



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 24-Aug-2018 | Report No: PIDISDSA22863



BASIC INFORMATION

A. Basic Project Data

Country Cambodia	Project ID P163264	Project Name Cambodia Agricultural Sector Diversification Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 13-Aug-2018	Estimated Board Date 23-Oct-2018	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Kingdom of Cambodia	Implementing Agency Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Economy and Finance (MEF), Ministry of Rural Development (MRD), Ministry of Water Resources and Meteorology (MoWRAM)	

Proposed Development Objective(s)

The proposed Project Development Objectives are to facilitate the development of diversified agriculture value chains in selected geographical areas in Cambodia, and to provide immediate and effective response in case of an eligible crisis or emergency

Components

- Component 1: Enabling Agriculture Diversification
- Component 2: Supporting Public Infrastructure
- Component 3: Improving Agriculture Information Systems and Quality Control Management
- Component 4: Project Management, Coordination, Monitoring & Evaluation
- Component 5: Contingent Emergency Response

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	100.00
Total Financing	100.00



of which IBRD/IDA	90.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	90.00
IDA Credit	90.00

Non-World Bank Group Financing

Counterpart Funding	10.00
Borrower	10.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

- Cambodia grew at an average rate of 7.6% from 1994-2015, and became a lower middle-income economy in 2015.** This growth was driven by exports of goods and services (mainly garments and tourism), which grew 19.6% a year over the same period. Around 3.6 million jobs in industry and services were created over the past two decades. Cambodia’s growth has been pro-poor. The percentage of Cambodians living under the national poverty line fell from 47.8% in 2007 to 13.5% in 2014, according to official estimates. The Gini coefficient declined to 0.30 in 2014 from 0.34 in 2009. Cambodia has made significant progress in attaining the Millennium Development Goals. Since 1990, the country has more than halved extreme poverty and maternal mortality, achieved nearly universal primary education enrollment, and made significant progress in combating HIV/AIDS. Poverty reduction was particularly dramatic during the 2007-9 period, when poverty declined by 25 percentage points and 3.3 million people escaped poverty, thanks in large part to an expansion of cultivated area and high international food prices which benefited both farmers and agriculture workers.
- Growth has also been driven by the country’s rich and diverse natural capital, which supports the livelihoods of millions of Cambodians.** Agriculture, which depends heavily on natural resources and ecosystem services, contributed a quarter to the annual gross domestic product (GDP) in 2016. More than five million people



depend on agriculture and fisheries to supplement their income and support their food security, and 88 percent of the population still relies on traditional biomass for cooking. Cambodians are also the largest consumers of freshwater fish per capita, with fish and other aquatic resources contributing 37 percent of total protein. Tourism, another engine of economic growth, is also becoming increasingly dependent on natural resources and environment.

3. **Going forward, Cambodia may not be able to rely on the same factors that drove strong growth and poverty reduction over the past two decades.** In the case of agriculture, the outlook for commodity prices is not positive, and Cambodia's scope for further gains in cultivated area is more limited nowadays, especially considering the need for environmental sustainability. Risks posed by the degradation of natural resources could affect economic sustainability. It is crucial to maintain and develop natural resources while strengthening climate resilience. Low prices for agricultural commodities along with rising salaries will require improvements in productivity in order to remain competitive. Given the continued importance of the agricultural sector to growth and poverty reduction, Cambodia will need to foster a gradual transformation of the sector through intensification, diversification, and value addition. The public sector could facilitate expanded irrigation, knowledge and technology adoption in collaboration with the private sector, and strategies of quality differentiation by enhancing systems for managing quality and food safety and introducing an overall coherent approach to "brand" Cambodian food and agriculture.

