographic distribution of growth. Cambodia is increasingly recognised as a socially and environmentally sustainable investment destination.

RISE



RESILIENT

Investment increasingly finances high value production that is less susceptible to price volatility. Sources and types of investment are increasingly diversified resulting in strengthened financial systems. Investment projects safeguard against financial, production and disaster risks. Technology and managerial spill-overs from investments reinforce these changes.

INCLUSIVE

Increased investment creates growth that is more spatially and demographically equitable. Increases in investment result in more equal access to business opportunities, quality jobs, and income.

SUSTAINABLE

Investment increasingly finances production systems that use resources efficiently and that reduce environmental harm, mitigating and adapting to climate risk. Investment is prioritised toward firms that actively reduce waste, pollution, and energy consumption and that comply with high environmental standards. Cambodia's investment regime is perceived to be stable, predictable, and transparent and increasingly mobilises more longer-term investments. Technology and managerial spill-overs from investments reinforce these changes.

ECONOMIC GROWTH

Government policy incentivises increased investment by creating a more open, transparent investment-enabling environment. Increased investment contributes to modernisation of the economy, technology spill-overs, human capital formation, and more diversified, broad-based economic growth. This generates business opportunities, quality jobs and increased incomes. Firms face fewer barriers to attracting debt and equity investments.

INTERVENTIONS TO MOBILISE INVESTMENT

IN.01

PROVIDE IMPLEMENTATION AND POLICY SUPPORT FOR THE NEW INVESTMENT LAW (SCOPING/ANALYSIS PHASE)

CAPRED will support the design and implementation of investment campaigns, promotions, and investor-targeting to use the incentives in the new Investment Law. Promotion will include stronger engagement with the Chamber of Commerce, the integration of investment promotion in Cambodia's diplomatic network, and the mobilisation of Cambodia's diaspora to invest in key sectors in the economy (IN.01.01). With the Investment Law recently in place, CAPRED will work with several larger investors to test the application and approval process; working to push through a few investment projects will help to identify constraints and limitations that may inhibit the Law's ability to attract investment (IN.01.02). Based on these experiences, CAPRED will engage the government in practical ways to reform or improve the Law, its application and implementation.

CROSS-CUTTING LINKAGES

Investments in agriculture and agro processing will be prioritised. Promotions supported by CAPRED will aim to attract investment in GEDSI-transformative enterprises. All investments will be screened for their climate impact. Where possible, investment promotion will be linked with climate and agricultural finance (CL.02, AG.04).



INTERVENTIONS TO MOBILISE INVESTMENT

IN.02 | SUPPORT AFID AND AGRI-FOOD INVESTMENT PROMOTION (SCOPING/IMPLEMENTATION PHASE)

CAPRED will support the Agri-food Investment Desk (AFID)—an inter-ministerial platform to promote and facilitate investment in the agri-food sector, under the CDC—to become fully operational, providing investment information, and promoting and facilitating agri-food investment linkages to Cambodian SMEs (IN.02.01). Targeted capacity building will be offered to improve information management. It will also work towards improving collaboration between the ministry teams that form the AFID taskforce and steering committee (IN.02.02). In addition, CAPRED will support the development of DFAT/CDC investment guidelines (IN.02.03).

CROSS-CUTTING LINKAGES

Work with AFID will tie into the AIP (AP.01) and the Food Innovation Summit (AP.04). Capacity development will reinforce the evidence and business case for GEDSI in agro-processing, trade, and investment.



INTERVENTIONS TO MOBILISE INVESTMENT

IN.03

SUPPORT PRIVATE SECTOR INVESTMENT READINESS (SCOPING/IMPLEMENTATION PHASE)

Through interventions such as the AIP and other agro-processing work, CAPRED will partner with businesses that have ambitions to attract growth capital (investment). CAPRED will build a pipeline of local SMEs to upgrade their investment readiness through co-investment (partnership) modalities. Training and technical assistance is expected to focus on strengthening business governance and financial compliance (IN.03.01). CAPRED will match SMEs to investor funds, through AFID, ADB Frontier Facility, development partners, investors, associations, and the Australian Chamber of Commerce (IN.03.02).

CROSS-CUTTING LINKAGES

Investment readiness will be integrated within CAPRED's work with AFID and through much of the CAPRED agricultural production and agro-processing portfolio. Investments in GEDSI-transformative enterprises will be promoted; investment proposals supported by CAPRED will undergo rigorous environmental assessment.



ENTERPRISE DEVELOPMENT PORTFOLIO

BUSINESS FORMALISATION

Intervention ED.01

Promote business formalisation (SCOPING)

ED.01.01

Analysis of constraints, costs and benefits to business formalisation

ED.01.02

Policy dialogue on formalisation

ED.01.03

Business formalisation processes and systems, including on-line registration if feasible

PROMOTE GTED (GEDSI-TRANSFORMATIVE ENTERPRISE DEVELOPMENT)

Intervention ED.02

Build the private sector business case for GEDSI investments (ANALYSIS/SCOPING)

ED.02.01

Identify GEDSI investments that are profitable

ED.02.02

Finance, support the implementation of, and evaluate GEDSI investments

Intervention ED.03

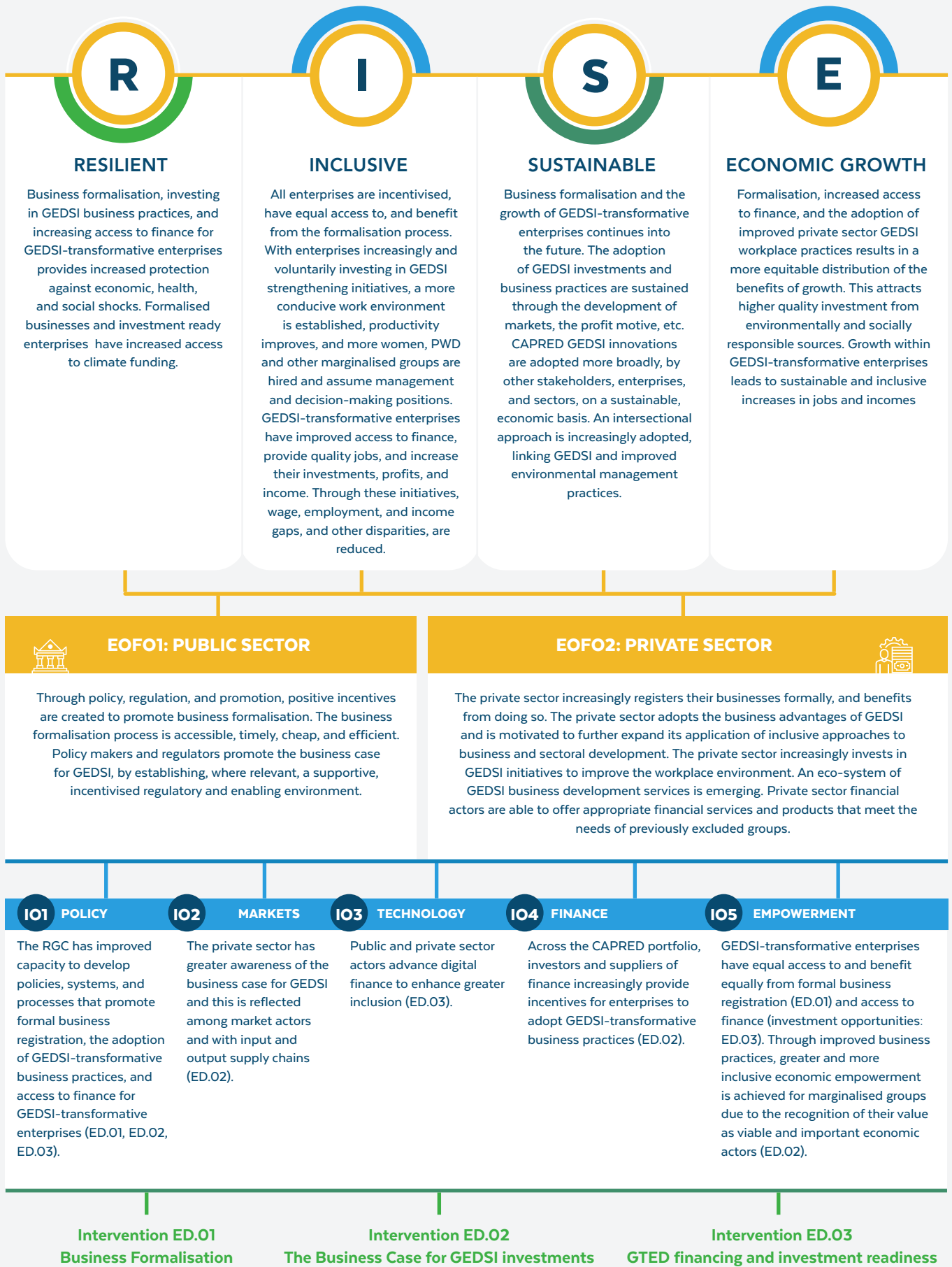
Support GTED finance and investment readiness (IMPLEMENTATION)

ED.03.01

GEDSI Lens Investment/CNai Business Accelerator program

ED.03.02

Finance for micro/small enterprises



Note: GEDSI = gender equality, disability and social inclusion; PWD = people with disability; RGC = Royal Government of Cambodia

VISION OF TRANSFORMATION



Business formalisation

Cambodia significantly increases the proportion of enterprises that are formally registered, greatly exceeding its current rate of 30%. Businesses increasingly register because they benefit by doing so. Female- and male-owned businesses show similar rates of registration. A significant proportion of all registration is conducted digitally (including digital payment) and is completed very rapidly, leading to increased cost saving, access, and convenience.

RISE



INTERVENTIONS TO PROMOTE BUSINESS FORMALISATION

ED.01 | PROMOTE BUSINESS FORMALISATION (SCOPING/IMPLEMENTATION PHASE)

.....

CAPRED will support analysis to identify constraints to business formalisation, focusing on the incentives, costs and benefits to registration and clearly identifying gender and other disparities in the registration process (ED.01.01). Obstacles to formalisation will be addressed through policy dialogue with the government, with significant participation from the private sector. This is expected to lead to an improved regulatory framework (ED.01.02). If feasible, and if potential systems can be shown to create no harm, CAPRED will support the government to upgrade and promote electronic, online business registration systems (see <https://registrationservices.gov.kh/>: ED.01.03).

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CROSS-CUTTING LINKAGES

A key policy issue will be to investigate whether or not women entrepreneurs are less likely to formally register their businesses than men, and if so why. CAPRED will promote inclusive policy dialogue, ensuring women's voice and participation concerning formalisation.



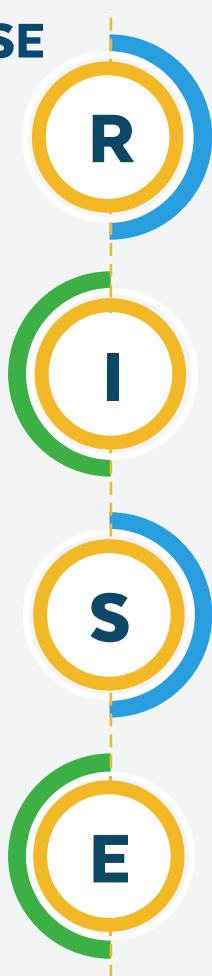
VISION OF TRANSFORMATION



Promote GEDSI-transformative enterprise development

A strong evidence-base for what works in strengthening and promoting GEDSI-transformative enterprises is established. Enterprises are increasingly convinced—i.e., the business case is made for workplace improvements—to voluntarily adopt and invest in these approaches, because they are shown to be profitable. The foundations of a sustainable, fee-based ecosystem of GEDSI support is established. GEDSI-transformative enterprises have improved access to finance, leading to increased investment and improved access to markets. A multi-dimensional GEDSI-transformative enterprise development (GTED) lens is applied to all CAPRED activities, helping businesses to grow (increasing jobs and income) while delivering benefits to women, PWD and other marginalised populations through their upstream and downstream business linkages. CAPRED innovations are sustainably adopted more widely in other sectors and by other stakeholders and service providers.

RISE



RESILIENT

Taking a GEDSI-transformative enterprise approach (investing in GEDSI) results in business growth and more resilience in the face of economic, social and climate shocks. CAPRED GEDSI innovations are adopted more broadly, by other stakeholders, enterprises, and sectors, on a sustainable, economic basis.

INCLUSIVE

With enterprises increasingly and voluntarily investing in GEDSI strengthening initiatives, a more conducive work environment is established, while productivity improves. More women, people with disabilities, and other traditionally other marginalized groups grow businesses, or are hired and assume management and decision-making positions. Products increasingly meet the needs of a wide range of customers. GEDSI-transformative enterprises have inclusively improved access to finance, provided quality jobs, and increased their investments, profits, and income. Through these initiatives, wage, employment, and income gaps, as well as other disparities, are reduced.

SUSTAINABLE

GEDSI-transformative enterprises have increased access to finance, including climate funding; these investments translate into more efficient energy usage and increased climate change adaptation and mitigation.

ECONOMIC GROWTH

Increased access to finance, and the adoption of improved private sector workplace and GEDSI business practices, result in a more equitable distribution of the benefits of growth. This attracts higher quality investment from environmentally and socially responsible sources. Growth within GEDSI-transformative enterprises leads to sustainable and inclusive increases in jobs and incomes.

INTERVENTIONS TO PROMOTE GEDSI-TRANSFORMATIVE ENTERPRISE DEVELOPMENT

ED.02 | BUILD THE PRIVATE SECTOR BUSINESS CASE FOR GEDSI INVESTMENTS (ANALYSIS/SCOPING PHASE)

.....

CAPRED's objective is to create understanding and to motivate private sector partners to voluntarily adopt GEDSI practices that promote women as employees and entrepreneurs. Businesses are expected to adopt these processes because they are profitable, and it makes sound business sense to do so. CAPRED's approach will be to work with a small, select number of businesses, through contacts across its portfolio, initially focusing on its partner agro-processing SMEs. By undertaking action-oriented research and providing convincing evidence, the program will facilitate these businesses to identify profitable, inclusive GEDSI-related investments that will grow their enterprises (GE.02.01). These initiatives will be supported using GEDSI tools developed by CAPRED; these tools will assist in the selection of businesses with significant GTED potential. Following this screening, further analysis will be conducted to develop a feasible set of profitable GEDSI-related investments. Based on this feasibility, CAPRED will support implementation, including the provision of grants and subsidies to de-risk the activity (GE.02.02). Results of this piloting will inform application of the approach more broadly across the portfolio, and CAPRED will explore the development of broader market solutions to sustain these investments, so that interventions do not need to be continually subsidised.

