



USAID GREEN INVEST ASIA – CAMBODIA BUY-IN

Quarterly Progress Report January – March 2020

AID-486-C-17-00001

Submitted Date: April 30, 2020

Submitted by:

Christy Owen, Chief of Party

Pact, Inc.

1828 L St. NW. Suite 300

Washington, DC 20036

cowen@pactworld.org

This document was produced by Pact for review by the United States Agency for International Development Regional Development Mission for Asia (USAID RDMA).

TABLE OF CONTENTS

| | |
|---|----|
| ACRONYMS AND ABBREVIATIONS | 3 |
| 1. PROGRAM OVERVIEW | 4 |
| 2. CAMBODIA BUY-IN IMPLEMENTATION PHASE PROGRESS | 4 |
| 3. OPERATIONAL MANAGEMENT | 4 |
| 4. WORK PLAN PROGRESS | 4 |
| 4.1 Objective 1: Development of Green Bank and/or Climate Fund for Cambodia | 4 |
| A. Progress Narrative | 5 |
| B. Implementation Status and Challenges | 5 |
| 4.2 Objective 2: Development of investment pipeline of sustainable agriculture and forestry opportunities in Cambodia | 5 |
| A. Progress Narrative | 5 |
| B. Implementation Status and Challenges | 5 |
| 4.3 Objective 3: Integration of ESG into banking sector | 6 |
| A. Progress Narrative | 6 |
| B. Implementation Status and Challenges | 6 |
| 5. PERFORMANCE MONITORING INDICATOR UPDATE | 7 |
| 6. INTEGRATION OF CROSSCUTTING ISSUES AND USAID FORWARD PRIORITIES | 7 |
| 7. ADMINISTRATIVE/COORDINATION ISSUES AND ACTIONS TAKEN | 8 |
| 8. LESSONS LEARNED | 8 |
| 9. EVENT CALENDAR FOR NEXT QUARTER | 9 |
| Annex 1: MEL Year 1 Matrix (November 2019-September 2020) | 10 |

ACRONYMS AND ABBREVIATIONS

| | |
|--------|--|
| ABC | Association of Banks in Cambodia |
| ADB | Asian Development Bank |
| AFOLU | Agriculture Forestry and Other Land Uses |
| AmCham | American Chamber of Commerce |
| AFD | Agence française de développement/ French Development Agency |
| COP | Chief of Party |
| COR | Contracting Officer Representative |
| DCA | USAID Development Credit Authority |
| CSFI | Cambodian Sustainable Finance Initiative |
| ESG | Environmental, Social and Governance (performance) |
| ESMS | Environmental & Social Management System |
| E&S | Environmental and Social |
| FMO | Netherlands Development Finance Company |
| GCF | Green Climate Fund |
| GHG | Greenhouse gas emission |
| MEL | Monitoring, Evaluation and Learning |
| MNC | Multinational Corporations |
| MSP | Mekong Strategic Partners |
| IFC | International Finance Corporation |
| RDMA | Regional Development Mission in Asia (USAID) |
| SME | Small and Medium Enterprise |
| TA | Technical Assistance |
| USAID | United States Agency for International Development |
| USDA | United States Department of Agriculture |
| USFS | United States Forest Service |

I. PROGRAM OVERVIEW

| | |
|--------------------------------------|--|
| Program Name: | USAID Green Invest Asia, Cambodia |
| Activity Start and End Date: | November 01, 2019 to June 30, 2022 |
| Name of Implementing Partner: | Pact, Inc. |
| PAPA Number: | N/A |
| Subcontractors: | Mekong Strategic Partners (MSP) |
| Geographic Coverage: | Cambodia |
| Reporting Period: | January to March 2020 |
| USAID Activity Manager: | Suphasuk Pradubsuk, Program Specialist/COR |
| Agency Team Leader/Members: | Supattira Rodboontham, Strategic Information Specialist/Alt. COR |

2. CAMBODIA BUY-IN IMPLEMENTATION PHASE PROGRESS

In this reporting quarter, the following bullets highlight key activities and results of the USAID Green Invest Asia (the Activity) Cambodia buy-in program:

- “Business Opportunities in Agriculture” trade event with the US Embassy, American Chamber of Commerce in Cambodia, and other U.S. government agencies held on February 6-7, 2020, at Rosewood Hotel;
- Sustainable Finance Advisor, Kisa Giebink, on-boarded in Phnom Penh;
- Moved forward on Green Bank development through furthering discussions with investors and other key stakeholders;
- Engaged with Cambodian banks fitting our criteria for bank training, with commitments from one bank. We have begun implementing Sustainable Finance Principles and risk management protocols with Prince Bank;
- Developed tailored Environmental and Social Risk Management screening and risk grading tools, which will be embedded into banks’ internal lending processes.