Sectoral and Institutional Context

4. **While the agriculture sector (including fisheries and forestry) contributed about a quarter to annual GDP, it was the source of 36.4 percent (or 3.1 million jobs) of all jobs in 2016.** 46.3 percent (or 3 million people) of rural population still rely on agriculture for employment. Employment creation supplied by the agriculture sector grew at an annual rate of 2.8 percent during 2007-11, driven by agricultural development boosted by rising agriculture commodity prices and cultivated land expansion.¹ In 2009, the agriculture sector managed to absorb a large number of laid off factory workers caused by the collapse of the industry sector as the garment and footwear sector faltered during the 2008/09 Global Financial Crisis. Owing to accelerated structural transformation, Cambodia has recently experienced a sharp decline in the share of the employed population working in agriculture. During 2011-15, employment creation by the agriculture sector shrank by 5.8 percent a year caused by drought and depressed agricultural commodity prices.

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

6. **Cambodian farmers still lack competitiveness in larger markets for agricultural product other than rice.** The development of the rice sector has seen significant support from RGC and donors, while other crops have also gained increased importance and potential, particularly for small and medium size farmers. A recent policy shift to

¹ 2018 Job diagnostic study, the World Bank



include diversification as an objective for agriculture sector strategies addresses that. Many Cambodian producers, particularly small and medium size farmers lack the knowledge and skills to successfully commercialize their agricultural output. They do not have access to the required technical assistance (extension services), financial services, and public infrastructure to participate in a demand-driven diversification. Support provided to the agricultural sector has not always been designed in a participative way, listening and responding to the needs of farmers and their buyers.

7. **Cambodian SMEs, including many of those involved in agro-processing, also have limited knowledge about and access to modern inputs and equipment, and limited knowledge about and/or capacity to implement modern processing techniques** that would respond to increasing market and quality demands at home and abroad. SMEs and agro-processing firms face high costs of firm formalization, operation and financing. Access to finance for small and medium agro-processors and farmers remains constrained. Lending to agriculture by commercial banks accounted for only 11 percent (or US\$1.7 billion) of their total loan portfolio in 2017, while the construction sector, contributing only 12.4 percent of GDP received up to 26 percent (or US\$4.1 billion) of the total loan portfolio. The perceived riskiness of investment in the agriculture sector vis-a-vis that in the construction sector may be the main reason behind the low financing going to the sector. Micro-finance institutions (MFIs) have given more attention to the agriculture sector as they have provided 23.8 percent (or US\$1.16 billion) of their total loan portfolio to the sector. While decreasing, interest rates of loans supplied by commercial banks and MFIs remain high. The 12-month weighted average interest rates were as high as 11.8 percent per annum and 17.8 percent per annum offered by commercial banks and MFIs in 2018, respectively.² Informal lenders charge even much higher interest rates.

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

9. **Farmers lack also access to on-demand irrigation and adequate water management, which is essential for successful crop diversification and competitiveness improvements.** Though overall Cambodia can be classed as having abundant water resources, its availability is highly variable both temporally and spatially. Even during the wet season, there can be long dry spells and supplementary irrigation is required to avoid crop moisture deficits between rainfall events. Most existing irrigation schemes have been developed for rice cultivation and would have to be adapted for diversified cropping with different irrigation methods to be introduced, depending on the crop.

10. **Despite improvements in overall food security, malnutrition remains a persistent human development challenge in Cambodia.** At a national level, Cambodia achieved food security in the late 1990s and is now self-sufficient in rice. The prevalence of undernourishment (per capita caloric insufficiency) declined from over 30 percent in 1992 to 16 percent in 2014 (FAO 2015). However, these improvements have been accompanied by only small improvements in food access (namely geographic and economic access to a diverse, nutrient rich diet). Severe food

² Biannual report 2018, the National Bank of Cambodia



insecurity remains a challenge only in distinct subnational areas (largely poor and remote); rather the affordability of nutrient dense foods poses a common challenge. Only 21 percent of households can afford a nutritious diet³ and poor agricultural households are the most food insecure. The national average daily cost of the staple-adjusted nutritious diet in Ratanakiri and Mondulakiri is nearly twice as high as the national average (\$6.06 vs. \$3.62), and 66 percent of households in the Northeast could not afford a nutritious diet. Most agricultural households can meet their staple food (rice) needs, but rely on income and foraging to obtain nutrient-dense foods. Unsurprisingly, child stunting (low height-for-age and a physical manifestation of chronic undernutrition), continues to affect 1 in 3 (32 percent) children under age five in 2014. Stunting is caused most proximately by low nutrient intake and high burden of disease, and negatively affects children in achieving their physical, cognitive, and productive potential. More importantly, children in the bottom quintile are twice as likely to be stunted compared to children in wealthiest quintile. A recent study found that economic loss due to child stunting amounted to US\$130 million per year.

