



# Initial Poverty and Social Analysis

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June 2018

## Cambodia: Agricultural Value Chain Infrastructure Improvement Project

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 5 June 2018)

Currency unit	–	riel (KR)
KR1.00	=	\$0.000242
\$1.00	=	KR4,115

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
MAFF	–	Ministry of Agriculture, Forestry and Fisheries
SME	–	small and medium-sized enterprise
TRTA	–	transaction technical assistance

## **NOTES**

In this report, "\$" refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

<b>Country:</b>	Cambodia	<b>Project Title:</b>	Agricultural Value Chain Infrastructure Improvement Project
<b>Lending/Financing Modality:</b>	Project loan and grant	<b>Department/Division:</b>	Southeast Asia Department/Environment, Natural Resources and Agriculture Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The project will support the national strategy and long-term goals to achieve economic growth and reduce poverty through agricultural commercialization and modernization, particularly value chain development of selected agricultural products. The project will contribute to reduction of rural poverty within the target provinces, which are home to about 30% of the country's population, by enabling smallholder farmers and small and medium-sized enterprises (SMEs) to benefit from higher value addition of agricultural products through improved production, storage, grading, cleaning, processing, and marketing. The project will support ADB's country partnership strategy for Cambodia through agricultural commercialization, rural development and infrastructure while supporting private sector development.

#### B. Poverty Targeting:

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

About 90% of the poor people in Cambodia reside in rural areas. Within the six target provinces, the average level of poverty recorded in 2016 was 21.9% which is higher than the national average, with two of the targeted provinces in the northwest (Oddar Meanchey and Preah Vihear) recording poverty levels of about 28%. The poorer smallholder farmers will be enabled to derive benefit from the higher value addition of agricultural products, which will bring them better returns for their products through improved marketing opportunities and higher prices.

#### C. Poverty and Social Analysis

**1. Key issues and potential beneficiaries.** The key determinants of poverty in Cambodia are low education, small landholdings, low crop yields, lack of credit and limited skills in agribusiness. Poorly operating agricultural infrastructure and inadequate markets further exacerbate poverty. The potential beneficiaries are the rural communities within the target provinces, almost all of whom depend on agriculture as their primary source of livelihood and many of whom are highly vulnerable to economic shocks and other natural disasters on their agricultural production. Farmers require reliable access to markets and stable prices for their products, and greater awareness of and improved access to marketing information. The primary beneficiaries will be smallholder farmers, livestock raisers, rural women involved in farm and off-farm production. The secondary beneficiaries will be agribusinesses, processors and traders and other service related stakeholders within the selected value chains who will gain improved access to better quality agricultural products and thereby gain the opportunity to expand their own businesses.

**2. Impact channels and expected systemic changes.** The absence of value chains for almost all agricultural products, with the possible exception of rice, is a binding constraint for farmers who receive low farm-gate prices and for agribusinesses engaged in processing and trading who experience difficulties in gaining access to reliable supplies of quality agricultural products. The project's social impacts are positive, with the only potential negative impact being minor land acquisition for road and canal construction or rehabilitation, most of which will likely be voluntary donation. The strengthened farmer organizations or agricultural cooperatives and better farming techniques, will ensure more reliable incomes and food security. Moreover, the enhanced value chains will generate employment for both skilled and unskilled labor. Through application of a private sector driven approach, the poor households will be able to increase their cash incomes through farm labor while women will benefit from increased demand for their farming skills. The project will strongly promote agricultural diversification and the increased production of alternative crops during the dry season will create opportunities for market sales as well as improved household nutrition. Increased rural household's incomes will provide additional cash for school and health costs. Better quality agri-food products will attract traders into the area. The participation of farmers and other stakeholders will improve through better communication, accountability and information sharing by the farmer organizations or agricultural cooperatives and provincial and district government staff.

