

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC8263

<b>Project Name</b>	KH-Land Allocation for Social and Economic Development Project II (P150631)
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Country</b>	Cambodia
<b>Sector(s)</b>	General agriculture, fishing and forestry sector (60%), Sub-national government administration (20%), Rural and Inter-Urban Roads and Highways (20%)
<b>Theme(s)</b>	Rural services and infrastructure (60%), Land administration and management (20%), Participation and civic engagement (20%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P150631
<b>Borrower(s)</b>	KINGDOM OF CAMBODIA
<b>Implementing Agency</b>	Ministry of Land Management, Urban Planning and Construction, Ministry of Interior, Ministry of Agriculture, Forestry and Fishery (MAFF)
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	26-Aug-2014
<b>Date PID Approved/ Disclosed</b>	27-Aug-2014
<b>Estimated Date of Appraisal Completion</b>	06-Oct-2014
<b>Estimated Date of Board Approval</b>	11-Dec-2014
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Cambodia has experienced remarkable economic growth and macroeconomic stability over the past years. Its growth rate has averaged 8 percent per annum during the ten-year period covering 2002 – 2012, ranking the 14th fastest real GDP growth in the world over that period. Per capita income in current prices has doubled over the past decade, reaching US\$1,036 in 2013 from US\$367 in 2003. As a result, the poverty rate has decreased by more than half over seven years from 53.0 percent in 2004 to 20.5 percent in 2011, surpassing all expectations and far exceeding the country's Millennium Development Goal (MDG) poverty target. This performance has been achieved after Cambodia managed its historical transition from a planned economy toward a market-based

economy, and ended its two-decade long conflict. Cambodia's openness began with its membership in the Association of Southeast Asian Nations (ASEAN) in 1999 and its accession to the World Trade Organization (WTO) in October 2004.

In 2013, Cambodia's economic growth is estimated to reach a six-year high of 7.4 percent, despite the adverse effects posed by post-election political uncertainty and labor unrest. This growth has been led by the acceleration of garment exports, continued growth in tourism, and sustained agricultural growth. The external sector improved in 2013 and the current account deficit (excluding official transfers) is estimated to reach 9.4 percent of GDP, compared with 10.1 percent of GDP in 2012. Inflows of foreign direct investment have continued but, given the uncertainty, 2013 inflows are estimated to be below their 2012 peak of US\$1.4 billion. Gross international reserves increased marginally, reaching US\$3.6 billion or 3.8 months of imports in 2013. The nominal exchange rate remains stable against the US dollar, hovering Cambodian Riel (CR) 4,000 per US dollar. Inflation continues to be subdued although it rose marginally to 4.7 percent year-on-year at the end of 2013, up from 2.5 percent at the end of 2012. Financial deepening continues but the gap between credit and deposit growth rates has widened, reducing bank liquidity. Government revenue growth has moderated, resulting in a slight increase in the fiscal deficit in 2013. The latest joint World Bank/IMF debt-sustainability analysis (DSA) conducted in 2013 shows that Cambodia's debt-distress rating remains low. The stock of Cambodia's external debt is estimated to reach US\$5.1 billion or 32.8 percent of GDP at the end of 2013.

While there has been very significant economic progress, Cambodia is still one of the poorest countries in Southeast Asia. Despite the large poverty reduction, these hard won gains are fragile. The vast majority of the families who were lifted out of poverty were only by a small margin, implying that those families moved from being poor to being just near-poor and are still at high risk of falling back into poverty. For example, the loss of just 1,200 riel per person per day in income (about US\$0.30) would throw an estimated three million people back into poverty.

### **Sectoral and Institutional Context**

The Cambodian Constitution (1993) guarantees the right to private property, including full ownership of land to Khmer citizens. The Land Law (2001) provides the legal basis to achieve legal recognition of ownership rights to land. The 2002 Interim Paper on Strategy of Land Policy Framework, the 2003 Policy Paper on Social Concessions in the Kingdom of Cambodia and the 2009 Declaration of the Royal Government on Land Policy underline the importance of distribution of state lands to landless and land poor households. The government's national development strategy, the Rectangular Strategy for Growth, Employment, Equity, and Efficiency recognizes land reform as a priority for growth in the agricultural sector, and targets for land reform and distribution are set in the National Strategic Development Plan 2009-2013.