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CROSS-CUTTING LINKAGES

GEDSI investments will be promoted across the CAPRED portfolio, at any level of businesses in agriculture, agro-processing, trade and infrastructure. GTED processes will be customised from the pilot work of Gender Lens Investment under the CNai Accelerator Program and through the work with civil society and other private partners (ED.03). Climate change will be integrated as part of all initiatives. Public policies increasingly support and incentivise sound, inclusive workplace and GEDSI-transformative business practices (GE.02).

INTERVENTIONS TO PROMOTE GEDSI-TRANSFORMATIVE ENTERPRISE DEVELOPMENT

ED.03 | SUPPORT GTED FINANCE AND INVESTMENT READINESS (IMPLEMENTATION)

CAPRED will provide business development services to small but growing businesses that are owned, or led, by women, PWD and other marginalised groups. Knowledge and capacity will be developed as a necessary pre-condition for improved business operation. This will increase investment readiness, enabling these enterprises to grow and ultimately absorb and profit from increased access to finance. In partnership with four development partners (the Sasakawa Peace Foundation, ADB Frontier, Harvest III and Khmer Enterprise), CAPRED will support the implementation of the CNai Accelerator Program by Emerging Market Entrepreneurs and their local partners (ED.03.01). With this groundwork in place, the program will provide Gender Lens Investing services. CAPRED will work closely with Pact to identify the vulnerable groups of women in the informal sector (e.g., a group of informal businesses of women identified by MOWA) to ensure that the program will work with women entrepreneurs to address their constraints at all levels of businesses.

CROSS-CUTTING LINKAGES

Access to finance is key to microenterprises and growing businesses, having an impact on women, youth, disabled and other marginalised entrepreneurs, across all of CAPRED's domains.





Fresh Australian Produce

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7

Infrastructure Development

7.1 Current situation

The development of public infrastructure—including transport, energy, water, logistics, telecommunications, and sanitation—plays a crucial role in stimulating sustainable, resilient, and inclusive economic growth. To continue current levels of growth, Cambodia is estimated to require infrastructure investments of USD28-30 billion between 2016 and 2040.⁸⁵ To bridge this financing gap, the government aims to increasingly attract private sector investment. Although the regulatory framework (2021 *Law on Investment* and the 2021 *Law on Public Private Partnership*) is strong, Cambodia still has the lowest level of private infrastructure investment in the Mekong region.⁸⁶ Private sector investment is likely to increase in importance as Cambodia loses its LDC status, and the associated access to concessional lending. Currently, some 57% of infrastructure investments are externally financed, with 13% provided by the Japan International Cooperation Agency (JICA), 10% provided by ADB, and 9% provided by China’s Exim Bank.⁸⁷ The large infrastructure deficit masks the need for

quality investment in climate resilient infrastructure that will require higher upfront investment costs, although, over the life cycle of the asset, this presents lower maintenance costs.

Infrastructure sectors tend to be male dominated in Cambodia. For example, the energy sector has a technical workforce made up mainly of male engineers, with a small percentage of women primarily in finance, administration, and human resource roles. In 2021, only 21.5% of staff in decision-making roles were women,⁸⁸ while men also dominate in corresponding government roles.⁸⁹ Investments in renewable energy tend to be made by male-owned investment firms focused on hydropower. Investments in sectors associated with women’s energy needs – biomass and solar power – remain small-scale, led by NGOs, and funded by small capital streams.⁹⁰ However, good examples of gender mainstreaming in energy projects exist across South-East Asia from which CAPRED can draw lessons for working with partners.

With many competing interests and stakeholders, CAPRED will build upon its existing knowledge and

expertise. Initially, **CAPRED will focus on strengthening the private sector’s role in the provision of piped water, variable renewable energy and promoting the energy efficiency**



⁸⁵ Estimates vary. The gap of USD28 billion is estimated by the Global Infrastructure Hub (GIH). The Mini Comprehensive Intermodal Transport Master Plan 2022-2030 (CIT-MP) puts the estimate at USD30 billion. Based on 2019 data, the GIH estimates the infrastructure gap to be to 3.3% of GDP per year, about twice the average level of lower income countries. GIH data is available at <https://www.gihub.org/countries/cambodia/>

⁸⁶ World Bank PPI Database: accessed 5 December 2022. Cambodia’s PPP investments are lowest both in total and by per capita basis.

⁸⁷ Price Waterhouse Coopers, October 2022. “Cambodia’s Infrastructure Market Update and Outlook”.

⁸⁸ <https://www.adb.org/sites/default/files/project-documents/54430/54430-001-gap-en.pdf>

⁸⁹ USAID, 2020. Overview of gender and energy in Southeast Asia.

⁹⁰ USAID, 2020. Ibid.

investment ecosystem. Over time, and as opportunities evolve, work may evolve into other infrastructure sectors, and the program will explore the feasibility of branching out into the broader infrastructure financing domain, such as promoting deal flow, support public-private partnerships (PPPs) preparation and deal structuring, and supporting the RGC to issue green infrastructure bonds. ADB, World Bank and JICA are very active investors in infrastructure, and it will be essential for CAPRED to coordinate and collaborate closely. CAPRED can also leverage DFAT programs such as P4i, Mekong Water Solutions, and EnergyLab, among others.

The following sections provide more background on the two target sectors – water and energy – and discuss challenges and opportunities.

7.1.1 PIPED TREATED WATER

Piped treated water is the gold standard for sustainable access to clean water. However, in Cambodia, while urban coverage exceeds 70%, only 47% of the rural population benefits from piped water coverage. It is estimated that an investment of at least USD264 million is needed to cover the remaining villages.⁹¹ Such immediate in-home access is especially beneficial for women, the poor and those with disabilities (with significant implications for improved workloads and household well-being).

Investing in Infrastructure (3i), a program absorbed into CAPRED, implemented 80 viability gap financing (VGF) investments for water projects. VGF mobilised private sector investments of approximately USD16 million (or 55% of total investment costs) and, cumulatively, these investments provided water for 253,012 households. Additional subsidies to connect government-identified ID poor⁹² households ensured a more inclusive allocation of resources. Without VGF and the participation of the private sector, it is highly unlikely these 253,012 households would now have access to clean, affordable piped water. VGF impact studies show: that households increased their consumption of water once piped water was supplied; and that the monthly average consumption per household increased from 5 cubic meters to 12 cubic meters after the connection of piped clean water. Despite the success of VGF, many challenges remain, which include:

- **Policy advocacy:** Despite the strong evidence generated by 3i, there is a view among some policy-makers that private sector provision of a ‘public good’ is undesirable. While most RGC counterparts have come to realise the benefit of private sector investment, and the role of VGF to incentivise private investment, the case for private sector participation will need to continue to be powerfully made and strategically promoted.
- **Sector financing:** There is currently no mechanism to continue to provide VGF financing for the 53% of rural households that remain without piped water. Without VGF financing, these water systems are financially unviable, and the private sector will not invest. To address this, CAPRED has been actively supporting the establishment of a Water Development Fund (WDF) that will allow the blending of donor, private, and public resources, enabling the RGC to take a more coordinated and sustainable approach to financing a piped, clean water supply over the coming decade.
- **Sector fragmentation:** With close to 500 private water operators (PWOs) across the country, many of whom are providing a sub-optimal service (note that no 3i-supported water systems are among the underperformers), the RGC needs to strengthen its

⁹¹ MISTI and 3i. 2020. Provincial Investment Plan for Piped Water Supply in Cambodia.

⁹² A government system that identifies poor and vulnerable households, which provides access to a range of free or subsidised government services.

regulatory, oversight and monitoring capacity. Many rural water systems are very small (in VGF areas, serving on average about 3,200 households). This fragmentation results in high operational costs and increases the risk of financial failure or prolonged service outages. It has a disproportionate impact on poor and female-headed households and persons with disabilities, whose options for alternative supply are severely constrained. CAPRED will: (i) work with the RGC to build their regulatory, monitoring and enforcement capacity to make sure that the private sector delivers what it is being paid for; (ii) test new business models (using a VGF modality) such as ‘bundling’ small, geographically adjacent water systems to improve economies of scale, reliability and efficiency; and (iii) provide technical support to companies aiming to grow their water portfolio, with larger more efficient companies buying out smaller more financially precarious operations.

- **Sector resilience:** Many of Cambodia’s water systems are vulnerable to climate change. Prolonged drought can exhaust reservoirs, while floods can destroy infrastructure and contaminate water sources. CAPRED will work to better understand the vulnerability of the country’s systems, promote modern technology that can increase efficiency (e.g., advanced leak detection technology) while testing ‘bulk water’ business models (using the VGF modality) to enhance water security. This will offer opportunities for policy dialogue on strengthening water resource management more broadly.

7.1.2 VARIABLE RENEWABLE ENERGY (VRE)

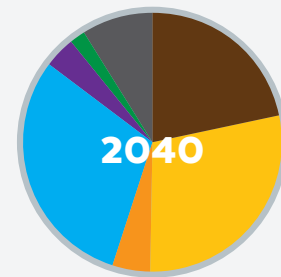
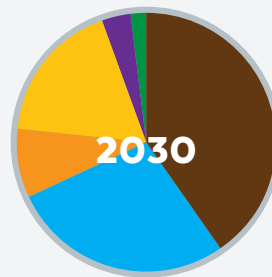
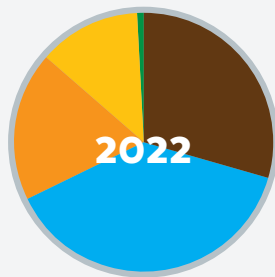
Variable renewable energy (VRE) sources produce energy intermittently instead of on demand. VRE includes wind, solar, tidal, and hydroelectric power. As a source of power, VRE is cleaner and cheaper than fossil fuels. Seen as the energy of the future in Cambodia, the VRE sector is very crowded, with major investors and development partners jockeying for position. But the government’s VRE policies discourage investment and few development partners or investors have gained much traction, despite intensive lobbying, especially around rooftop solar. As a result, VRE currently comprises only 12.6% of Cambodia’s energy mix in terms of installed capacity—all of which (436.8 MW) is provided by photovoltaic (PV) solar. In 2019, Cambodia completed a highly successful solar power auction to provide 60 MW of solar PV capacity; 26 bidders participated with the winning (lowest) bid reaching 3.877 cents per kWh. Furthermore, prices of solar and wind generation now tend to be less than even the cheapest coal projects.⁹³

⁹³ Mercom India. (2023, May 25). Renewable power cheaper than fossil fuel in India, China, Australia: Report. Retrieved 25 May 2023, from <https://www.mercomindia.com/renewable-power-cheaper-fossil-fuel-report>

TABLE 32

TARGETED ENERGY PRODUCTION INSTALLED CAPACITY IN ELECTRICITY GENERATION

	2022 ^(a)	2030 ^(b)	2040 ^(b)
Source	Capacity (MW)	Capacity (MW)	Capacity (MW)
Coal	1,025.0	2,266	2,266
Hydro	1,331.7	1,558	2,973
Fuel oil	642.6	490	490
Solar	436.8	1,005	3,155
BESS (battery storage)	0	200	420
Biomass	28.57	98	198
Natural gas	0	-	900
Total domestic production	3,464	5,617	10,402
+Imports	1,030.75	3,795	4,095
+Energy Efficiency Measures	0	1,215	2,205
Total installed capacity	4,495.42	10,627	16,702



Sources: (a) EAC's salient feature 2022 (page 1); (b) Scenario 4 in the Power Development Master Plan (page 6).

Note: Though Scenario 4 is the current scenario in the Power Development Master Plan (PDP), alternative scenarios (5a, 5b, and 5c) have been developed outside of the PDP as a contingency plan in the case of delays in the commissioning of large domestic and foreign projects. These delays would require larger domestic investments in the generation of domestic supplies. In the future, CAPRED expects that the PDP will be officially revised to adopt scenario 5.



Cambodia's Power Development Master Plan (PDP) projects an increase in total installed capacity of 164.8% from 2021 (4,014 MW) to 2030 (10,627 MW). As depicted in Table 32, to meet this increased demand and to reduce greenhouse gas emissions, the PDP targets a major switch to Solar and BESS (battery storage) with the promotion of the energy efficiency measures. These sources should reach 21.5% of domestic installed capacity supply by 2030 and over 34.3% by 2040.

Ultimately, CAPRED believes that the government in the medium-term will adopt a more VRE investment-friendly regulatory framework, on the grounds of cost and energy security. Economically and equitably, it would make most sense to relax restrictions for rooftop solar, first in respect of industries that provide the most jobs for women and other marginalised groups. The agro-processing industry is a prime example. The high cost of energy is one of the biggest contributors to Cambodia's low agro-processing competitiveness and poor export performance. Allowing agro-processors to install more VRE would help to attract investment, which would drive employment and income generation along the entire agricultural value chain.

CAPRED intends to continue to advocate for a more VRE investment-friendly regulatory framework, although this could take years to come to fruition. In the meantime, the Cambodian grid is not ready for the integration of large-scale VRE, and there is a huge amount of work required to improve Cambodia's energy grid management.

CAPRED will support Electricité du Cambodge (EDC) to understand and explore new technologies that reduce technical obstacles to greater VRE integration. CAPRED will also focus on supporting the revision of grid monitoring and control systems, a prerequisite for grid stability. In addition, the real time supply-and-demand side forecasting, pricing, storage, and distribution systems are also important. By beginning this work, Cambodia can demonstrate that it is taking steps in the right direction and can potentially avoid punitive tariffs in markets such as the EU. As government policy towards VRE integration advances, CAPRED will support investment to businesses (especially GEDSI-transformative enterprises as viable) to accelerate the energy transition, having already developed the relationships required to facilitate strong collaboration in the energy transition.

7.1.3 ENERGY EFFICIENCY

The PDP estimates that up to 17% of Cambodia's increased energy demand will need to be met through energy efficiency (EE) measures. By 2030, the goal is to save 1,215 MW; this is an ambitious target, equivalent to about one third of current supply, a significant proportion of which is expected to be generated by the commercial sector. To realise such savings, large energy consumers will need to invest in new equipment and processes. Pay-back periods are very attractive for these kinds of investments; however the sums involved are large and few industries have access to this kind of investment capital. In other countries, a market has emerged for Energy Service Companies (ESCOs) that invest specifically in energy efficiency for industrial facilities. The ESCOs provide the investment capital, and the 'energy dividend' is



used to pay back the loan. Despite some attempts by development partners to promote this investment class, there is no active market in Cambodia.