3. OPERATIONAL MANAGEMENT

The Activity recruited [Ms. Kisa Giebink](#) as Sustainable Finance Advisor to support the Cambodia buy-in program. She will work closely with USAID Green Invest Asia’s Strategic Advisor, John McGinley, to coordinate and manage workplan activities supporting Environmental, Social and Governance (ESG) integration for select Association of Banks in Cambodia (ABC) member banks.

4. WORK PLAN PROGRESS

4.1 Objective 1: Development of Green Bank and/or Climate Fund for

Cambodia

A. Progress Narrative

This quarter, the Activity engaged key investors to begin gauging interest, soliciting investor feedback and building consensus on the preferred operational and capital structure for the Green Bank/ Financing facility.

B. Implementation Status and Challenges

Identification of investors for the Green Bank

The Activity met with key investors including French Development Agency (AFD), Asian Development Bank (ADB), World Bank/International Finance Corporation (IFC), Netherlands Development Finance Company (FMO), Green Climate Fund (GCF), Macquarie Bank/Green Investment Group, Coalition for Green Capital, Norfund, and Finance in Motion to identify their interest in investing and to better understand their preferences for the Green Bank's operational and financial structure. These meetings informed conversations with the Royal Cambodian Government representatives (held as part of the readiness proposal development financed by the GCF) and will support future business planning and structure decisions. The Activity developed key communication materials, including an opportunity teaser for investors and a call for green investment projects.

Identification of potential options for operational and financial structure of Green Bank

Initial research and discussions on the Green Bank's structure informed financial models for potential structures. Preferences of GCF accredited entity investors are key as there must be one accredited entity, as designated by the GCF, as lead investor for the Green Bank/financing facility.

4.2 Objective 2: Development of investment pipeline of sustainable agriculture and forestry opportunities in Cambodia

A. Progress Narrative

This quarter, the Activity expanded the number of active projects in Cambodia by 40 percent since last quarter and initiated a new bank-focused strategy of pipeline development.

B. Implementation Status and Challenges

Identification of agriculture and forestry investment opportunities

During the quarter, Mekong Strategic Partners (MSP) researched the potential for the Green Bank/Financing Facility to facilitate the issuance of a sustainable land use bond or carbon-linked debt instrument by the Government of Cambodia. This possibility will be furthered in Q3 of Year-1 through discussions with the Royal Government of Cambodia and other key stakeholders. This activity is both a pipeline development activity and part of the business planning for the Green Bank.

Agriculture and trade event

USAID Green Invest Asia co-organized a two-day Agriculture and Trade event with the U.S. Embassy in Cambodia, the American Chamber of Commerce in Cambodia, U.S. Department of Agriculture, and the U.S. Commercial Service. A delegation of U.S. companies met with key Government of Cambodia decision-makers, business leaders in Cambodia, gaining a greater understanding of food and agriculture market challenges and opportunities. The Activity hosted sessions focused on sustainable agriculture sourcing and investment in Cambodia, and networking lunch groups. A total of 102 (76 male and 26 female) people attended the panel

discussion “Business Opportunities in Cambodia's Agriculture Sector” organized and moderated by USAID Green Invest Asia for the second day of the event.

4.3 Objective 3: Integration of ESG into banking sector

A. Progress Narrative

This quarter, the Activity continued to support ABC’s planning, assisting the ABC Cambodian Sustainable Finance Initiative sub-committee in transitioning to a remote meeting format. Bank training was initiated; discussions with banks were initiated and training tools, templates and plans were developed.

B. Implementation Status and Challenges

ABC capacity development

The Activity supported ABC, participating in each monthly meeting in January and February, while helping them develop an annual workplan, build a workshop schedule, and plan the first sustainable finance forum, tentatively scheduled for Q4, to raise awareness about sustainable finance and financial inclusion in Cambodia. The forum will be open to all banks, both local and international, operating in ASEAN countries. It is anticipated that the forum will be co-financed by USAID Green Invest Asia with the AFD and/or IFC also contributing. However, travel restrictions due to COVID-19 may push this event into late Year 4.

Due to COVID-19, the ABC Cambodian Sustainable Finance Initiative sub-committee canceled its March meeting and plans to organize the April meeting remotely. The Activity assisted ABC in testing and selecting a tele-conferencing platform to be able to proceed with training activities.

ESG training of key bank partners

This quarter, the Activity initiated discussions with Chip Mong Bank, Prince Bank, Vattanac Bank and J Trust Royal Bank to work with their teams to implement Environmental and Social (E&S) risk management. These connections were based on demand (willingness of the banks to implement E&S policies) and their alignment with the requirements designated in the previous quarter, to ensure meaningful impact on Cambodia’s financial sector. An MOU was signed with Prince Bank and conversations advanced with J Trust Royal with a draft MOU sent for review.