Improving access to agriculture and residential land remains a key issue in Cambodia's development agenda as 80% of the total population live in the rural areas. Cambodia's poor people who lived under US\$1.15 per day was about 3 million and the near-poor who lived under US\$2.3 per day was about 8.1 million in 2011, with about 90 percent of them living in rural areas. The majority or 66 percent of the rural population depends on agriculture for their livelihood, however more than 10 percent are landless and a large share of the rural population farms less than 0.5 ha which on average provides for less than half of the basic nutritional needs for a typical rural family. Two thirds of the country's rural households still face seasonal food shortages each year. Improving productivity and increasing production are important issues for all of Cambodia's farmers.

The Land Allocation for Social and Economic Development (LASED) and associated JSDF-grant funded activities have been a cornerstone of Cambodia's Social Land Concession (SLC) Program. In addition to the "civilian" Social Land Concession Program, the government is also implementing a large-scale land distribution to demobilized soldiers. The program aims to transfer several hundred thousand hectares of private state land through SLCs to landless and land poor. Recipients are selected using the established poverty identification process (IDPoor), with beneficiaries being within the bottom 40% of the population. The government has recognized the significant and potential contribution of SLCs to poverty reduction and is committed to scaling up the program.

The process for updating of the Land Policy is ongoing and available drafts reiterate the importance of SLCs for poverty reduction and development. The land and services link is recognized, emphasizing the need for infrastructure development and (agriculture) livelihood support services. A renewed approach of state land identification and mapping has also been announced, in line with the objective to secure state assets. This will, in the medium and long term, open the door for new land allocation approach, including SLCs of different forms.

### **Relationship to CAS**

The LASED II Project is envisioned to make an important contribution to support the implementation of Cambodia's SLC Program through ensuring the sustainability of the activities which were started during the original pilot phase and to fine-tune and streamline implementation procedures which will be used by the government to scale-up the SLC Program using their own resources, and potentially under a larger World Bank support under the next Country Partnership Strategy.

The project is fully in line with the government policies and objectives laid out in the National Strategic Development Plan and the Rectangular Strategy. These policies stress the importance of distributing and using state lands for private and public purposes in a transparent and equitable manner that responds to the needs of the population.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The proposed project development objective (PDO) is to help improve agriculture-based livelihoods for project beneficiaries.

### **Key Results (From PCN)**

While the PDO of the original LASED Project reflected the pilot nature and the focus on testing and verifying the procedures for state land identification and SLC allocation and the selection of eligible land recipients, the PDO of LASED II Project reflects the need to enable land recipients to sustainably improve their welfare through the use of their new resources. It is expected that the project's focus on improving livelihoods will allow the land recipients to escape poverty and participate in the development of their villages and communes and in sharing the outcomes of these welfare gains. In this regard, the key results the project expects to achieve are as follows:

- a) Necessary support systems for agriculture development in SLC areas are identified and tested - the project will identify the necessary multi-stakeholder, and pluralistic service delivery systems that can help land recipients establish sustainable, agriculture-based livelihoods. Involvement, cooperation and coordination among, but not limited to the following stakeholders

will be facilitated, i.e., public and private sector actors, government and NGOs, individual beneficiaries and interest groups. The project will also engage the Ministry of Agriculture, Forestry and Fisheries (MAFF) as an implementing partner to strengthen the design and delivery of agricultural technical assistance and extension services and ensure that experiences from other government-implemented projects will feed directly into the projects approaches.

b) Basic infrastructure provision in the project communities has been completed - some of the SLC communities that would be covered by the project have not yet benefitted from infrastructure investments and therefore lack basic infrastructure support. In this regard, the project will provide roads, access tracks, water supply, schools and health centers which are necessary for a functioning local community. The project will also work with KfW to ensure complementarity of infrastructure investments in the project sites.

c) Livelihood improvements for land recipients are sustainable - targeted in-kind and cash support to ensure food security and improve livelihood opportunities will be provided to beneficiaries to improve their socio-economic well-being. Such support will help address their daily food requirements and provide primary income sources, especially during the settling-in period.