To address this constraint, CAPRED will pilot investment models between ESCOs and businesses that could become bankable. CAPRED will begin by enabling investment in agro-processing facilities where incentives align: energy is a large part of such facilities' cost structure (around 20% compared with 5% for the garment sector). They often own their own facilities (whereas garment manufacturers typically rent), and they are strongly incentivised to make longer-term investments in competitiveness (unlike the more footloose garment industry). If the model can be trialled, with an inclusion lens, and proof of concept established, CAPRED will scale up in the agro-processing industry and potentially target other large energy consumers, such as the livestock industry or manufacturing sectors.

In the area of energy efficiency (EE), the use of electric vehicles can significantly reduce consumption of fossil fuels and carbon emissions. While arguments around energy efficiency and the use of clean energy are well understood, it may be difficult for CAPRED to justify support for a transition to electric vehicles, since, initially, it will benefit more affluent members of society. However, CAPRED will continue to monitor government policy and look for entry points where investment in electric transportation, perhaps in agricultural production and processing, could enhance inclusiveness, competitiveness and deliver employment and income opportunities for women and marginalised individuals and households.

CAPRED will also support a mini-grid electrification project by partnering with the preferred private sector provider – already selected through a competitive procurement process – to conduct a detailed feasibility study of a mini solar farm to electrify off-grid villages located in remote areas. Following the detailed feasibility study, CAPRED will provide viability gap financing to make the investment viable while charging an affordable tariff for households. The project is expected to be completed by early 2025.

7.2 How CAPRED will work

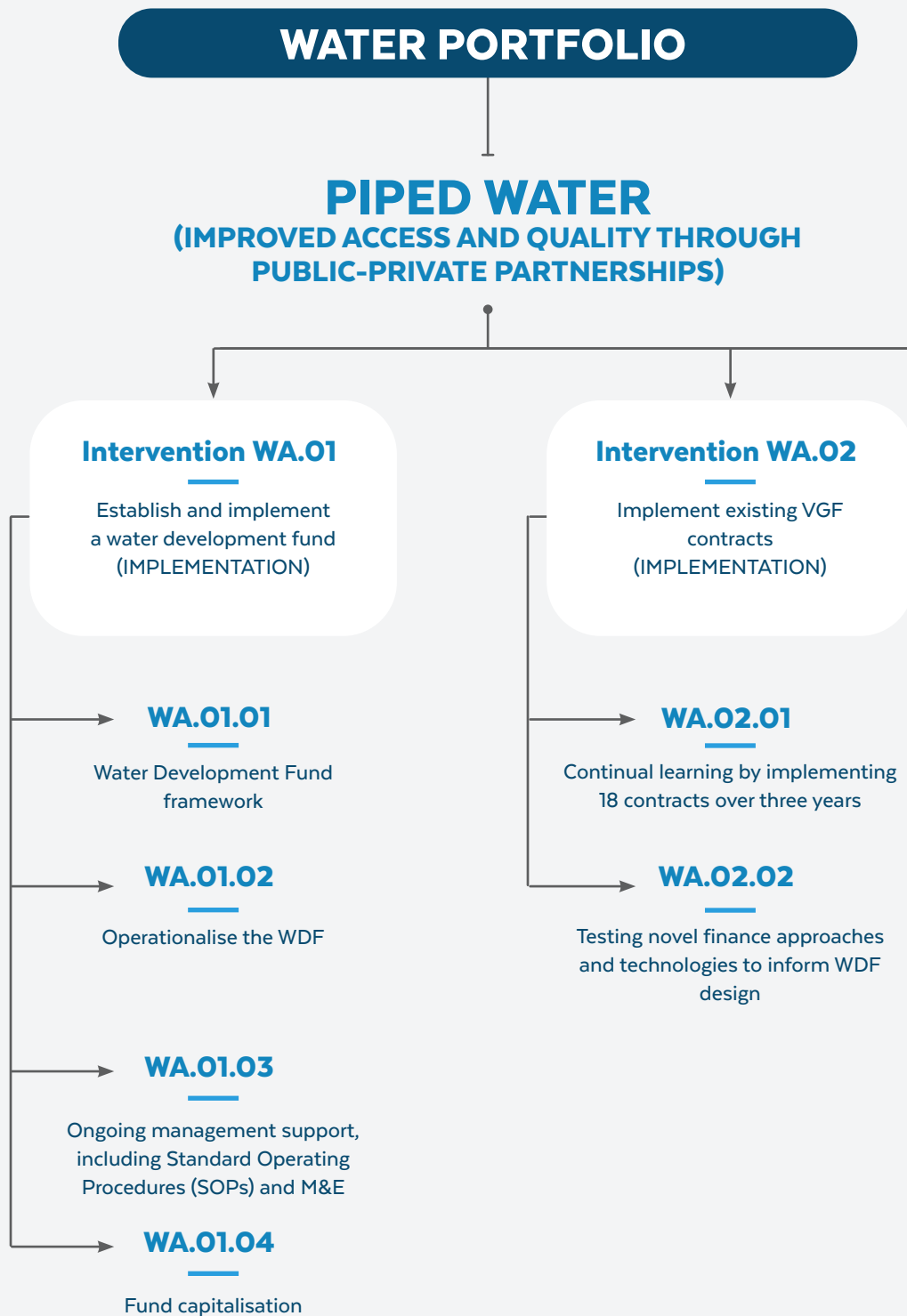
In undertaking this work, CAPRED will use the following broad methods and approaches:

- **Learn and collect market intelligence.** CAPRED will work on the frontier of infrastructure development. It will pilot novel approaches and, where possible, take these to scale applying public-private participation principles. CAPRED will need to establish itself as a preeminent provider of actionable data and information and use this data in creative ways to keep policy-makers abreast of recent developments. This is especially important in terms of its work in the energy sector and in promoting the VGF model where government buy-in remains uncertain.
- **Develop markets.** CAPRED will attempt to address new and undeveloped markets, often by working with auxiliary or supporting service providers. For example, to promote energy efficiency, it will aim to work in developing a market for energy service companies (ESCOs) and energy audits. CAPRED is also interested in markets for new technology (in water) or in potentially supporting the services needed for electric vehicles.

- **Ensure greater inclusivity of infrastructure investments.** Many infrastructure investments, for example those around Special Economic Zones, create economic enclaves with little benefit for the broader economy. This means that marginalised and vulnerable groups do not benefit from, or cannot participate in, economic opportunities arising from these investments. CAPRED will focus on infrastructure investments that benefit industries that have (or have the potential for) inclusive impact. For example, greater inclusiveness could be gained by supporting businesses that employ (or source from) poor and marginalised groups, such as the agro-processing industry.
- **Be climate-informed; design infrastructure to be more climate resilient.** CAPRED infrastructure investments will include a strong focus on climate mitigation and adaptation, and disaster risk reduction. CAPRED will strengthen its Environmental Impact Assessment procedures (for example, in the water sector). The program will advocate for an enhanced focus on climate resilient infrastructure, such as investing in reliability of water sources, which requires greater upfront investment but saves money in the longer term.
- **Provide additionality (complementarity) and collaborate with strategic partners.** CAPRED will consult and collaborate with strategic partners. For example, in the water sector: (i) The World Bank is active, and has plans to include VGF mechanisms in its future sector loans. It is also a key partner in the development of the WDF framework. (ii) JICA supports the legal and regulatory framework for the water sector, and has provided a sector loan to support public water utilities. It might, therefore, contribute to Water Development Fund (WDF) capitalisation. (iii) Agence Française de Développement (AFD) and the Sloan Family Foundation are both active in finance for private water operators (PWOs), and there is close collaboration to harmonise investments and approaches. In the energy sector: (i) ADB has a large portfolio of loans including project preparation of utility scale solar, and investing in grid modernisation to support the regional energy market; (ii) AFD works on aspects of grid modernisation (loans); and (iii) the UNDP works on rooftop solar and off-grid systems using a community-based approach with ambitions to create an Energy Efficiency Fund.

7.3 Infrastructure development interventions

The following pages depict CAPRED's strategic infrastructure development interventions (in a simple hierarchical structure), together with their visions of transformation and related pathways to RISE (resilient, inclusive, and sustainable economic growth). More detailed tables then further describe the content of these interventions.



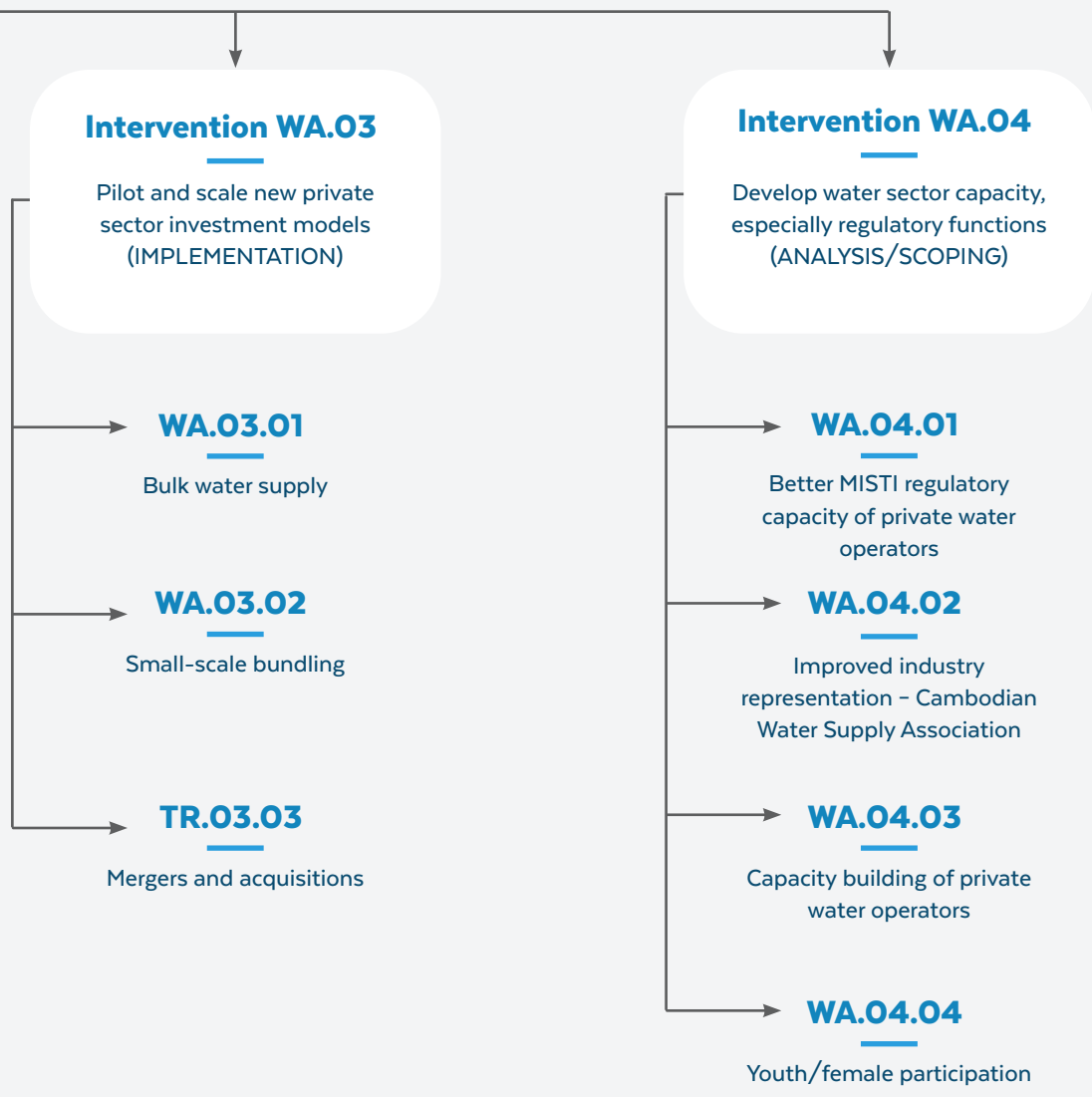
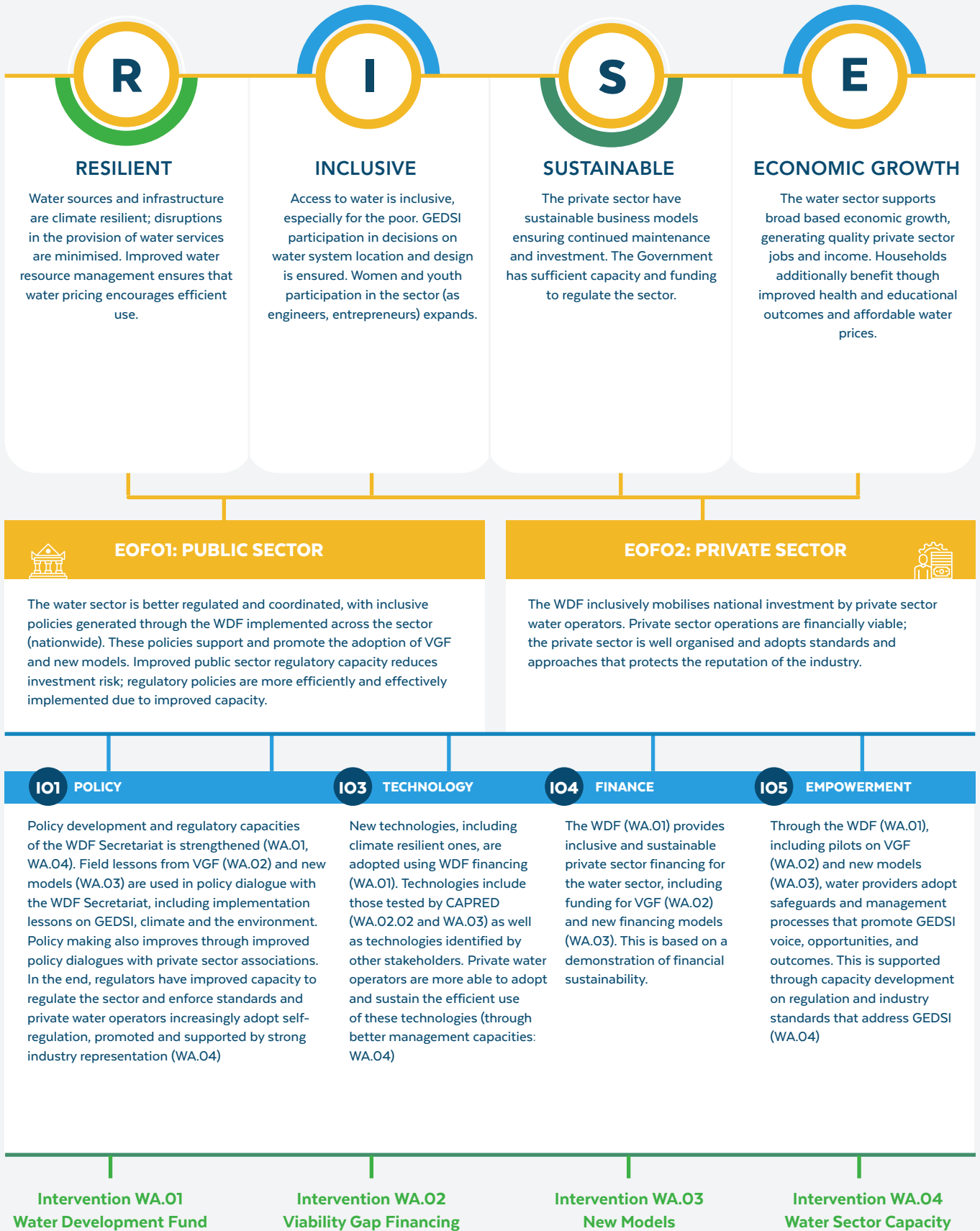