In parallel, the Activity began developing tools, templates and training materials ahead of the training to be carried out in Q3 2020. There is no official template for an Environmental & Social Management System (ESMS) as defined by the regulator. However, it is recognized that an ESMS typically includes the following:

- E&S policy;
- Screening and risk categorization tools;
- E&S due diligence and sectoral assessment guidelines;
- Integrated E&S procedures with associated roles and responsibilities;
- Guidelines to draft an E&S action plan with the client that includes a monitoring and reporting format.;
- Specific contractual clauses for E&S conditions in the loan contract;
- E&S opportunity identification guide (optional).

The tools are being developed based on internationally recognized guidelines of development finance institutions such as International Finance Corporation (IFC), Asian Development Bank (ADB), World Bank, Dutch

Development Bank (FMO), and European Bank of Reconstruction and Development (EBRD), among others. A short-term gender specialist has been engaged to advise and integrate gender considerations into the ESMS. The ESMS will evolve with an institution, increasingly defining its policy and position on key topics as well as a more and more granular approach to E&S risk assessment and management. It is also expected the expert will support drafting gender policy that may be incorporated into bank policies.

This quarter, the Activity drafted an activity plan to be carried out in the training of banks. USAID Green Invest Asia’s role is to:

- Identify and engage banks (through the ABC) interested in developing an ESMS to improve their E&S performances;
- Conduct a diagnostic of banks’ current E&S policies and procedures;
- Draft E&S risk management tools and templates for participating banks;
- Train banks on E&S risk management;
- Introduce tools at banks and support the customization process, and;
- Follow up implementation.

5. PERFORMANCE MONITORING INDICATOR UPDATE

The Activity has drafted the monitoring, monitoring and learning (MEL) plan for the Cambodia buy-in. The plan is expected to be finalized in the next quarter.

6. INTEGRATION OF CROSSCUTTING ISSUES AND USAID FORWARD PRIORITIES

The Activity continues to integrate its initiatives with USAID forward priorities, as presented in the following table:

| Cross-cutting USAID themes | Yes/ No | If yes, explain |
|-----------------------------------|----------------|---|
| Science and Technology | N/A | Not within scope of USAID Green Invest Asia. |
| Innovation partnership | N/A | Not within the scope of USAID Green Invest Asia. |
| Gender and social inclusion | Yes | Incorporation of gender and social inclusion in due diligence assessments with potential partners and inclusion of gender in promotion of ESG. |
| Sustainability mechanisms | Yes | Continuously supporting SMEs and MNCs to develop their sustainable business plans, and investors in their environmental, social and governance policies and strategies at portfolio level; TA to businesses |

| | | |
|--|-----|---|
| | | to enhance sustainable production of agriculture and forestry commodities. |
| Environmental compliance | Yes | The Activity conducts robust environmental screening of all pipeline opportunities. |
| Global climate change | Yes | Directly supporting investments that reduce emissions and/or increase carbon sequestration; GHG emissions as a key screening criterion; rapid assessment of potential GHG emission by the businesses at due diligence stage, and; detailed assessment at the project-scoping phase. |
| Policy and governance support | N/A | Not within the scope of USAID Green Invest Asia. |
| Local capacity development | N/A | Not within the scope of USAID Green Invest Asia. |
| Public private partnership (PPP) and global development alliance (GDA) impacts | N/A | Not within the scope of USAID Green Invest Asia |
| Stakeholder participation and involvement | Yes | No activity to report this quarter, although within the approach of USAID Green Invest Asia |
| Biodiversity, ecosystems and ecosystem services | No | Primary focus on carbon sequestration environmental services. |
| Food security | Yes | Working to increase sustainable agricultural productivity. |

7. ADMINISTRATIVE/COORDINATION ISSUES AND ACTIONS TAKEN

| | COR/Activity Manager Comments | Resolutions/Actions Taken |
|-------------------------------|--|--|
| Last Quarter Report | No comments | |
| Current Quarter Report | Administrative/Coordination Issues COVID-19 has made relationship development and bank training difficult to implement. With remote work encouraged in Cambodia and financial actors focused on mitigating COVID-linked economic slowdown, environmental and social risk management is not a current priority. | Resolutions/Actions Taken Current workshops and training plans with the key partners engaged (ABC, J Trust Royal, and Prince Bank) are set to proceed as previously intended but shifted to online delivery. |

8. LESSONS LEARNED

- The Activity's work on bank training this quarter focused on preparing materials and developing relationships with banks. In the next quarter we are well-positioned to execute the first trainings, developing a model for future work with banks and actively implementing the Cambodian Sustainable Finance Principles.

9. EVENT CALENDAR FOR NEXT QUARTER

The following events will be organized and managed either online or through other alternative tools as appropriate until the mobility is restricted because of COVID-19.