**3. Focus of (and resources allocated in) the transaction technical assistance (TRTA) or due diligence.** The TRTA will improve the project design to ensure that during implementation (i) poor and vulnerable rural households benefit from the project; (ii) benefits for and participation of women (through a gender action plan) be achieved; and (iii) local farmers be empowered by strengthening farmer organizations or agricultural cooperatives. The TRTA will conduct financial and integrity due diligence of participating financial institutions. The TRTA will include an international social development and gender specialist and a separate national social development specialist and gender specialist to prepare the summary poverty reduction and social strategy. International and national social safeguards specialists will also be engaged under the TRTA to develop the social safeguards documents in accordance with ADB Safeguard Policy Statement 2009 and relevant government rules and regulations.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this Project?

In Cambodia, women play important roles in all aspects of farming, and some of them own and operate household businesses; yet they are not generally included in decision making processes within civil society. Women have less access to marketing information and are frequently unable to participate fully due to the lack of experience, lower levels of literacy and limited mobility. Female headed households are generally the poorest, most marginalized and most vulnerable group. Within the Ministry of Agriculture, Forestry and Fisheries (MAFF), as well as other line ministries, at both national and sub-national levels it is rare to find women occupying senior managerial positions. The TRTA will collect data to determine gender targets for training activities and develop design features to ensure that the project contributes to gender equality within the value chains that are supported. It will identify gender issues specific to both production and post-harvest phases of the value chains and identify the opportunities for women's participation at each stage.

2. Does the proposed Project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes     No    Please explain.

The project will improve the livelihoods of all those engaged at each stage within the value chains by (i) creating employment opportunities for women throughout the value chains; (ii) empowering both men and women smallholder farmers and increasing the sustainability of their farming systems; (iii) supporting the involvement of women in managing the affairs of farmer organizations or agricultural cooperatives; and (iv) promoting women-owned and managed SMEs engaged in processing and trading of agricultural products. During the TRTA a gender action plan will be prepared to ensure that (i) women benefit from employment opportunities; (ii) women receive appropriate capacity development and specific roles for them are identified within the value chains; and (iii) specific targets are set for minimum levels of participation by women in all training activities.

3. Could the proposed Project have an adverse impact on women and/or girls or widen gender inequality?

Yes     No

4. Indicate the intended gender mainstreaming category:

GEN (gender equity)                       EGM (effective gender mainstreaming)  
 SGE (some gender elements)         NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the Project, including beneficiaries and negatively affected people? Identify how they will participate in the Project design.

The main stakeholders will be smallholder farmers, the entrepreneurs who establish and operate the SMEs engaged in processing and trading of agricultural products within the selected value chains, and district and provincial agricultural extension staff. Participating financial institutions will benefit from the project through increased access to finance and strengthened credit underwriting and monitoring capacity to successfully cater to farmers and agribusiness needs. The consumers of agri-food products will benefit from consistently better quality and safer products. During the TRTA a consultative process will be used to identify the specific value chains to support and a wide cross section of local stakeholders will have the opportunity to contribute their knowledge.

2. How can the Project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the Project design require participation of the poor and excluded?

The project is concerned with establishing inclusive value chains with higher value addition for the selected agricultural products which will benefit smallholder farmers. The five target provinces have an average poverty rate that exceeds the national average. Smallholder farmers are among the poorest of the community and they will be engaged in the agribusiness value chains to achieve maximum supply effectiveness and will catalyze the emergence and growth of competitive agribusinesses. During the TRTA, vulnerable groups at risk of being excluded from benefitting from the project due to lack of financial, human and/or social capital will be consulted to ensure that their needs are also reflected.

3. What are the key, active, and relevant civil society organizations in the Project area? What is the level of civil society organization participation in the Project design?

**N**  Information generation and sharing    **H**  Consultation    **N**  Collaboration    **N**  Partnership

The key groups relevant to the project are the farmer organizations or agricultural cooperatives which are all registered under the MAFF Department of Cooperatives; local nongovernment organizations that are engaged in supporting improved livelihoods through agricultural production enhancement; commune councils and village leaders under the decentralization program of the Ministry of Interior. Business oriented nongovernment organizations and other local institutions may be engaged as service providers to support the project.