TABLE 34

WATER PORTFOLIO - PATHWAY TO RISE



Note: GEDSI = gender equality, disability and social inclusion; VGF = viability gap financing; WDF = Water Development Fund

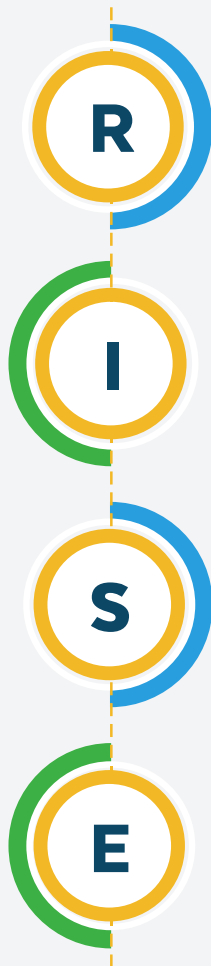
VISION OF TRANSFORMATION



Piped water (improved access and quality through public-private partnerships)

By 2031, significantly more households have access to clean piped water. Rural water is routinely provided by the private sector. Water supply remains affordable, reliable, high quality and is climate-resilient, ensured by professional government regulation of the sector. Water pricing reflects users' ability to pay and encourages efficient use. The private sector is well organised and profitable, with a range of viable business models in operation. Private sector participation significantly reduces pressures on the government's budget. Public water utilities become financially sustainable and less of a burden on the public purse through concessional loans from the WDF.

RISE



RESILIENT

The private sector implements sustainable and profitable business models to provide water; resources for investment and maintenance are sufficiently available; and the government has sufficient capacity to regulate the sector. These factors contribute to economic resilience.

INCLUSIVE

Access to clean water is inclusive, especially encompassing the poor. GEDSI participation in decisions on system location and design is ensured. Women and youth participation in the sector (as engineers, entrepreneurs) is encouraged.

SUSTAINABLE

Water sources and infrastructure are climate resilient; disruptions in the provision of water services are minimised. Improved water resource management ensures that water pricing encourages efficient use thereby contributing to environmental sustainability.

ECONOMIC GROWTH

Access to clean water supports broad-based economic growth, generating quality private sector jobs and income. Households additionally benefit through improved health and educational outcomes and affordable water prices.

INTERVENTIONS FOR PIPED WATER

WA.01 | ESTABLISH AND IMPLEMENT A WATER DEVELOPMENT FUND – WDF (IMPLEMENTATION PHASE)

The WDF is a common financing platform to mobilise clean piped water investments from development partners and the public sector. It can finance different business and investment models including viability gap financing, concessional loans, and subsidies for poor households. It is estimated that it will cost USD264 million to cover the remaining 47% of villages (including about USD80 million in maintenance and upgrades). CAPRED will provide technical assistance to establish the WDF (WA.01.01: WDF framework) and to operationalise it (WA.01.02). CAPRED will provide continuous support to the WDF secretariat in its management (WA.01.03: including preparation of standard operating procedures, M&E, etc.) and will assist the RGC to mobilise resources and to fully capitalise the Fund (WA.01.04). The WDF is the main mechanism for scaling all CAPRED water interventions.

CROSS-CUTTING LINKAGES

The WDF will incorporate VGF and new water financing models (WA.02, WA.03). The WDF's standard operating procedures and M&E system will embed GEDSI, climate resilience, and the environmental management standards into WDF standard operating procedures. Safeguards and key decisions concerning project feasibility, technology, grant design (ID poor grants) and site selection will be built into the fund management processes. As the key sector financing mechanism, the WDF will shape and inform water policies across the sector. Climate financing options will be pursued (CL.02).



INTERVENTIONS FOR PIPED WATER

WA.02 | IMPLEMENT EXISTING VIABILITY GAP FINANCING (VGF) CONTRACTS (IMPLEMENTATION PHASE)

CAPRED will provide VGF subsidies to private water operators to mobilise investments that would otherwise not be economically viable. This will lead to significant savings for the government. During 3i, VGF was shown to accelerate access to affordable and reliable clean water on a sustainable basis. A total of 18 VGF investments will be pursued under CAPRED to support and underpin the WDF agenda, ensuring that CAPRED maintains credibility and relevance (WA.02.01). Contracts are expected to be completed within three years. The testing of new technical and financial processes, within VGF activities (WA.02.02), will provide CAPRED with timely, practical information from the field that will feed into the preparation of market and policy briefs that can be scaled through the WDF.

CROSS-CUTTING LINKAGES

VGF implementation will generate relevant policy evidence (WA.04). An important focus will be to explore how best to structure ID poor investment grants, how to better address women's role in the water sector, and how different financial and technical arrangements can best protect the environment and mitigate climate risk. Specific focus will be given to quantifying the cost of ensuring water security and DRR, how this impacts system viability, and supporting policy discussion on who pays the difference.



INTERVENTIONS FOR PIPED WATER

WA.03 | PILOT AND SCALE NEW PRIVATE SECTOR INVESTMENT MODELS FOR RURAL PIPED WATER SUPPLY (SCOPING/IMPLEMENTATION PHASE)

CAPRED will develop at least three new water supply business models: (i) bulk water supply to improve water security (WA.03.01); (ii) small-scale bundling (WA.03.02); and (iii) mergers and acquisitions (WA.03.03). These aim to deliver water security, to produce economies of scale, to increase investment efficiency, and to reduce sector fragmentation. Other new models will be developed over time. The adoption of new models (and their associated technologies) will be scaled through WDF policies, procedures, and financing of investment.

CROSS-CUTTING LINKAGES

New models, especially bulk water supply, are expected to enhance the climate resilience of the water supply and introduce technologies that reduce leakage, maximise efficiency, and relieve pressure on marginal water reservoirs. They will generate relevant policy evidence that can be used across the sector (through the WDF).



INTERVENTIONS FOR PIPED WATER

WA.04 | DEVELOP WATER SECTOR CAPACITY, ESPECIALLY REGULATORY FUNCTIONS (ANALYSIS/SCOPING PHASE)

Capacity development will be provided for the public sector, water associations and private water operators (PWOs). First, CAPRED will strengthen the government's policy and regulatory capacity to manage a water sector that has high levels of private sector participation (WA04.01). Regulation will be improved through training, the development of tools and practices, enhanced inclusivity and learning from international best practice. The objective is a government regulatory body that has everything it needs to deliver a better regulated sector: enhanced diversity and capacity of staff, manuals for licensing, standards, safeguards, and tools for monitoring and enforcement. This will become increasingly important as the number of financing models expands. Second, CAPRED will also support private sector water associations ensuring that the sector is better able to regulate itself and advocate on behalf of its members (WA.04.02). Third, organisational development training will be provided for private water operators (WA.04.03); this is expected to focus on management and technology, including environmental protection and addressing GEDSI issues. Finally, CAPRED will promote the participation of youth and women in the water sector (WA.04.04).

CROSS-CUTTING LINKAGES

Training and capacity development initiatives will integrate the application of GEDSI best practice, enhancing climate resilience and building greater awareness of the importance of environmental protection.



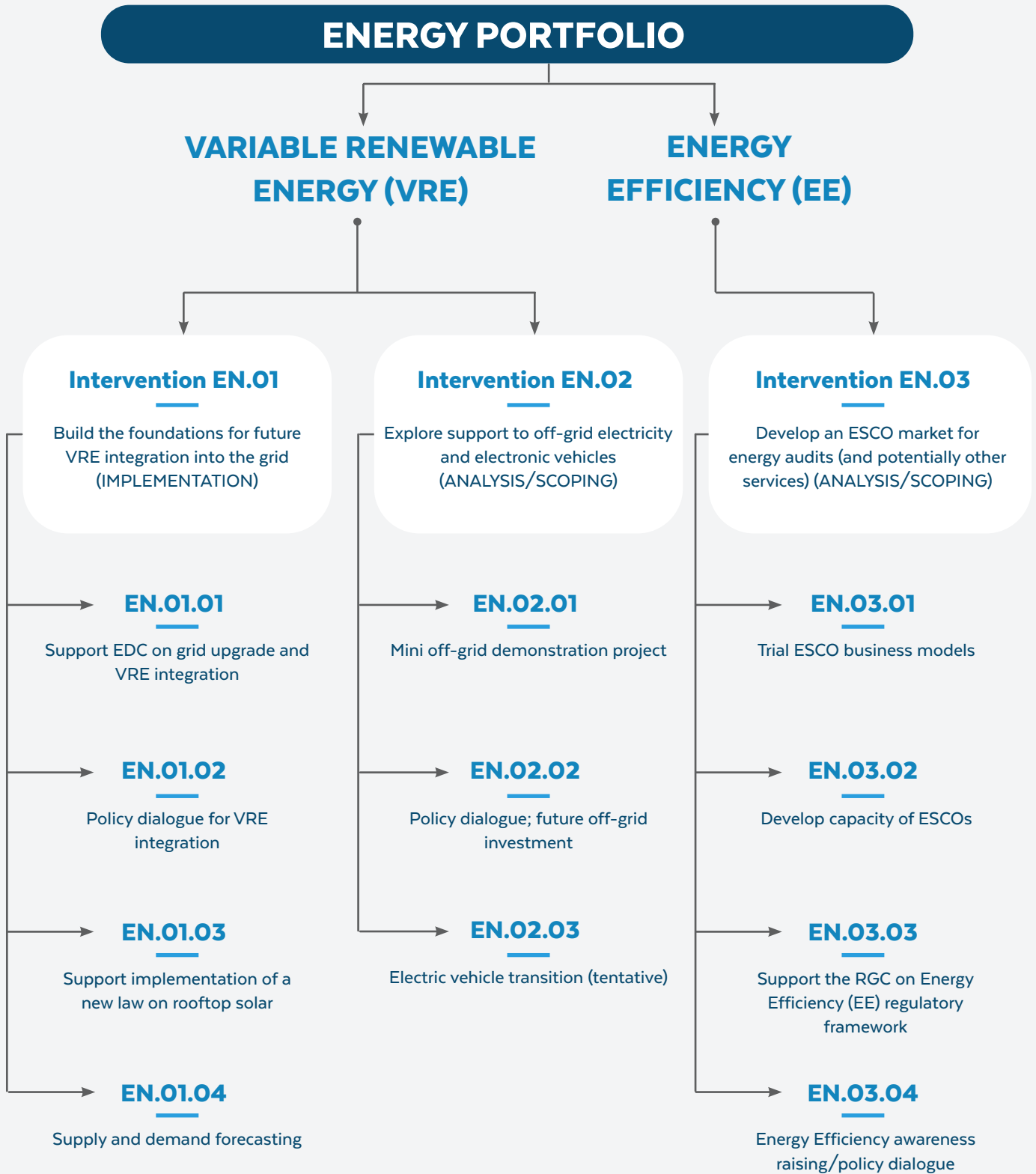
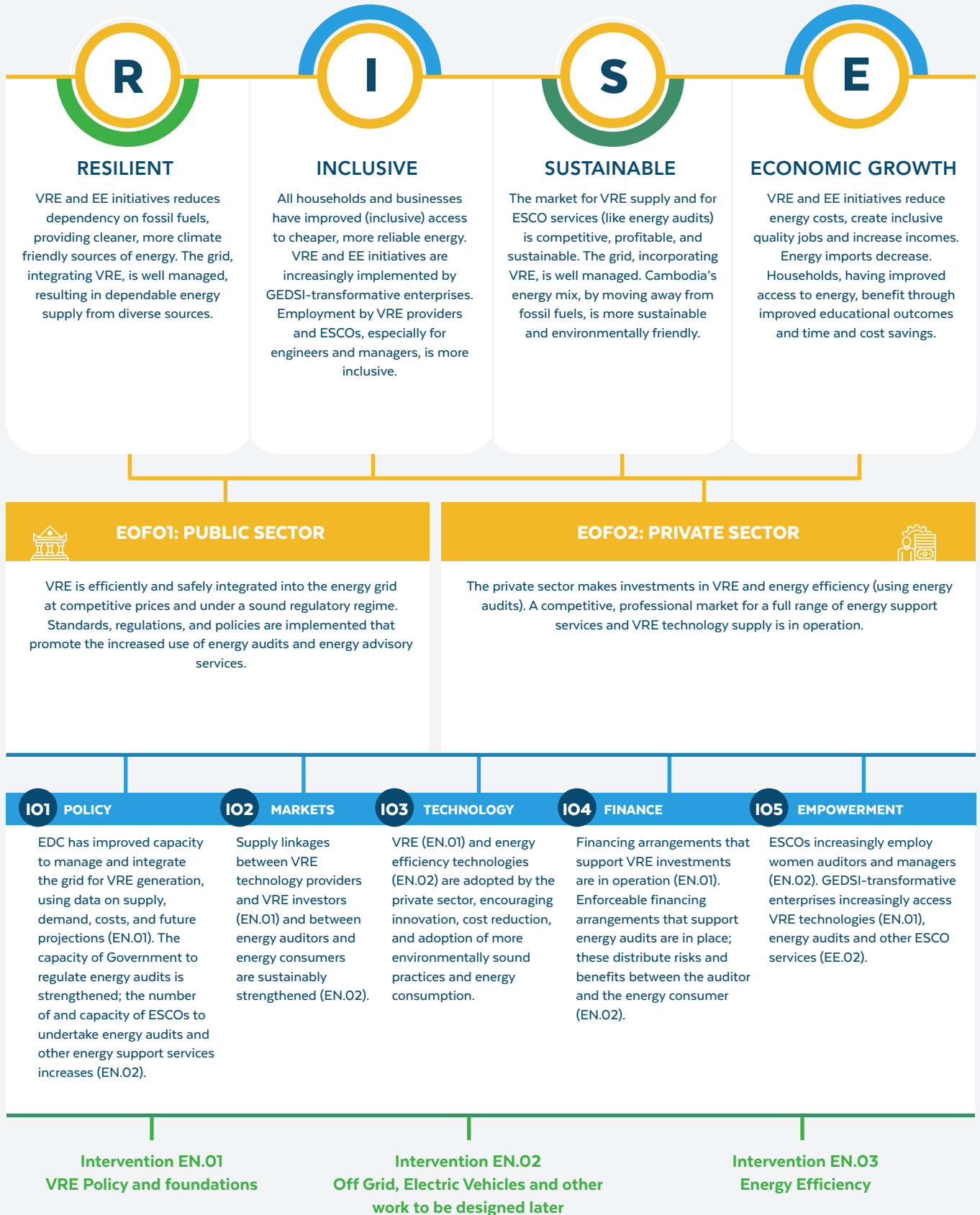