11. **Gender gaps in access to opportunities prevail in the sector.** Women still do not reap their proportional share of benefits from services and technological advances. Extension services and the market for technological inputs do not provide targeted solutions for female farmers and their problems in production, crop and livestock choices. Cambodian rural women are increasingly finding alternative employment in the garment sector and the overall out-migration is high for both rural men and women (near 50 percent of both men and women migrate from rural areas). At the same time, there is an increase in mechanization within agriculture. This leads to an increasing demand for financing technological improvements for also women, who have even less access to formal financial markets than men. These changes to the rural life in Cambodia are creating an increased demand for services such as savings markets for remittances, childcare options and the development of a formal agri-business sector. The Cambodia Socio-Economic Survey (2014) identified a gender earnings gap of about 30% among those with low education. The data suggest that female-owned enterprises comprise more than half of the business establishments in Cambodia, but that these establishments are generally smaller, less profitable and less likely to be registered than those owned by males. There is a need to create targeted approaches to ensure men, women and female heads of households actively participate in local public decision making, for example, in relation to the identification of local infrastructure needs.

12. **The voice and civic engagement of farmers and other rural actors, remains limited in the decision making on the design and implementation of programs for value chain development.** Farmer organizations in Cambodia tend to be small, with limited official recognition (unless they are registered as cooperatives) with the local authorities. Nonetheless, they have the potential to play an important role in supporting farmers, to ensure they have a voice in the design and implementation of programs and projects which are designed to improve their livelihoods. Along with their small size, farmer organizations in Cambodia are constrained by their limited human capacity. The main actors supporting farmer organizations in Cambodia are a range of non-governmental organizations that are active at the provincial level to build both their technical and leadership capacity. There is a need to partner with these organizations to ensure farmer organizations can act as an effective voice during the implementation of donor financed rural development program and to ensure that the views of all (regardless of age, gender, and ethnicity) are well represented.

13. **Government reform agenda responding to challenges.** The country's Industrial Development Policy (IDP) was prepared to contribute directly to achieve the objectives of the Rectangular Strategy (RS) Phase III and proposes the launch of a new growth strategy, including for the rural economy and the agriculture sector, that responds to the structural transformation of the domestic economy and the changing regional and global economic architecture.



Specifically, IDP targets processed agriculture product exports as a share of total exports to increase from 8 percent in 2015 to 10 percent and 12 percent in 2020 and 2025, respectively. In addition, it highlights the role of the industrial sector to enhance the performance of core economic sectors, including agriculture, which will further contribute to boosting economic growth. MAFF/Department of Agro-Industry has prepared its own strategic plan complementary to the IDP.

C. Proposed Development Objective(s)

14. The proposed Project Development Objectives are to facilitate the development of diversified agriculture value chains in selected geographical areas in Cambodia and to provide immediate and effective response in case of an eligible crisis or emergency.

Key Results

15. The achievement of the project development objective would be measured through the following indicators: (a) Increase in the volume and value of gross sales at benefitting farms (percentage); (b) Increase in the value of gross sales of benefitting agribusinesses (percentage); (c) Share of non-rice production area of participating farmers (percentage).

D. Project Description

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

17. The proposed project is designed to enhance market opportunities through an inclusive beneficiary-led and market driven approach. The project will have four components, plus a fifth zero-allocation component for the case of an eligible crisis or emergency. The first two components are closely linked and represent the large part of the investments, and will be modular and scalable and adaptable to geographical areas and commodity/value chains. The third component focuses on institutional strengthening and seeks to enhance the impact of the investments made under the first two components in the medium and long term, ensuring sustainability and possible expansion of benefits across Cambodia.