### **III. Preliminary Description**

#### **Concept Description**

The project is proposed to cover a total of 15 SLC sites in provinces of Kratie, Kampong Cham, Kampong Chhnang, Kampong Thom, Kampong Speu and Battambang. These include the existing eight (8) LASED and six (6) JSDF-funded sites, as well as one (1) new/additional SLC site in Kampong Thom Province. The total area is proposed to cover approximately 17,000 hectares with 5,400 households. The project activities and interventions are expected to focus on the: (a) scaling up of agricultural support activities and provision of remaining infrastructure in the existing SLC sites; and (b) development of the new SLC which includes planning and provision of social and rural infrastructure and service delivery. Its main purpose is to provide infrastructure where it is still missing, link up to and harmonize the agricultural service delivery approaches under the project with national research and extension systems and scale up livelihood support activities to project beneficiaries. The service delivery approaches that will be adopted under the project will build on the lessons learned and experiences of pilot approaches implemented under the original/pilot projects that have shown the most development potential. These, combined with increasing government capacity in decentralized planning and implementation and secure land tenure for eligible households, will ensure sustained benefits from the scaled-up activities under the project.

The project will have two components and will be implemented over a five-year period.

Component 1, Infrastructure and Livelihood Systems will include three sub-components: (i) Social Land Concession Investment Planning and Prioritization; (ii) Infrastructure Development; and (iii) Agriculture and Livelihood Development. Component 2 will deal with related Project Management activities.

#### **1. Component 1: Infrastructure and Livelihood Systems (USD 22.5 million)**

a. Sub-component 1.1: Social Land Concession Investment Planning and Prioritization (USD2.5 million) - The sub-component would finance preparation of the additional SLC plan for the new site (land surveying, land use planning, processing of requests for land allocation, sensitization,

participatory review processes by communal authorities, land allocation and land demarcation), and related land titling process, which will include verification of eligible land recipients. The sub-component will also fund identification, prioritization and planning of appropriate investments in infrastructure development and service delivery, as well as related environmental and social safeguard assessments. This will include field and laboratory work for detailed site-specific Agro-Ecological Analysis (AEA) and water management and small-scale irrigation options so as to be able to provide with the best solutions to enhance their agricultural productivity.

The long-term sustainability of the land distribution and land management investments will be enhanced by supporting and linking project investments with the respective Commune Development Plans/Commune Investment Plans (CDPs/CIPs), which include budgeting, prioritization and identification of the post-project or complementary funding possibilities. To improve project-specific planning, the project will support the improvement of the project and SLC-related management information system. Evidence-based planning will ensure that government resources are effectively and efficiently deployed for the maximum benefit of land recipients and their communities.

b. Sub-component 1.2: Infrastructure Development (USD12.0 million) - The sub-component will cover additional infrastructure investments in existing SLCs (especially in 6 sites implemented through JSDF) and investments in the new SLC site. The specific investments would include: (a) initial land preparation of the SLC sites; (b) provision of settling-in assistance to land recipients; (c) development of productive community infrastructure (construction of rural roads, small-scale irrigation systems and rural water supply); and (d) construction of social community infrastructure, such as school buildings, teacher houses, health posts and community centers. The sub-component would support initial development of plots that are allocated to agricultural activities. This is an improvement from the original LASED approach where land development was left to recipients. The LASED Mid-Term Review pointed out that such capital-intensive land development works were often beyond the means of the land recipients thus resulting, in some cases, in delays in the utilization of the allocated land. In order to speed up the development of agriculture livelihood activities, the project would provide contract services for the initial land development/preparation services.