TABLE 37

ENERGY PORTFOLIO - PATHWAY TO RISE



Note: EDC = Electricité du Cambodge; EE = energy efficiency; ESCO = energy service company; GEDSI = gender equality, disability and social inclusion; VRE = variable renewable energy

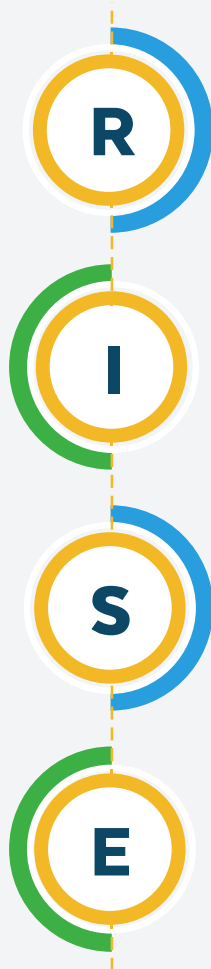
VISION OF TRANSFORMATION



Variable renewable energy

Cambodia increasingly transitions to VRE, with VRE comprising a greater mix of Cambodia's energy generation. This reduces carbon emissions and lowers the cost of energy. Modern, reliable systems and infrastructure are in use by EDC for management and stabilisation of the grid. This ensures a dependable supply and efficiency in distribution and storage. Government policy is adjusted to facilitate greater private sector investment in renewable energy systems, reducing the burden on the public purse.

RISE



RESILIENT

The market for VRE supply is competitive, profitable, and sustainable. The EDC has sufficient capacity to regulate the sector and to effectively manage key infrastructure. As a result of these and other initiatives, greater economic resilience exists for the sector and those accessing services.

INCLUSIVE

All households and businesses have improved (inclusive) access to cheaper, more reliable energy, benefiting women in undertaking their workloads. Where energy is generated by businesses, GEDSI-transformative enterprises have an equal opportunity to generate VRE.

SUSTAINABLE

VRE reduces dependency on fossil fuels, providing cleaner, more climate friendly sources of energy. The grid is well managed, resulting in a resilient energy supply (i.e., dependable, with few disruptions and with energy generated from diverse sources and providers).

ECONOMIC GROWTH

Access to clean water supports broad-based economic growth, generating quality private sector jobs and income. Through the provision of water, households also benefit through improved health and educational outcomes and affordable water prices.

INTERVENTIONS FOR VARIABLE RENEWABLE ENERGY

EN.01 | BUILD THE FOUNDATIONS FOR FUTURE VRE INTEGRATION INTO THE GRID (IMPLEMENTATION PHASE)

Before VRE can be safely and widely integrated into the grid, and before key policies encouraging enterprises to generate their own energy can be formulated, the foundations of VRE integration need to be built, including: (i) the strengthening of supervisory control and data acquisition; (ii) improving the forecasting of demand, supply, and weather conditions; (iii) enhancing demand side management (e.g., through better peak pricing); (iv) expanding energy storage capacities; (v) upgrading renewable energy distribution channels; and (vi) increasing the efficiency of the grid and distribution systems (EN.01.01). CAPRED will work closely with the RGC and form strategic partnerships with other donors in the sector. Having these foundations in place will support implementation of the government's power development plan to meet renewables targets.

CAPRED will support Electricité du Cambodge (EDC) to implement the new law on rooftop solar (EN.01.03). This will include support to establish a licensing process, prioritisation of projects for licence approval and capacity building to help EDC to undertake assessment of licence applications. As part of this support, CAPRED will continue policy advocacy for a gradual loosening of restrictions on investments in solar enterprises (EN.01.02). Work will start with agro processing (initial demonstration through the AIP) where reducing energy costs can expand employment (especially for women), create higher quality jobs, and lead to more stable incomes for farming households. Other sectors will be included where opportunities emerge.

In the future, CAPRED will identify opportunities to secure financing for renewable investments (EN.01.04). These will be piloted in the establishment of the AIP and will be closely linked with work on climate finance (CL.02).

CROSS-CUTTING LINKAGES

Climate and environmental protection will be a foundational element of all VRE policy dialogue. In promoting the adoption of VRE, sectors that provide inclusive economic benefits will be supported, and actions will be designed and implemented to ensure their access to VRE technologies.

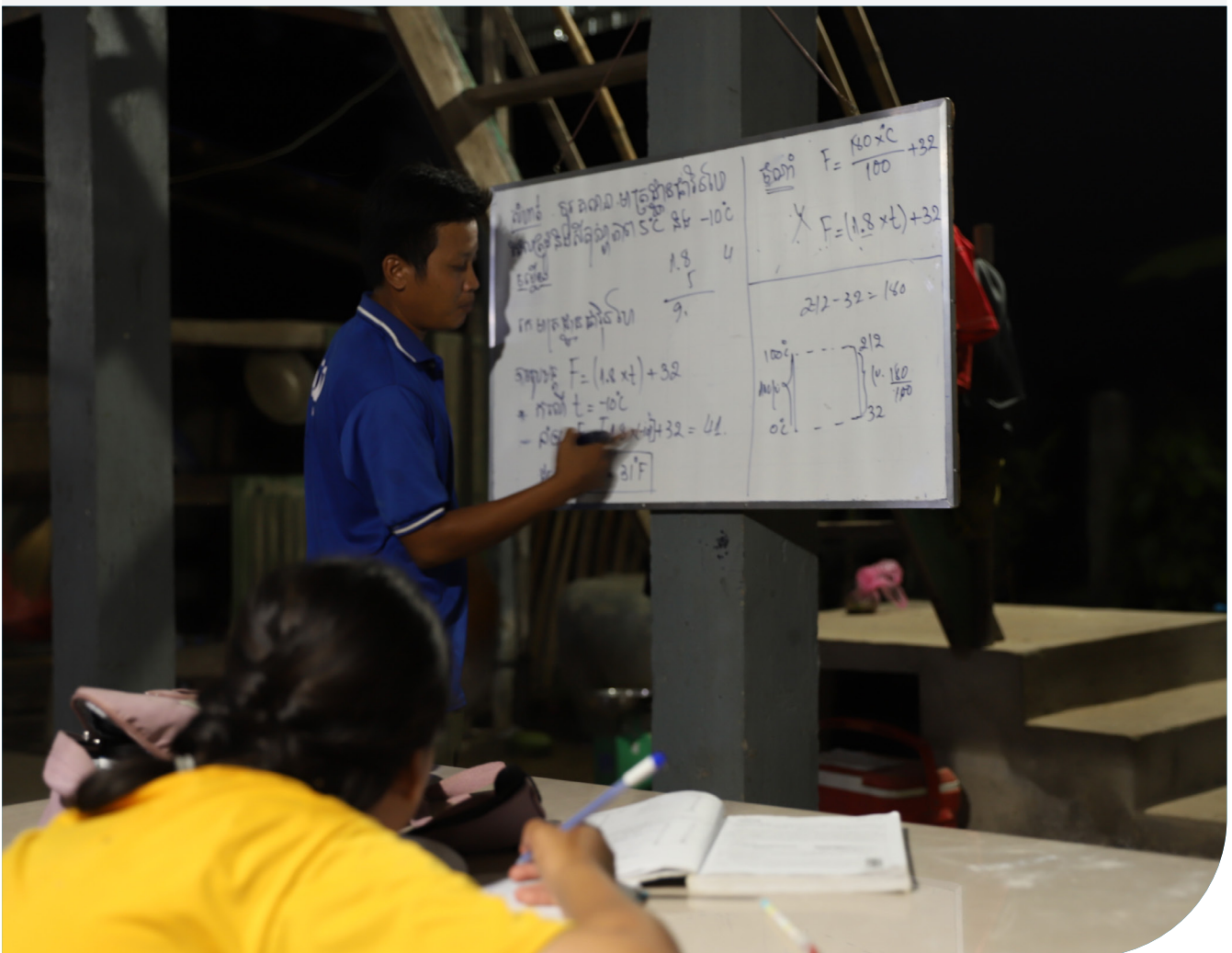
INTERVENTIONS FOR VARIABLE RENEWABLE ENERGY

EN.02 | EXPLORE SUPPORT TO OFF-GRID ELECTRICITY AND ELECTRONIC VEHICLES (NOT STARTED)

CAPRED (through 3i) had a previous commitment to explore the provision of off-grid energy to remote areas. The potential for supporting policies and for developing the market for electronic vehicles will be further explored by CAPRED.

CROSS-CUTTING LINKAGES

To be determined following future design.



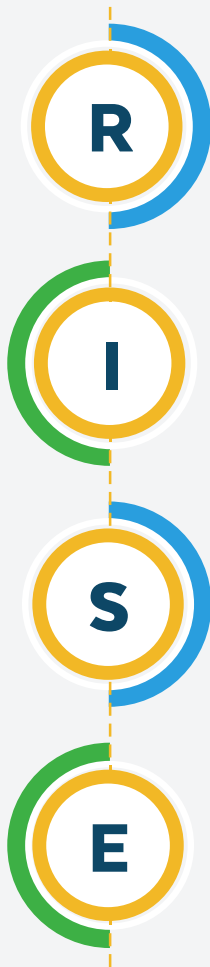
VISION OF TRANSFORMATION



Energy efficiency

Energy efficiency of CAPRED partners increases significantly, creating a demonstration effect that will mobilise further investment in a sustainable energy efficiency service market. CAPRED's financing model is widely adopted by a growing number of businesses who implement energy audits.

RISE



RESILIENT

The market for providing energy audits and EE advice is competitive, profitable, and sustainable. Where viable, standards and regulations are in place to ensure energy audits are professionally and efficiently carried out, ensuring greater resilience to shocks.

INCLUSIVE

Energy efficiency will lead to enhanced competitiveness, attracting investment, employment, and income, particularly for women who dominate the workforce in agro-processing. All businesses have improved (inclusive) access to energy audits and investment opportunities to implement energy efficiency measures. Employment in the energy audit sector (especially in respect of engineers and managers) benefits women, youth and other groups, who have not been historically well-represented.

SUSTAINABLE

The adoption of energy efficient technologies reduces dependency on fossil fuels, providing cleaner, more climate friendly sources of energy and promoting the sustainability of the sector and the businesses that it supports.

ECONOMIC GROWTH

There is a profitable market for energy audits which improves competitiveness and generates private sector jobs and incomes. Audits reduce the energy costs of enterprises, freeing up funds for business investment, employment, and expansion.

INTERVENTIONS FOR ENERGY EFFICIENCY

EN.03 | DEVELOP AN ESCO MARKET FOR ENERGY AUDITS (SCOPING/ ANALYSIS PHASE)

Energy performance contracts between an ESCO and an energy consumer are virtually unknown in Cambodia, despite the fact that they are prevalent in several ASEAN countries. The model operates by helping industrial facilities to install more energy efficient equipment. The energy dividend (i.e., the money saved by installing more energy efficient equipment) pays for the investment. CAPRED will develop and pilot bankable ESCO investment models (EN.03.01). The program will focus first on introducing the investment model in the agro-processing sector where energy use is high, where entrepreneurs own their facilities, and where positive GEDSI outcomes are most likely. In building the ESCO market, CAPRED will: (i) strengthen the capacity of ESCOs (EN.03.02); (ii) create awareness about energy efficiency (EN.04.03); and (iii) provide policy implementation support, as needed, and in line with the National Energy Efficiency Policy (EN.04.04). Contracting models will be designed to show that lending to energy consumers is profitable and that levels of risk are manageable; with possible support from the financial sector and other development partners, this is expected to lead to more widespread market adoption of energy audits in later CAPRED years.

CROSS-CUTTING LINKAGES

The technologies and processes to be adopted through energy audits will promote climate mitigation and environmental protection. In promoting energy audits, GEDSI-transformative enterprises will be specifically targeted, and actions will be designed and implemented to ensure their access to energy efficiency technologies. Overall, improved competitiveness will create enhanced employment opportunities in industries where the workforce is predominantly female. Successes in the ESCO market will be foundational to AIPs and climate financing arrangements (AP.01, CL.02).