- Carbon footprint seminar for the ABC members on May 13th;
- Gender orientation – the importance and value of banks understanding and mainstreaming gender considerations into own operations and lending activities as part of the targeted ESG work;
- Stakeholder workshop for Green Bank including the Royal Government of Cambodia officials, accredited investors and local and international organizations in the green space, and;
- Launch E&S training with three banks.

Annex 1: MEL Year 1 Matrix (November 2019-September 2020)

| Activity | Who | Quarter | | | | Milestone | Output |
|--|-----|---------|---|---|---|--|--|
| | | 1 | 2 | 3 | 4 | | |
| Objective 1: Development of Green Bank/Climate Fund for Cambodia | | | | | | | |
| <i>IR 1.1:</i> | | | | | | | |
| <u>Activity 1.1:</u> Identify investors for Green Bank/Climate Fund | | | | | | Meet with potential investors and present business ideas | MSP met with key investors including AFD, ADB, World Bank / IFC, FMO, Green Climate fund, Macquarie Bank / Green Investment Group, Coalition for Green Capital, Norfund, Finance in Motion |
| <u>Activity 1.2:</u> Identify options for the operational and financial structure of Green Bank/Climate Fund | | | | | | Develop an operational and financial plan | Discussions with investors and the Government of Cambodia officials including a kickoff meeting with the Ministry of Environment. |
| <u>Activity 1.2:</u> Develop a business plan for operational requirements to establish Green Bank/Climate Fund | | | | | | Development of a business plan | No significant activity to report this quarter |
| <u>Activity 1.3:</u> Provide technical assistance to enable the deployment of finance for low-carbon investments | | | | | | A pipeline of company development targeting to Green Bank | No significant activity to report this quarter |
| Objective 2: Development of investment pipeline of sustainable agriculture and forestry opportunities in Cambodia | | | | | | | |
| <i>IR 2.1:</i> | | | | | | | |
| <u>Activity 2.1:</u> Identify sustainable agriculture and forestry investment opportunities (Regional) | | | | | | Continued identification of companies for regional program, and potential for Green Bank | Regional |
| <u>Activity 2.2:</u> Provide technical assistance to companies for developing financing proposals | | | | | | MOUs with companies | Regional |

| | | | | | |
|---|--|--|--|--|---|
| (Regional) | | | | | |
| <i>Sub- Activity 2.2.1:</i> Conduct scoping visits and develop project concept notes | | | | Completion of company due diligence | Regional |
| <i>Sub- Activity 2.2.2:</i> Provide business and financial advisory services | | | | Business readiness for sustainable business investment | Regional |
| <i>Activity 2.3:</i> Support companies in designing sustainability plans for pre-investment. (Regional) | | | | Companies with sustainability plans | Regional |
| <i>Activity 2.4:</i> Organize and support Annual Agriculture Trade event with US Embassy (Cambodia buy-in) | | | | One event completed | “Business Opportunities in Agriculture” trade event with the US Embassy, Amcham, and other U.S. government agencies completed on February 6-7, 2020, at Rosewood Hotel. |
| Objective 3: Support integration of ESG into Banking Sector | | | | | |
| <i>IR 3.1:</i> | | | | | |
| <i>Activity 3.1:</i> Develop and implement workplan of capacity activities for the ABC in coordination with AFD and IFC | | | | Workplan complete | Meetings continued and planning is in progress. |
| <i>Activity 3.2:</i> Conduct training of key bank partners on ESG framework and monitoring of investments | | | | Training completed/ people trained | An MOU was signed with Prince Bank and discussions advanced with J Trust Royal. Training of these two banks will be initiated in Year 1, Q3. |
| <i>Sub- Activity 3.2.1:</i> Engage member banks in Cambodia | | | | Banks selected for in-depth training | An MOU was signed with Prince Bank and discussions advanced with J Trust Royal. |
| <i>Sub-Activity 3.2.2:</i> Develop materials and provide training for banks | | | | Training materials developed | <ul style="list-style-type: none"> Training activities and methods were developed, resulting in an anticipated schedule and set of activities to be carried out with selected banks. |

| | | | | | | |
|--|--|--|--|--|--|---|
| | | | | | | <ul style="list-style-type: none"> Drafts were made of an excel E&S risk management tool, diagnostic tool, E&S Policy Template, Workshop 1 materials (Introduction to Environmental and Social Risk Management). |
| <i>Activity 3.3:</i> Pilot Sustainability Linked-Loan for Cambodian SMEs | | | | | SME pilots with sustainability linked-loan | Activity anticipated in Year 2 |
| <i>Activity 3.4:</i> Effective monitoring of GHG impact of investments established | | | | | Financial institutions are trained on GHG measurement and monitoring | Activity anticipated in Year 2 |