The provision of infrastructure assets under the project will continue to build on the established government decentralization process, which is based on the enhanced participatory planning and involvement of communities in the identification, prioritization and procurement of small-scale infrastructure and other investments through community participation processes. Community-level operation and maintenance (O&M) groups, assisted by Community Development Facilitators (CDFs) in each site, will support the process towards sustainability. Where feasible and economically warranted, the project will also support infrastructure provision where benefits might not exclusively occur to land recipients only. Benefit sharing would be improved in places where connecting roads could unlock communication and trade within communes. Support to small-scale irrigation development that could provide benefits beyond the land recipients will likewise be considered. Close coordination and cooperation will be pursued with KfW which will provide parallel funding to other infrastructures that would complement the project investments. The project team will also work closely with the implementing unit in the Ministry of Rural Development to ensure coherence with processes in planning and implementation.

c. Sub-component 1.3: Agriculture and Livelihood Development (USD8.0 million) - This sub-

component will fund the support for the consolidation and further improvement of agricultural production systems, livelihoods and food security of land recipients, including facilitation and provision of support services and technical assistance. Support will be provided for: (a) establishment and strengthening of agriculture cooperatives, savings and credit groups, production and marketing groups and other community interest groups; (b) establishment of demonstration plots and model farms; (c) provision of service and extension support following a pluralistic service provider approach; (d) provision of in-kind and cash support to strengthen successful local initiatives; and (e) linking SLC planning and implementation with the respective CDPs/CIPs. The sub-component will scale-up and deepen the delivery of agricultural advisory services for improved livelihood activities and food security of land recipients through community interest groups. Specific support will also be provided to female-headed households (34% of beneficiary households in the original LASED Project) through labor-saving production technologies, intensive home gardening and other techniques that address limited time and availability of labor. Core to this sub-component is the more intensive delivery of agriculture technology transfer and advisory services which builds and utilizes more pluralistic service delivery models and approaches through partnerships between government agencies and third party service providers (NGOs, private sector, machinery service providers, etc.).

Communities and farmers' groups will continue to be the main entry points for the implementation of the following activities under this sub-component: (a) introduction of modern agricultural production systems and technologies in crop and animal husbandry through on-farm demonstration and advisory activities; (b) farm management training; (c) better access to and use of means of production (inputs, mechanization services), including provision of hand tractors to farmers' groups, with farmers being assisted with small machinery services, that will facilitate land cultivation and transport activities; (d) establishment of market linkages with private sector traders and processors; and (e) support to savings and credit groups. The main delivery mechanism for the agriculture extension services will be Farmer Field Schools (FFS). This methodology follows government policies and the included pluralistic service provider approach.

The issues of access to finance will be addressed through establishment and strengthening of savings and credit groups. Support will be provided to encourage the establishment of savings and loan associations at the community level in order to foster the initial development of rural credit and help improve local farmers' access to financial capital. This will build on Cambodia's experience in rural credit and micro-finance, including as well the experience of the Project for Agriculture Development and Economic Empowerment (PADEE) funded under the International Fund for Agriculture and Development (IFAD). Community funds will be established to scale-up existing demand-driven initiatives, including above-mentioned savings and credit groups but also food banks, animal banks, or other activities identified by the community that foster socio-economic development and benefit sharing. Interest groups will benefit from the establishment of the funds that will provide supplemental resources to leverage the groups' own savings and initiatives.

## 2. Component 2: Project Management (USD2.5 million)

This component will include project administration and coordination activities. It will ensure in particular the timely and transparent flow of funds, procurement, auditing and reporting. It will also support project implementing entities at all levels (including communes) to further strengthen their fiduciary, administrative and reporting capacities. Support would include technical assistance, training, incremental operating costs, and vehicles and equipment, among others. Specific attention

and support will be provided to expand and strengthen the project's M&E system. With the MAFF's General Directorate of Agriculture (GDA) as a new implementing partner, and a focus of the project on the necessary support systems for sustainable development, the project M&E will need to reflect these changes and be able to collect, analyze and feedback timely information to project stakeholders at all levels.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11	x		
Indigenous Peoples OP/BP 4.10			x
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	27.00	Total Bank Financing:	25.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			2.00
International Development Association (IDA)			25.00
Total			27.00

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