ANNEX 1: PROGRAM LOGIC, DEFINITIONS AND CAPRED OUTCOMES

DEFINITIONS USED IN THE PROGRAM LOGIC

Resilient economic growth	Resilient economic growth delivers economic stability and prosperity over time and enables the absorption of external shocks, whether they relate to health, the military, climate and economic crisis and/or shifts in the regional/global architecture of power.
Inclusive economic growth	Inclusive economic growth creates opportunities for all segments of the population and distributes the dividends, both in monetary and non-monetary terms, fairly across society (OECD definition).
Environmentally sustainable economic growth	Environmentally sustainable economic growth delivers economic growth that protects the natural environment for future generations and successfully mitigates and/or adapts to the effects of climate change.
Innovation	A new idea or an established idea applied to a new situation or context.
Work area	Includes both domains and cross-cutting themes.
Public policy	A consistent course of action designed to meet a goal or objective, or to respond to an issue or problem identified by the government, that requires action or reform. It is implemented by a public body (OECD definition).
Women's economic empowerment	Women's economic empowerment includes women's ability to participate equally in existing markets; their access to, and control over, productive resources; their access to decent work, their control over their own time, lives and bodies; and their increased voice, agency and meaningful participation in economic decision-making at all levels from the household to international institutions (UN Women definition).
Market	A set of systems, institutions, procedures, social relations, or infrastructures whereby parties engage in the exchange of goods and services, and where supply and demand determine prices and levels of production for given goods or services.
Technology	The application of knowledge to achieve practical goals in a reproducible way; the creation and usage of tools, techniques, crafts, systems, or methods of organisation to solve a problem or to serve some purpose or end.

DEFINITIONS USED IN CAPRED PLANNING

Portfolio	A set of related investments in a common area; i.e., a 'component' of the program.
Intervention	A broad area of implementation or broad direction forward; a statement describing what CAPRED does.
Transformation	CAPRED's 'vision of transformation' describes sector or nationwide changes that the program imagines and desires to take place if everything works well. 'Visions' are ambitious; they describe the scaled, visible, and sustainable results CAPRED aims to leave behind, that it made major contributions towards. Visions provide a signpost of where CAPRED wants to go but are not intended to be used to assess program success, as they depend on too many factors outside of CAPRED's control. On the other hand, CAPRED will be 'answerable' for learning how and why visions are, or are not, being realised. As implementation takes place, CAPRED will be responsible for identifying factors and constraints to the realisation of its vision, and for designing and taking action to keep its vision relevant. In the initial years, vision statements will be revised as, in most cases, the program is at an early stage of understanding the degree to which vision-level results are feasible. 'Visions' are a textual representation, in simple language, of a series of related objectives. They are aligned to government goals.



PROGRAM OUTCOMES FOR EACH CAPRED INTERVENTION

The program logic consists of intermediate outcomes (IOs) and end of facility outcomes (EOFOs). These outcomes are produced by each intervention and have been aggregated in the main body of the strategy. The text below identifies outcomes for each intervention.

> Policy Hub Portfolio



PH.01 | INTERVENTION Integrate policy development across the CAPRED portfolio

INTERMEDIATE OUTCOMES (IOS)

IO1 POLICY

CAPRED policy support is consistent and best practice. It facilitates high-level, inclusive, and evidence-based policy dialogue across its portfolio. Government's capacity to develop and implement policies that enable RISE improves in policy areas receiving CAPRED support.

IO5 EMPOWERMENT

Policy dialogue across the CAPRED portfolio is inclusive and participatory. These policies identify and address potential differential impacts on women, the poor, and other groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The RGC implements policies supported by CAPRED.

EOF02: PRIVATE SECTOR

Policies developed with CAPRED support mobilise private sector innovation, investment, and increase trade (that contributes to RISE).

→ Vision of transformation and RISE realised

PH.02 | INTERVENTION Build national capacity for policy coordination and consultation

INTERMEDIATE OUTCOMES (IOS)

IO1 POLICY

The capacity of SNEC and CEFP (and other key policy reform actors) to coordinate private sector policy improves. Processes are strengthened and key staff have improved skills and knowledge. CDRI provides improved, independent policy inputs and engagement.

IO5 EMPOWERMENT

Policy dialogue, undertaken in public policy platforms, is inclusive and participatory, with established platforms for consultation and coordination. Policy responses address constraints to private sector investment and obstacles that negatively impact women, the poor, and other marginalised groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Policies and regulations coordinated through public policy platforms and forums are better implemented; they are more inclusive and better address the emerging impacts of climate change.

EOF02: PRIVATE SECTOR

The private sector has improved confidence in RGC policy development processes; the business enabling and regulatory environment improves, mobilising quality investment which expands incomes and inclusive growth.

→ Vision of transformation and RISE realised

PH.03

INTERVENTION

Strengthen the Government-Private Sector Forum (G-PSF)

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The capacity of the Government-Private Sector Forum (G-PSF) improves and its membership becomes more inclusive. This incentivises deeper government engagement and implementation of agreed outcomes and policy reforms.

105 EMPOWERMENT

G-PSF dialogue is inclusive and participatory. Actions identified address business obstacles that negatively impact women, the poor, and other marginalised groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The private sector better engages the government on the policies and regulations that affect them; this improves the confidence they have in the RGC. RGC agencies implement policy and regulatory initiatives based on issues identified by the private sector through the G-PSF.

EOF02: PRIVATE SECTOR

The private sector perceives the G-PSF as more inclusive and effective at escalating issues and resolving problems. This improves business confidence and attracts/incentivises quality investment.

→ **Vision of transformation and RISE realised**

> GEDSI Portfolio



GE.01

INTERVENTION

Mainstream GEDSI into operations and all portfolios

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The government's capacity to use evidence and to integrate GEDSI approaches into its policies across areas where CAPRED is working is strengthened.

102 MARKETS

Market linkages, adopted across the CAPRED portfolio, promote GEDSI targeted and integrated approaches. These are increasingly adopted across sectors beyond CAPRED's mandate.

103 TECHNOLOGY

Technologies across the CAPRED portfolio increasingly meet the needs of, and are adopted by, women, PWD, and other marginalised groups. Stakeholders outside of CAPRED increasingly become aware of the potential of technology to promote inclusive economic growth.

105 EMPOWERMENT

Aligned with climate change and policy work areas, CAPRED interventions strengthen the voice, participation, and access of women, the poor, and traditionally marginalised groups. These approaches are increasingly adopted across government and the private sector.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

A broad range of public sector policies supporting GEDSI (targeted and integrated) are developed and implemented. Policies development is responsive, participatory and evidence-based.

EOF02: PRIVATE SECTOR

The private sector, across the CAPRED portfolio, has adopted GEDSI targeted and mainstreamed measures, reflecting CAPRED mainstreaming of GEDSI and the evidence provided.

→ Vision of transformation and RISE realised

GE.02

INTERVENTION

Support public policies that promote GEDSI and women's economic empowerment

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Policy makers and regulators have improved capacity, and mechanisms for GRB and GTED have proven pilots that contribute to uptake and expansion across relevant ministries.

102 MARKETS

Women, PWD, and other marginalised groups experience greater economic empowerment as a result of improved policies and practices in budgeting, enterprise development and other areas.

104 FINANCE

Investors and other financial service providers are supported and motivated by a more inclusive policy environment for women's economic empowerment/ GEDSI with greater financial incentives.

105 EMPOWERMENT

Women, PWD and other marginalised groups are empowered by strengthened policies, more funding for GEDSI-related programs, and enhanced capacity of the public and private sectors for GTED.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Policies that promote GEDSI and women's economic empowerment are well implemented, including policies focusing on gender responsive budgeting and strengthening of GTED.

EOF02: PRIVATE SECTOR

The private sector, across the CAPRED portfolio, promotes women's economic empowerment and the economic advancement of other vulnerable groups, particularly PWD.

→ Vision of transformation and RISE realised

GE.03

INTERVENTION Build a care economy

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Policy-makers and regulators have improved capacity to adopt approaches, policy frameworks, partnerships, and institutional arrangements that can enable the growth of the care economy.

102 MARKETS

Market actors – suppliers, service providers and consumers – have growing awareness of the potential benefits of a strong care economy that meets the needs of providers and consumers alike.

104 FINANCE

Investors and financial service providers are interested in expanding and diversifying their lending portfolios to contribute to, and benefit from, a growing care economy.

105 EMPOWERMENT

Women, PWD and other marginalised groups have experienced (through pilots) and/or are aware of the empowerment value of regulated, affordable, accessible, safe, and secure care opportunities for their children (and others in care).

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Policy-makers and regulators increasingly implement policies that grow, regulate and diversify the care economy. This will build a sector that provides affordable, accessible, safe and secure environments in which children (and others in care) and their families can thrive.

EOF02: PRIVATE SECTOR

Private sector actors are growing in number and expertise in the care economy, increasingly mobilising investment and contributing to the growth of a well-regulated care economy.

→ **Vision of transformation and RISE realised**

> Climate Resilience Portfolio



CL.01

INTERVENTION

Integrate climate investment across the CAPRED portfolio

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The government's capacity to use evidence and to integrate climate resilience and disaster risk reduction into its policies is strengthened.

102 MARKETS

Market linkages, adopted across the CAPRED portfolio, promote climate change adaptation and mitigation. These are increasingly adopted in other industries.

103 TECHNOLOGY

Technologies, adopted across the CAPRED portfolio, adapt to, or mitigate, the impacts of climate change. Stakeholders increasingly become aware of the potential of technology to help mitigate and adapt to the impacts of climate change.

104 FINANCE

Across the CAPRED portfolio, finance is mobilised to fund climate change adaptation and mitigation measures. As green investment proof of concept is established, new green investment sources enter Cambodia.

105 EMPOWERMENT

Climate resilience initiatives, across the CAPRED portfolio, strengthen the voice, participation, and access of women, the poor, and traditionally marginalised groups. These approaches are increasingly adopted across government and the private sector.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Public sector policies across the CAPRED portfolio implement climate change adaptation and mitigation measures. CAPRED approaches are adopted more widely across government. Australia is increasingly regarded as a partner of choice in charting a course to carbon neutrality and adapting to the impacts of climate change.

EOF02: PRIVATE SECTOR

The private sector, across the CAPRED portfolio, implements climate change adaptation and mitigation measures identified through the DRRCC approach. CAPRED demonstrates an effective model for investment, aligned with the Nationally Determined Contribution (NDC) that is adopted more widely across sectors. Investments increasingly contribute to Australia's climate financing commitments.

→ Vision of transformation and RISE realised

CL.02

INTERVENTION

Support the financial sector's provision of climate finance

INTERMEDIATE OUTCOMES (IOS)

104 FINANCE

Financial institutions have improved capacity to provide climate financing; borrowers are increasingly able to identify and prepare innovative, bankable climate projects.

105 EMPOWERMENT

GEDSI-transformative enterprises have equal access to climate financing. Increased climate investment finance benefits women and marginalised groups, who are disproportionately impacted by climate change.

END OF FACILITY OUTCOMES (EOFOS)

EOF02: PRIVATE SECTOR

Financial institutions provide an increased level of climate financing, closing the green financing gap. A wider variety of financing instruments are available. Through these instruments businesses increasingly invest in climate adaptation and mitigation. Climate projects are well implemented. This creates a vibrant market for environmentally responsible private sector investment.

→ Vision of transformation and RISE realised

CL.03

INTERVENTION

Support the strengthening of climate finance regulation and policy

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Government capacity to develop policies and regulate climate finance improves.

105 EMPOWERMENT

A well-regulated sector increases the flow of green finance, which benefits women and marginalised groups, who are disproportionately impacted by climate change.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements inclusive policies that support and adequately regulate climate finance. Regulation reduces systemic risk in the financial sector.

EOF02: PRIVATE SECTOR

A well-regulated financial sector, that is predictable and profitable, mobilises resources for climate investment. The financial sector can increasingly comply with green disclosure requirements and retains access to offshore funding.

→ Vision of transformation and RISE realised

> Agricultural Production Portfolio



AG.01

INTERVENTION

Strengthen markets for innovative inputs/mechanisation supply

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The government is increasingly capable of promoting and regulating the use of innovative inputs and mechanisation.

102 MARKETS

Supply linkages for inputs and mechanisation are strengthened.

103 TECHNOLOGY

New input and mechanisation technologies are widely and inclusively adopted.

104 FINANCE

Finance is available for agricultural inputs and mechanisation; this helps to smooth cyclical cash flows.

105 EMPOWERMENT

The poor, women and other marginalised groups have improved access to agricultural inputs and mechanisation technologies.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The markets for seeds and other inputs are well regulated (protecting the environment, ensuring quality, etc.). Competitiveness policies and regulations reduce investment risks associated with mechanisation, new technologies, and inputs.

EOF02: PRIVATE SECTOR

The private sector provides markets for inputs and mechanisation. Adoption of inputs and mechanisation technologies mobilises private sector investment (and improves productivity and competitiveness).

→ Vision of transformation and RISE realised

AG.02

INTERVENTION

Facilitate policies for more competitive and diversified production

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The RGC is increasingly capable of developing evidence-based, inclusive policies on agricultural competitiveness and diversification.

103 TECHNOLOGY

Policies and incentives lead to the increased, inclusive adoption of new technologies that promote competitiveness, diversification, and climate resilience.

105 EMPOWERMENT

Policy dialogue about competitiveness and diversification is inclusive and participatory. These policies identify and address potential differential impacts on women, the poor, and other groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements policies that better promote agricultural competitiveness and diversification.

EOF02: PRIVATE SECTOR

The improved policy environment mobilises private sector innovation and investment in agricultural competitiveness and diversification. Exports increase.

→ Vision of transformation and RISE realised

AG.03

INTERVENTION

Improve market linkages between producers and buyers or agro-processors

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Government capacity to incentivise, regulate and enforce buyer-seller contractual linkages is strengthened.

102 MARKETS

Upstream buyers provide essential certification, input supply, supply chain technologies, credit, advisory and other support services to producers.

103 TECHNOLOGY

Producers and buyers increasingly use technology to strengthen contractual/reciprocal relationships.

104 FINANCE

Buyers and processors increasingly provide supply chain liquidity to ensure and finance downstream production.

105 EMPOWERMENT

Digital technology helps to overcome traditional barriers to market participation, and market linkages make it easier for poor and marginalised people to participate in higher value markets. Where supporting policies are developed, dialogue is participatory and inclusive and opportunities for positive GEDSI impacts are highlighted/promoted.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements policies that support/incentivise enhanced market (buyer-seller) linkages.

EOF02: PRIVATE SECTOR

Increased reliability of market linkages spur agricultural investment by both producers and buyers. Exports increase and are more diversified.

→ Vision of transformation and RISE realised

AG.04

INTERVENTION

Expand access to agricultural finance

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Government capacity to develop policies that incentivise and to regulate the responsible provision of agricultural finance improves.

103 TECHNOLOGY

Fintech products are used to increase access and to reduce borrowing costs and make financial products for smallholders more economically viable. Agricultural financing encourages investments in new technologies, including those that build climate resilience and provide access to markets for poor and vulnerable households.