4. Are there issues during Project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes     No

During the TRTA there will be consultations with poor and vulnerable households to identify their potential roles in the project design and to ensure the removal of barriers to their participation and benefits from the project and a strategy for capacity strengthening of farmer organizations and/or agricultural cooperatives will be developed.

<b>IV. SOCIAL SAFEGUARDS</b>
<p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the Project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  The project will not involve involuntary land acquisition resulting in physical or economic displacement. There will be two investment activities that could potentially trigger ADB's Safeguard Policy Statement (2009) requirements on involuntary resettlement. One is construction and rehabilitation of farm-to-market roads (sector loan approach) and the other is construction or rehabilitation of public markets (project loan approach). The TRTA will confirm any potential involuntary resettlement impact and prepare relevant safeguard documents.</p> <p>2. What action plan is required to address involuntary resettlement as part of the TRTA or due diligence process?  <input checked="" type="checkbox"/> Resettlement plan <input checked="" type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix  <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None  A resettlement framework for the sector lending approach and an environmental and social management system arrangement for output 1 (financial intermediation lending approach) will be prepared during the TRTA. Resettlement Plan (for category B) or Due Diligence Report (for Category C) will be prepared for the sample subprojects that will be appraised before project approval as well as for the project lending approach.</p>
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed Project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  The project may impact ethnic minorities in the project provinces and thus may trigger ADB's Safeguard Policy Statement (2009) requirements on indigenous peoples. The impact anticipated will be positive rather than negative. This will be verified during the TRTA.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the Project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  Special attention will be given during planning and implementation of commune development model and training programs to ensure (i) ethnic minority people are accorded the same opportunity to participate in planning and training programs; (ii) ethnic minority people receive equitable access to inputs and credit, livelihood opportunities, and social services; and (iii) indigenous knowledge and practice is utilized in designing training programs.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the TRTA or due diligence process?  <input checked="" type="checkbox"/> Indigenous peoples plan <input checked="" type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix  <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None  The TRTA will prepare an ethnic minority peoples plan for the overall project, an environmental and social management system arrangement for output 1 (financial intermediation lending approach), and an ethnic minority (indigenous peoples) planning framework for output 3 (farm-to-market road construction and/or rehabilitation).</p>
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the Project design?  <b>H</b><input checked="" type="checkbox"/> Creating decent jobs and employment <b>L</b><input type="checkbox"/> Adhering to core labor standards <b>L</b><input type="checkbox"/> Labor retrenchment  <b>L</b><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <b>L</b><input type="checkbox"/> Increase in human trafficking <b>L</b><input type="checkbox"/> Affordability  <b>L</b><input type="checkbox"/> Increase in unplanned migration <b>L</b><input type="checkbox"/> Increase in vulnerability to natural disasters  <b>L</b><input type="checkbox"/> Creating political instability <b>L</b><input type="checkbox"/> Creating internal social conflicts  The project will provide good opportunities for job creation through the expansion of processing, storage, marketing activities of the SMEs who partner with the farmer organizations or agricultural cooperatives.</p> <p>2. How are these additional social issues and risks going to be addressed in the Project design?  The project will create opportunities for both long and short-term employment, as well as contract farming arrangements that are equitable and following international best practices and standards. The TRTA will design activities that ensure national and, as far as possible, international labor standards are a condition of work, civil works, and other contracts.</p>
<b>VI. TRTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<p>1. Do the terms of reference for the TRTA (or other due diligence) contain key information needed to be gathered during TRTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the TRTA or due diligence?  The TRTA will include an international (2 person-months) and a national (3 person-months) social safeguards specialists, an international (4 person-months) social development and gender specialists, a national (3 person-months) social development specialist, and a national (3 person-months) gender specialist. The TRTA will also support social surveys and consultations and workshops.</p>