18. The compilation of value chain support, including technical assistance (TA), productive infrastructure, and financial support services under component 1, emphasizes the proposed project's close ties between direct support to farmers, producer organization (PO) and small and medium agribusinesses (SMAs) and the public investments in roads and irrigation infrastructure under component 2. All public infrastructure investments of component 2 will be prioritized and implemented as described in selected Diversification Plans (DPI) prepared under component 1.

19. **Component 1: Enabling Agriculture Diversification.** Component 1 will use a holistic value chain approach that is market and demand driven to build diversified competitive value chains, in which POs and their members can access rewarding domestic and international markets, and SMAs (such as aggregators, processors, input suppliers, distributors, wholesalers) can have access to better quality raw material on a consistent basis, while increasing their absorptive capacity and achieving the quality standards that the markets require. This component is competitive and



mostly private sector driven, with the Government having mainly a facilitating role, while providing certain market-linked agricultural extension services, in which it has a comparative advantage. Farmers and SMAs will be in a position to determine type of services and infrastructure and the delivery mechanisms that responds to their needs.

20. ***Subcomponent 1.1: Supporting the Preparation and Implementation Diversified Agricultural Value Chains.***

The subcomponent will finance: (a) awareness raising campaigns; (b) support for teaming up of stakeholders; (c) support for the preparation and evaluation of Diversification Proposals (DPr); (d) support for the preparation and evaluation of full-fledged Diversification Plan (DPI) for selected DPr; and (e) implementation support.

21.

22. ***Subcomponent 1.2: Financing Agriculture Diversification.***

To facilitate the financing of the productive investments and TA identified in the approved DPI and associated business plans, the project will set up a credit line, complemented by a matching grant facility predominantly intended for POs aiming to link to value chains. The financial instruments will underpin the overall thrust of the project, which is diversification into higher value crops and commercialization of the agriculture sector. The financial instruments will therefore finance a broad range of investments at the farm/SMA/PO level as identified in the DPI and BPI, related to agriculture diversification, including processing equipment, on-farm irrigation equipment (drip, microjet, sprinkler, on farm storage, etc.), agricultural machinery, (cold) storage, vehicles, packaging and trading equipment, ICT solutions, agricultural inputs, and other eligible investments. Development for diversified, irrigated farming will focus on one or more blocks in existing irrigation schemes where on-farm irrigation equipment will be installed. Some POs may develop small irrigation schemes outside existing irrigation schemes. These schemes will typically be around 20 ha and will use groundwater or surface water from small steams. The credit line and matching grant facility will be available to finance viable schemes.

23. ***Component 2: Supporting Public Infrastructure.***

The component would support government/public actors providing demand driven improved infrastructure, such as rural roads and higher-order irrigation infrastructure, where private sector services are not available or accessible. These include off-farm irrigation infrastructure and rural market access roads, identified by the stakeholders (POs, SMAs, buyers) in the approved DPIs under component 1, to improve the PO's ability to diversify crop production through improved and on-demand water availability and to transport produce to the markets in an efficient manner that speeds up delivery and minimizes losses. The subcomponent will also finance consulting services for design and construction supervision.

24. ***Subcomponent 2.1: Irrigated Agriculture.***

Many of the POs are expected to develop agricultural areas in existing irrigation schemes. Led by the Ministry of Water Resources and Meteorology (MoWRAM), the project will finance selective rehabilitation or upgrading of irrigation water conveyance and distribution systems identified in the Diversification Plans prepared under subcomponent 1.1. The project will not invest in large-scale irrigation infrastructure and investment support will be provided only in combination and coordination with other value chain diversification measures. Thus, investments under the project will be limited to selective canal lining, construction of control structures, installation of new gates, etc., to ensure that the water can reach the irrigation blocks of the POs on a demand rather than supply-driven basis. It will also include the TA and training to water user communities and municipalities to strengthen their capacity to operate and maintain the financed irrigation infrastructure, and will finance consulting services as needed to design and supervise the infrastructure investments. Finally, the project will support MoWRAM and MAFF with the introduction of modern technologies such as remote sensing and drones, to improve irrigation water management and its monitoring.