104 FINANCE

Capital for agricultural investment and operating capital increases and is inclusively available to finance profitable agricultural ventures.

105 EMPOWERMENT

Financial products are accessible to all. Where agricultural finance policies are developed, dialogue is inclusive.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements inclusive policies that support and incentivise responsible lending; the government adequately regulates the agricultural finance sector.

EOF02: PRIVATE SECTOR

The increased availability of agricultural financing mobilises inclusive investment in agricultural production and processing.

→ Vision of transformation and RISE realised

> Agro-Processing Portfolio



AP.01

INTERVENTION

Establish at least one AIP and build the economic evidence base for incentivising investment in agro-processing

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Government capacity to incentivise AIP-like infrastructure investments through public-private partnerships is strengthened. Evidence from implementing the AIP stimulates policy dialogue on competitiveness, value addition, trade, GEDSI, climate, and other topics across the CAPRED portfolio.

102 MARKETS

Lasting and sustainable market linkages between AIP processors and agricultural producers are in place; this leads to higher producer prices.

103 TECHNOLOGY

AIP enterprises (including GEDSI-transformative ones) adopt new technologies, including those that reduce energy consumption and build climate resilience.

104 FINANCE

AIPs (developers and tenants) increasingly access finance to fund their investments and operations.

105 EMPOWERMENT

GEDSI-transformative businesses are incentivised to invest in AIPs. All AIP investors adopt safeguards and management practices that promote GEDSI voice, opportunities, and outcomes.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

A positive business-enabling environment is established for AIPs and for the agro-processing sector. Policies promote inclusion, energy efficiency, climate resilience, and environmental protection.

EOF02: PRIVATE SECTOR

The private sector invests in AIPs, which promote best practice industry standards to enhance market access. AIPs stimulate better productivity and market linkages along the value chain.

→ Vision of transformation and RISE realised

AP.02

INTERVENTION

Develop zero waste and other economically viable environmental models

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Government capacity to incentivise investments in zero waste models is strengthened. Evidence from implementing zero waste models in the AIP enriches policy dialogue on competitiveness, value addition, trade, GEDSI, climate, and other topics across the CAPRED portfolio.

102 MARKETS

Lasting and sustainable market linkages between waste generators and waste recycling enterprises are in place.

103 TECHNOLOGY

AIP and other agro-processing enterprises (including GEDSI-transformative ones) adopt new technologies that minimise waste, reduce carbon emissions and promote environmental protection.

105 EMPOWERMENT

GEDSI-transformative businesses are incentivised to invest in circular economy initiatives.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

A positive business enabling environment is established to incentivise investment in zero waste models. Policies encourage inclusion, energy efficiency, reducing carbon emissions, climate and disaster resilience, and environmental protection.

EOF02: PRIVATE SECTOR

The private sector invests in zero waste models that enhance competitiveness and maximise market access. Monetising waste products stimulates investment in agricultural production, with a focus on GEDSI-responsive investment models.

→ Vision of transformation and RISE realised

AP.03

INTERVENTION

Increase the adoption of modern agro-processing equipment and technologies

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Government agencies have the capacity to regulate and promote new agro-processing technologies.

103 TECHNOLOGY

New agro-processing technologies to improve financial and environmental sustainability are widely and inclusively adopted leading to improved productivity and competitiveness.

105 EMPOWERMENT

GEDSI-transformative businesses are incentivised to invest in modern agro-processing equipment and technologies. Policies regulating these technologies are inclusively developed, and address potential differential impacts on women, the poor, and other groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The market for agro-processing technology is well regulated, and policies and regulations reduce associated investment risks and encourage sound environmental management.

EOF02: PRIVATE SECTOR

Agro-processing technologies are adopted at scale, increasing competitiveness and mobilising private sector investment.

→ Vision of transformation and RISE realised

AP.04

INTERVENTION

Support demand-driven, market-oriented agro-food research and food innovation services

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Public, private, and academic agro-food research organisations have improved capacity to provide the services demanded by the agro-food sector.

102 MARKETS

The agro-food industry, by using agro-food research and food innovation services, builds lasting market connections.

103 TECHNOLOGY

New technologies, promoted by agro-food research and food innovation services, are inclusively adopted.

105 EMPOWERMENT

The agro-food support sector provides increased employment opportunities for female and disabled researchers and advisors. GEDSI-transformative enterprises have increased access to agro-food research and food innovation services.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The quality and responsiveness of agro-food research and food innovation services, provided by the public and academic sectors, improves.

EOF02: PRIVATE SECTOR

The private sector increases its investment in both the agro-food sector and its support industry. Exports of agro-food products increase.

→ Vision of transformation and RISE realised

> Trade Portfolio



TR.01

INTERVENTION

Support preparedness for LDC graduation and trade policy

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The government develops a clear, realistic, evidence-based strategy to address LDC graduation. The Ministry of Commerce has improved capacity to better facilitate trade, to develop trade in services, to implement digital trade, and to strengthen trade promotion, trade negotiation, trade dialogue, and the participation of women and marginalised groups.

105 EMPOWERMENT

Development of an LDC roadmap is participatory and inclusive; it promotes access to trade for women and other marginalised groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements policies that address the impact of LDC graduation. Policy solutions promote and expand trade that is resilient, sustainable, and inclusive.

EOF02: PRIVATE SECTOR

The private sector adopts trade practices in line with Cambodia's LDC graduation. These strategies increase exports (on a sustainable, inclusive, and resilient basis).

→ Vision of transformation and RISE realised

TR.02

INTERVENTION

Work with the RGC to leverage free trade agreements

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The government develops a clear, realistic, evidence-based strategy to promote free trade agreements, possibly including establishing a Rules of Origin verification platform. The Ministry of Commerce has improved capacity in trade negotiation and trade policy development.

105 EMPOWERMENT

Women increasingly participate in Cambodia's trade negotiations. Free trade agreements promote access to trade for women and other marginalised groups.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government is a strong negotiator in protecting Cambodia's interests through free-trade agreements (FTAs). The government implements policies to access FTAs. Better information, and a positive enabling environment, is in place to promote exports through FTAs.

EOF02: PRIVATE SECTOR

The private sector adopts trade strategies that take into account Cambodia's FTAs. These strategies sustainably increase exports (volumes, value, and diversification).

→ Vision of transformation and RISE realised

TR.03

INTERVENTION

Support the strengthening of quality infrastructure (QI) services

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The government develops a clear, realistic, evidence-based strategy to promote QI. Government QI policy-making capacity improves and MISTI and the MOC better coordinate QI policy. The government is increasingly capable of providing accessible, high quality public QI services.

105 EMPOWERMENT

GEDSI-transformative enterprises are increasingly able to access and provide QI services. Women's employment in the QI sector expands.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements policies that strengthen the provision of QI services. Policies provide a strong business-enabling environment that mobilises investment in private sector provision of standards, accreditation, metrology, and conformity assessment. Where the government provides QI services, these are accessible and of high quality and credibility. QI lowers the cost of trade and opens new trade markets.

EOF02: PRIVATE SECTOR

The private sector increasingly invests in the provision and use of QI services. Through QI the private sector has better access to trade opportunities.

→ Vision of transformation and RISE realised

TR.04

INTERVENTION

Work with the private sector to promote exports

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

The capacity of Business Member Organisations to support their members to increase their export opportunities improves.

102 MARKETS

Lasting market linkages are established between exporters supported by CAPRED and foreign buyers. To improve their access to markets, supported exporters raise their quality and increasingly meet international standards and certifications.

104 FINANCE

CAPRED-supported exporters increasingly access trade, and other forms of finance, to expand their production and exports.

105 EMPOWERMENT

GEDSI-transformative enterprises increasingly access export promotion support.

END OF FACILITY OUTCOMES (EOFOS)

EOF02: PRIVATE SECTOR

CAPRED support for private sector export-readiness mobilises private sector investment (on a sustainable, inclusive, and resilient basis).

→ Vision of transformation and RISE realised

> Investment Portfolio



IN.01

INTERVENTION

Provide implementation and policy support to the new Investment Law

INTERMEDIATE OUTCOMES (IOS)

I01 POLICY

The government is increasingly capable of promoting investment and implementing the investment incentives in the Investment Law. Implementation evidence is used to continue to improve the Investment Law's content, application, and implementation.

I05 EMPOWERMENT

Policy dialogue on the Investment Law is inclusive and participatory. Policy analysis identifies and addresses potential differential impacts of the Investment Law on women, the poor, and other groups. GEDSI-transformative enterprises increasingly access investment financing.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government implements the incentive system designed in the Investment Law.

EOF02: PRIVATE SECTOR

Responding to the incentives in the new Investment Law, the private sector increases its investment.

→ Vision of transformation and RISE realised

IN.02

INTERVENTION

Support AFID and agri-food investment promotion

INTERMEDIATE OUTCOMES (IOS)

I01 POLICY

The government's capacity to provide AFID services is strengthened.

I04 FINANCE

AFID increasingly links potential investors to Cambodian enterprises.

I05 EMPOWERMENT

GEDSI-transformative enterprises have improved access to AFID information, business contacts and financing.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The government improves its implementation of the Agri-food Investment Desk (AFID).

EOF02: PRIVATE SECTOR

AFID mobilises increased investment in the agro-food sector.

→ Vision of transformation and RISE realised

IN.03

INTERVENTION

Support private sector investment readiness

INTERMEDIATE OUTCOMES (IOS)

I04 FINANCE

The capacity (investment readiness) of selected enterprises improves their management and performance, and these enterprises can better access investment financing.

I05 EMPOWERMENT

GEDSI-transformative enterprises have improved access to support for investment readiness, as well as access to investment financing.

END OF FACILITY OUTCOMES (EOFOS)

EOF02: PRIVATE SECTOR

CAPRED support for private sector investment readiness mobilises investment.

→ Vision of transformation and RISE realised

> Enterprise Development Portfolio



ED.01

INTERVENTION

Promote business formalisation

INTERMEDIATE OUTCOMES (IOS)

IO1 POLICY

The RGC has improved capacity to develop policies and processes that promote formal business registration. Systems and procedures are in place to provide improved access to, and the efficiency of, registration.

IO5 EMPOWERMENT

GEDSI-transformative enterprises have equal access to, and benefit equally from, formal business registration. Registration processes address the special needs of key sub-populations, including women, people with disabilities, etc.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Through policy, regulation, and promotion, positive incentives are created to promote business formalisation. The business formalisation process is accessible, timely, cheap, and efficient.

EOF02: PRIVATE SECTOR

The private sector increasingly registers their businesses formally, and benefits from doing so.

→ Vision of transformation and RISE realised

ED.02

INTERVENTION

Build the private sector business case for GEDSI investments

INTERMEDIATE OUTCOMES (IOS)

IO1 POLICY

The understanding and capacity of policy-makers and regulators around the business case for GEDSI have been strengthened through the provision of evidence.

IO2 MARKETS

The private sector has greater awareness of the business case for GEDSI, and this is reflected among market actors and with input and output supply chains.

IO4 FINANCE

Across the CAPRED portfolio, investors and suppliers of finance increasingly provide incentives for enterprises to adopt GEDSI-transformative business practices.

IO5 EMPOWERMENT

Through improved business practices, greater and more inclusive economic empowerment is achieved for marginalised groups due to the recognition of their value as viable and important economic actors.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Policy makers and regulators are aware of, and promote, the business case for GEDSI, by establishing, where relevant, a supportive, incentivised regulatory and enabling environment.

EOF02: PRIVATE SECTOR

The private sector adopts the business advantages of GEDSI and is motivated to further expand its application of inclusive approaches to business and sectoral development. The private sector increasingly invests in GEDSI initiatives to improve the workplace environment. An eco-system of GEDSI business development services is emerging.

→ Vision of transformation and RISE realised

ED.03

INTERVENTION

Support GEDSI-transformative enterprises' finance and investment readiness

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Various public-private platforms are supported/ encouraged/formed through CAPRED to promote dialogue and action around financial inclusion.

103 TECHNOLOGY

Public and private sector actors advance digital finance to enhance greater inclusion.

104 FINANCE

Financial products are tested and shown to be responsive to the needs of women, PWD and other marginalised groups; these products support profitable investment.

105 EMPOWERMENT

Improved access to finance contributes to the ability of women and other marginalised groups to expand their enterprises and to realise greater economic empowerment.

END OF FACILITY OUTCOMES (EOFOS)

EOFO2: PRIVATE SECTOR

Private sector financial actors are able to offer appropriate financial services and products that meet the needs of previously excluded groups.

→ **Vision of transformation and RISE realised**

> Water Portfolio



WA.01

INTERVENTION

Establish and implement a water development fund

INTERMEDIATE OUTCOMES (IOS)

I01 POLICY

Policy development capacity of the Water Development Fund (WDF) secretariat is strengthened and informs broader government water sector policy.

I02 TECHNOLOGY

New technologies, including those that are climate resilient, are adopted using WDF financing, including technologies tested by CAPRED (interventions WA.02.02 and WA.03) and those identified by other stakeholders.

I04 FINANCE

The WDF provides sustainable private sector financing for the water sector.

I05 EMPOWERMENT

Water providers adopt safeguards and management processes that promote GEDSI (opportunities and outcomes).

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The water sector is better regulated and coordinated. Water resource management ensures environmental sustainability; GEDSI is a key consideration in project selection; and WDF-generated policies are implemented across the sector.

EOF02: PRIVATE SECTOR

The WDF mobilises investment by private sector water operators; private sector water operations are financially viable; and the private sector is well organised and adopts standards/approaches that protect the reputation of the industry.

→ Vision of transformation and RISE realised

WA.02

INTERVENTION

Implement existing viability gap financing (VGF) contracts to continue gaining valuable field insight

INTERMEDIATE OUTCOMES (IOS)

I01 POLICY

VGF field lessons are used in policy dialogue with the WDF secretariat, including implementation lessons on GEDSI, climate and the environment.

I03 TECHNOLOGY

New technologies to improve financial and environmental sustainability are adopted through VGF projects, providing a demonstration effect.

I04 FINANCE

VGF models demonstrate financial sustainability and the ability to provide services that would otherwise be unviable.

I05 EMPOWERMENT

Using VGF, water providers adopt safeguards and management processes that promote GEDSI voice, opportunities, and outcomes.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The WDF implements national policies based on VGF evidence.

EOF02: PRIVATE SECTOR

VGF is adopted at scale (via the WDF), mobilising significant private sector investment.

→ Vision of transformation and RISE realised

WA.03

INTERVENTION

Pilot and scale new private sector investment models for rural piped water supply

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Field lessons on new models are used in policy dialogue with the WDF secretariat.

103 TECHNOLOGY

New technologies to improve financial and environmental sustainability are adopted through the new financing models.

104 FINANCE

Water providers using new models gain access to investment finance.

105 EMPOWERMENT

Using new models, water providers adopt safeguards and management processes that promote GEDSI voice, opportunities, and outcomes.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

The WDF finances (at scale) investment models based on CAPRED evidence and learning; policies are adopted that support more resilient, inclusive, and sustainable water resource management.

EOF02: PRIVATE SECTOR

New models are implemented at scale, mobilising significant private sector investment, leading to increased efficiency and professionalisation.

→ Vision of transformation and RISE realised

WA.04

INTERVENTION

Develop water sector capacity, especially regulatory functions

INTERMEDIATE OUTCOMES (IOS)

101 POLICY

Policy-making improves through better policy dialogues with private sector associations. Regulators have improved capacity to regulate the sector and enforce standards. Private water operators increasingly adopt self-regulation, promoted and supported by strong industry representation.

103 TECHNOLOGY

Private water operators are more able to adopt and sustain the efficient use of new technologies (through better management capacities). The public sector is able to use technology to better monitor the quality and compliance of operators with required standards.

105 EMPOWERMENT

With improved training and capacity, water providers better adopt safeguards and management processes that promote GEDSI (opportunities and outcomes).

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Improved regulatory capacity reduces investment risk; regulatory policies are more efficiently and effectively implemented due to improved regulatory capacity.

EOF02: PRIVATE SECTOR

Reduced investment risk mobilises sector investment. The private sector is increasingly able to implement its own industry standards.

→ Vision of transformation and RISE realised

> Energy Portfolio



EN.01

INTERVENTION

Build the foundations for future VRE integration into the grid

INTERMEDIATE OUTCOMES (IOS)

I01 POLICY

EDC has improved capacity to manage and integrate the grid for VRE generation, using data on supply, demand, costs, and future projections.

I02 MARKETS

Links between VRE technology providers and VRE investors are strengthened.

I03 TECHNOLOGY

VRE technologies are adopted by the private sector, encouraging innovation, cost reduction, and adoption of more environmentally sound technologies.

I04 FINANCE

Financing arrangements that support VRE investments are in place.

I05 EMPOWERMENT

GEDSI-transformative enterprises increasingly access VRE technologies.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

VRE is efficiently and safely integrated into the energy grid at competitive prices and under a sound regulatory regime.

EOF02: PRIVATE SECTOR

The private sector invests in VRE.

→ Vision of transformation and RISE realised

EN.02

INTERVENTION

Explore support for off-grid electricity and electronic vehicles

INTERMEDIATE OUTCOMES (IOS) AND END OF FACILITY OUTCOMES (EOFOS) UNDER DEVELOPMENT.

EN.03

INTERVENTION

Develop an ESCO market for energy audits (and potentially other services)

INTERMEDIATE OUTCOMES (IOS)

I01 POLICY

The capacity of the government to regulate energy audits is strengthened; the number and capacity of ESCOs to undertake energy audits and other energy support services increases.

I03 TECHNOLOGY

Energy consumers adopt technologies that improve their energy efficiency.

I04 FINANCE

Enforceable financing arrangements that support energy audits are in place; these distribute risks and benefits between the energy auditor and the energy consumer.

I05 EMPOWERMENT

ESCOs increasingly employ women auditors and managers. GEDSI-transformative enterprises increasingly access energy audits and other support services provided by ESCOs.

END OF FACILITY OUTCOMES (EOFOS)

EOF01: PUBLIC SECTOR

Standards, regulations and policies are implemented that promote the increased use of energy audits and energy advisory services.

EOF02: PRIVATE SECTOR

Enterprises (energy consumers) invest in, and implement, energy audits. A competitive, professional market for a full range of energy support services is in operation.

→ Vision of transformation and RISE realised

ANNEX 2: GEDSI INTEGRATION IN CAPRED INTERVENTIONS

CAPRED’s vision (Goal) of economic growth is one that creates opportunity for all segments of the population and distributes the dividends, both in monetary and non-monetary terms, fairly across society. The following table summarises GEDSI objectives, outcomes, and actions for each intervention in the CAPRED Strategy.

TABLE A2 INTEGRATION OF INCLUSION (GEDSI) IN ALL CAPRED INTERVENTIONS

Intervention	Inclusion Objective	Work Area Team Role	GEDSI Outcome	GEDSI Team Role
Policy Mainstreaming	Inclusive policy solutions	Policy development process is transparent and open to voices	Equitable spatial and demographic distribution of growth	<ul style="list-style-type: none"> • Provide capacity building/ advisory services for the policy team and their clients on promoting GEDSI in policy development. • Attend government meetings as needed. • Review design, planning, implementation and monitoring on a responsive basis.
Policy Platforms and Coordination	Inclusive platforms and coordination	Provide voice to diverse stakeholders	Cambodia is seen as a regional champion of inclusive growth attracting investment	<ul style="list-style-type: none"> • Provide capacity building/ advisory services for the policy team and their clients on supporting the ‘voice’ of marginalised people in policy platforms. • Support coordination as needed. • Review design, planning, implementation and monitoring on a responsive basis.
Inclusion in Climate Integration	Most impacted have a voice in policy and investment decisions	GEDSI-climate nexus embedded in all interventions	Improvements in climate change outcomes for the most vulnerable	<ul style="list-style-type: none"> • Collaborate with the climate team on the GEDSI-climate nexus. • Co-develop an approach or direction for CAPRED. • Work with the climate team to socialise for other work areas.
Inclusion in Climate Targeting	Increased and inclusive availability of climate finance		Green financing delivers a more equitable distribution of the benefits of growth	<ul style="list-style-type: none"> • Provide capacity building/ advisory services for the climate team on approaches to inclusion in green finance (improved access and share of benefits). • Review of design, planning, implementation and monitoring on a responsive basis.

Intervention	Inclusion Objective	Work Area Team Role	GEDSI Outcome	GEDSI Team Role
Inclusion in Agriculture Productivity	<p>Benefits of increased productivity reach poor and marginalised populations</p> <p>Women in farming households are empowered</p>	Support inclusive access to technologies and practices	<p>Improved social outcomes (health, education, social mobility)</p> <p>Women are equal partners in business and household decision-making</p>	<ul style="list-style-type: none"> • Provide capacity building/ advisory services for the agriculture team on promoting and supporting inclusion in access to technologies and practices. • Review of design, planning, implementation, and monitoring on a responsive basis.
Inclusion in Market Linkages	<p>Benefits of increased integration are equally distributed</p> <p>Women in farming households are empowered</p>	Develop inclusive linkages to upstream buyers	<p>Higher and more stable prices reduce poverty and vulnerability</p> <p>Women have equal participation in decision-making for investment, production, and marketing</p>	<ul style="list-style-type: none"> • Provide capacity building/ advisory services for the agriculture team on promoting and supporting inclusive market linkages. • Participate in private sector meetings on market linkages and sourcing from women entrepreneurs (as needed). • Review of design, planning, implementation and monitoring on a responsive basis.
Inclusion in Agricultural Finance	Finance is available on an inclusive and safe basis	<p>Ensure screening and appropriate risk sharing</p> <p>Improve access to insurance</p>	Harmful accumulation of debt/financial shocks are avoided	<ul style="list-style-type: none"> • Provide capacity building/ advisory services to the agriculture finance team on financial screening with a GEDSI lens. • Development of an inclusive screening tool. • Review of design, planning, implementation and monitoring on a responsive basis.
Inclusion in Value Addition	Women increasingly have the opportunity to own or run agro-processing and waste-recycling businesses	Stimulate demand for agricultural products of agro-processing businesses through value addition	Agro-processing and waste recycling sectors provide significant employment and business opportunities for women and the poor	<ul style="list-style-type: none"> • Provide capacity building on value addition and demand stimulation for women entrepreneurs to be conducted with the agriculture team or directly with women entrepreneurs. • Development of a value addition tool for the agriculture team to support women agro-entrepreneurs. • Review of design, planning, implementation and monitoring on a responsive basis.

Intervention	Inclusion Objective	Work Area Team Role	GEDSI Outcome	GEDSI Team Role
Inclusion in Demand-Driven Food Industry Services	Women increasingly have opportunities to own or run a business in the food processing sector	Promote a more customer-oriented service sector with viable products that meet the needs of diverse producers and customers Introduce GEDSI-transformative enterprise development	The food processing sector provides significant employment and business opportunities to women and the poor	<ul style="list-style-type: none"> • Provide capacity building on customer-oriented services for the team to conduct with women entrepreneurs (GEDSI and/or the agriculture team). • Development of a value addition tool for the agriculture team to support women agro-entrepreneurs. • Review of design, planning, implementation and monitoring on a responsive basis.
Inclusion in Expanding Trade	Trade is more spatially and demographically equitable	Build trading opportunities around a national reputation for socially equitable and responsible production and processing	The poor and marginalised have better access to opportunities, quality jobs, and income	<ul style="list-style-type: none"> • Provide capacity building/ advisory services on inclusive trade practices and policies. • Support for the trade team to integrate GEDSI into trading opportunities. • Review design, planning, implementation and monitoring on a responsive basis.
Inclusion in Investment Mobilisation	Increased investment creates growth that is more spatially and demographically equitable	All CAPRED teams	Increases in investment result in more equal access to business opportunities, quality jobs, and income	<ul style="list-style-type: none"> • Provide capacity building/ advisory services on inclusive investment. • Support for the investment team to deliver inclusive access to women and other marginalised groups. • Review of design, planning, implementation and monitoring on a responsive basis.
Inclusion in Business Formalisation				<ul style="list-style-type: none"> • Provide capacity building/ advisory services on inclusive approaches to business formalisation that meets the needs of women entrepreneurs • Support the business formalisation work and government discussions around inclusion. • Review of design, planning, implementation and monitoring on a responsive basis.

Intervention	Inclusion Objective	Work Area Team Role	GEDSI Outcome	GEDSI Team Role
Inclusion in Piped Water	Increased women and youth participation in the sector (as engineers, entrepreneurs, etc.)	Ensure GEDSI participation in decisions on system location and design	Access to clean water is inclusive, especially for the poor	<ul style="list-style-type: none"> • Provide capacity building/ advisory services to the piped water team on GEDSI participation in decision-making processes. • Participate in community meetings as needed. • Review of design, planning, implementation and monitoring on a responsive basis.
Inclusion in VRE	GEDSI-transformative enterprises have an equal opportunity to generate VRE		All households and businesses have improved (inclusive) access to cheaper, more reliable energy	<ul style="list-style-type: none"> • Provide capacity building/ advisory services on how to build opportunities and capacities for inclusion in VRE. • Directly build the capacity of women's (and other marginalised people's) enterprises or support the VRE team to do so. • Review of design, planning, implementation and monitoring on a responsive basis.
Inclusion in Energy Efficiency	Enhanced competitiveness attracts investment and offers improved energy efficiency for all	Facilitate improved access to energy audits, investment opportunities and energy efficient measures	Increased employment and income, particularly for women who dominate the workforce in agro-processing	<ul style="list-style-type: none"> • Provide capacity building/ advisory services on equal access to energy services and employment opportunities. • Work directly with or through the energy team to build awareness/ capacity of women in the energy sector. • Review of design, planning, implementation and monitoring on a responsive basis.

ANNEX 3: RELEVANT GOVERNMENT POLICIES TO WHICH CAPRED ALIGNS



POLICY HUB

1. The Rectangular Strategy 2018-2023 (RGC)
2. The Pentagonal Strategy-I 2023-2028 (recently released) (RGC)
3. National Strategic Development Plan 2019-2023 (there will be a new version) (RGC)
4. Cambodia Sustainable Development Goals Framework 2016-2030 (RGC)
5. Cambodia Industrial Development Policy 2015-2025 (there will be an updated version) (RGC)
6. Strategic Framework and Programs for Economic Recovery in the Context of Living with COVID-19 in a New Normal 2021-2023 (RGC)



CLIMATE CHANGE

1. Cambodia Climate Change Strategic Plan 2014-2023 (there will be an updated version) (RGC)
2. Long-Term Strategy for Carbon Neutrality (strategy to achieve a net zero emission by 2050) (RGC)
3. Cambodia's Nationally Determined Contribution to the United Nations Framework Convention on Climate Change (to be updated every five years) (RGC)



GEDSI

1. Neary Rattanak V: Five Year Strategic Plan for Strengthening Gender Mainstreaming and Women's Empowerment 2019-2023 (RGC)



AGRICULTURAL PRODUCTION AND SMES

1. National Policy for Agriculture Development 2022-2030 (RGC)
2. Strategic Plan for Agriculture Development 2019-2023 (RGC/MAFF)
3. Cambodia Strategic Development Plan for Agro-Industry 2019-2030 (RGC/MAFF)
4. Cambodia's Science, Technology, and Innovation Roadmap 2030 (RGC/MISTI)
5. Cambodia's Digital and Economic Policy 2021-2035 (RGC)



TRADE, INVESTMENT AND AGRI-FOOD INNOVATION

1. Cambodia Trade Integration Strategy 2019-2023 (RGC)
2. Cambodia's new Investment Law (promulgated in 2021) (RGC)
3. Cambodia's Free Trade Agreements (with China, Korea, RCEP, ASEAN Free Trade Area, etc.) (RGC)
4. National Cashew Policy 2022-2027 (RGC)



INFRASTRUCTURE AND INVESTMENT FINANCING

1. Power Development Master Plan 2022-2040 (RGC)
2. National Energy Efficiency Policy 2022-2030 (RGC)
3. Law on Management of Clean Water Supply (promulgated in 2023) (RGC)
4. National Policy on Water Supply and Sanitation (RGC)
5. National Strategy for Rural Water Supply, Sanitation and Hygiene 2011-2025 (RGC)

This document outlines the strategy for implementing the Cambodia Australia Partnership for Resilient Economic Development (CAPRED) Facility, a five-year initiative (2022–2027) with a possible three-year extension. CAPRED is Australia’s flagship economic development program in Cambodia. Funded by the Australian Government, CAPRED is implemented by Cowater International. Its focus is on resilient, inclusive, and sustainable economic development for Cambodia.





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