25. **Subcomponent 2.2: Agriculture Roads.** Led by the Ministry of Rural Development (MRD), the project will support enhancing connectivity through improving farm to market roads (rural roads). Existing rural roads will be improved, either paved or unpaved, to increase the impact on productivity and market access of investments delivered as part of subcomponent 1.2, and to contribute to the overall competitiveness of the agriculture sector. The road selection will be based on demand-driven approach specified in the DPI and BPI. It is estimated that approximately 250 km of roads will be improved under the project that will link the production areas with all-weather roads.

26. Removing bottlenecks for productive investments, the provision of public infrastructure is also part of the proposed project's efforts to facilitate MFD intervention by private sector stakeholders.

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

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

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

30. **Component 4: Project Management, Coordination, and Monitoring & Evaluation.** MAFF will be the main executing agency. MAFF will be responsible for overall project management/coordination and for the implementation of all 4 components. MAFF will closely cooperate with the technical units of the Ministry of Rural Development (MRD) and the Ministry of Water Resources and Meteorology as implementing partners that will take responsibility for the construction of rural infrastructure. Support will be provided for the establishment of a MAFF-led project coordination and implementation unit, and supported by the (Secretariat of the) Technical Working Group



on Agriculture and Water (TWGAW). The establishment of a high-level Steering Committee is envisaged to advise on and deal with emerging cross-sectoral issues. The details are elaborated in the POM.

31. **Component 5:** The objective of the contingent emergency response component, with a provisional zero allocation, is to allow for the reallocation of financing to provide immediate response to an eligible crisis or emergency, when/if needed. An Emergency Response Manual (ERM) will be developed for activities under this component detailing streamlined FM, procurement, safeguard, and any other necessary implementation arrangements. In the event the component is triggered, the results framework would be revised through formal restructuring to include appropriate indicators related to the emergency response activities.

E. Implementation

Institutional and Implementation Arrangements

32. **Institutional and Implementation Arrangements.** The project will be implemented over a period of six years. Institutional arrangements for implementation will follow the Government's institutional structure, with the Ministry of Agriculture, Forestry and Fisheries (MAFF) in the lead as the executing agency (EA), and including the Ministry of Rural Development (MRD) and the Ministry of Water Resources and Meteorology (MoWRAM) as implementing agencies for the related public infrastructure support. The Ministry of Economy and Finance will oversee the financial services support (subcomponent 1.2). EA and IAs will establish implementation project team(s) (PT) with experts and expertise from direct and relevant technical, administration, environmental and social safeguards, procurement and finance units. Strategic direction and guidance for the management and operation of the project will be provided by a high-level Project Steering Committee, chaired by MAFF. Coordination support for day-to-day planning and implementation will be provided by the Technical Working Group on Agriculture and Water Secretariat (TWGAW – Secretariat). Roles, responsibilities, and procedures are detailed in the Project Operational Manual (POM). For technical level implementation, the provision of services and infrastructure will follow beneficiaries' guidance as elaborated in the DPLs. POs and SMAs determine and express their needs in DPLs and BPLs, with government institutions (and private service providers) accountable for delivering on respective demands.

33. Planning and implementation of diversified agriculture value chains activities under the CASDP will integrate a civic engagement approach to: (a) Encourage social accountability of all stakeholders; (b) Ensure transparency in its implementation, decision making and action; (c) Encourage the active engagement and participation of the whole beneficiaries community through beneficiary led empowerment in a market driven environment and; (d) Ensure timely disclosure of appropriate information in appropriate formats; (e) Provide assistance and support for active participation by involved and interested stakeholders; (f) Apply mechanisms to tackle abuses and counter corruption. The project is planning to engage civil society organizations as partners in project implementation, with the explicit role of empowering farmers and producer organizations, as well as small agribusinesses, to engage with public and private sector service providers, and ensure that they can hold service providers to account, by building the capacity of these organizations to voice their concerns, and where necessary acting as advocates on their behalf.

34. **Safeguards Implementation Arrangements.** For the credit line, officers in RDB and PFIs will be trained in the application of the World Bank's environmental and social safeguards requirements, to investment proposals. For the PFI officers, the focus will be on conducting due-diligence on the environmental and social performance of enterprises participating in the credit line, and screening investment proposals for potential adverse environmental and social impacts. For RDB, this will also include training on conducting due-diligence on PFIs, in terms of their track record environmental and social risk management, and on supervising the performance of the PFI's on the



implementation of the requirements of the Environmental and Social Management Frameworks. In addition, the Matching Grant Approval Committee will include the MAFF Environmental and Social Safeguards Focal Persons, who will be responsible for verifying and documenting that the environmental and social safeguards requirements of the project have been complied with, prior to approving matching grants.

35. **Project Operational Manual (POM).** The POM has been prepared by the RGC's project preparation team and it explains processes, roles and responsibilities of all relevant stakeholders. Key areas include: basic project management, institutional responsibilities, financial procedures and management fiduciary responsibilities, staff selection and management, results monitoring and evaluation, risk assessment and mitigations, environmental and social safeguards, and any other specific reporting requirements imposed by the Bank and RGC policies. The POM presents the guidelines on financial and administrative policies and procedures for managers, administrators, staff, and consultants responsible for implementation of the Cambodia Agriculture Diversification Project. These guidelines are based on an agreement between the Royal Government of Cambodia and the World Bank, and all expenditures of the project funds must comply with these guidelines. The POM also includes a Communication Strategy that addresses specific challenges in awareness and outreach to all stakeholder groups, in particular female farmers.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will operate in 12 provinces, plus in Phnom Penh. The provinces have been chosen for their suitable agroecological and salient conditions for high-value products, with Phnom Penh as the location of many potentially participating SMAs. The locations include: Battambang, Mondulkiri, Stung Treng, Ratanakiri, Preah Vihear, Kampong Cham, Tboung Khmum, Kratie, Siem Reap, Kandal, Kampong Speu, Kampong Chhnang and Phnom Penh. Eligible project sites are expected to be located in areas with (i) existing, organized and active producer groups; (ii) with reliable multi-season water availability, and (iii) with existing tracks with a length of maximum 10km to an all-weather road. Credit lines or co-investments with agribusinesses and market leaders to bring farm produce to local and domestic markets are also considered. In addition, agribusinesses outside of the focus areas that team up with producers in the project area, would also be eligible for support. In overall, the project is expected to bring about major positive impacts as the project aims to increase the competitiveness of agricultural products and create better access to more stable markets for farmers, thus improving income security for farmers. Some provinces are situated along international waterways Mekong river (e.g. in Stung Treng, Kandal and Kompong Cham), rich in physical and non-physical cultural resources (e.g. Siem Reap and Ratanakiri). Sites and salient physical characteristics of subprojects are not yet identified during project preparation, however, potential environmental issues and concerns identified were environmental effects of agricultural activities and infrastructure works as well as services.

G. Environmental and Social Safeguards Specialists on the Team

Bunlong Leng, Environmental Safeguards Specialist
Martin Henry Lenihan, Social Safeguards Specialist



Makathy Tep, Environmental Safeguards Specialist
Pheakkdey Nguon, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	OP/BP 4.01 on Environmental Assessment is triggered due to technical assistance and potential adverse impacts under Components 1, 2 and 3-- which include Enabling Agriculture Diversification, Supporting Public Infrastructure, Improving Agriculture Information Systems and Quality Control Management including diversifying agricultural systems, increasing productivity and developing processed and high value food product markets; providing supporting infrastructure, including tertiary road and irrigation structure rehabilitation and upgrade laboratories. Since sub-project locations were not identified during project preparation, the project will prepare site-specific instrument (e.g. ESMP or ESIA) based on the project-ESMF once sub-projects are identified and designed. Interim Guidelines on the Application of safeguard Policies to Technical Assistance (TA) Activities under the Bank-Financed Projects will be applied for in the terms of references for interventions in technical assistance, infrastructure and financial services designed under the project. The ESMF will include a procedure for sub-project screening by or participating financial intermediary (PFI) (i.e., via line of credit from RDB to the PFI). The ESMF will also include: (a) requirements for sub-projects and for PFIs, which would receive credit lines; (b) applicable legal environmental, social and cultural resources protection requirements that may apply to the subprojects; (c) training and capacity building activities; and (d) supervision and reporting requirements.
Performance Standards for Private Sector Activities OP/BP 4.03	No	The World Bank Performance Standards OP/BP 4.03 is not triggered; however, participating financial intermediary (PFI) (i.e., via line of credit from RDB to



the PFI) under the matching grant and credit line financing on-farm investments, agribusiness and enterprises will be required to comply with the environmental and social safeguards requirements of the World Bank. In this instance, PFIs are required to follow the ESMF, which includes: (a) requirements for sub-projects and for PFIs, which would receive credit lines; (b) applicable legal environmental and social protection requirements that may apply to the subprojects; (c) training and capacity building activities under Section 7; and (d) supervision and reporting requirements. All subprojects will be early screened on due diligence of exiting agribusiness and enterprises-- as required in Annex 10--to become project beneficiaries.

The policy is not triggered since civil works such as irrigation and road rehabilitation will be within the existing right of ways and does not anticipate affecting any known natural habitats.

The policy is not triggered since the civil works such as irrigation and road rehabilitation will be within the existing right of ways and does not anticipate affecting any forest.

OP/BP 4.09 on Pest Management is triggered because the project involves the usage or promotion of the purchase of pesticides, fertilizers, or chemical substances for the agricultural production. Although, MAFF policies have promoted organic farming and non-pesticide based agriculture, the borrower has included pesticide management plan (PMP) in the project-ESMF to address any potential risks from pesticide-related activities. The PMP is prepared based on Integrated Pest Management (IPM) principles, describing the national regulatory framework, status of pest and disease control, monitoring and supervision mechanism.

OP/BP 4.11 on Physical Cultural Resources is applied as the project funds infrastructure investments such as market infrastructure, road and irrigation rehabilitation, which can impact on unknown, physical cultural resources as defined by OP/BP 4.11. A chance find procedure of physical cultural resources has been integrated as part of the project-ESMF and will be included in the construction contracts as preventive measures.



Indigenous Peoples OP/BP 4.10	Yes	Except for Phnom Penh, all of the proposed project provinces are areas where MRD has recognized the presence of indigenous households. Therefore, an indigenous peoples planning framework was prepared, as the project will finance activities in provinces where indigenous people are present. The framework provides guidelines on the preparation of a social assessment, indigenous peoples plans, and on conducting a process of free, prior and informed consultation leading to broad community support in the communities where project activities will take place. The indigenous peoples planning framework was informed by preliminary social analysis that was based on focus groups conducted in three indigenous rural communities likely to benefit from the project, as well as interviews and meetings with a variety of government and non governmental stakeholders (including the Cambodia Indigenous Peoples Organization). The indigenous peoples planning framework includes the requirements for the preparation of community specific social assessments and indigenous peoples plans.
Involuntary Resettlement OP/BP 4.12	Yes	Because component 2 of the project will finance a number of infrastructure investments (e.g.in irrigation, agricultural roads, and market infrastructure), it is possible that minor land acquisition or displacement of private assets (such as informal structures, crops or productive trees) may be necessary. To this end a Resettlement Policy Framework has been prepared with the cooperation of the General Department of Resettlement, and cleared by the Ministry of Economy and Finance's Inter-Ministerial Resettlement Committee. This framework includes the voluntary land donation protocols as well requirements as for the preparation resettlement plans will be prepared as needed.
Safety of Dams OP/BP 4.37	Yes	OP 4.37 on Safety of Dam is triggered as the project finances irrigation rehabilitation are classified as "small dams" defined under OP 4.37. The rehabilitation of small irrigation schemes not more than 15 meters in height and will not expect to include medium to large scale dams. The generic dam safety measures will be adopted in the design and implementation of subproject related to



		rehabilitation/ improvement of irrigation structures in accordance with OP/BP4.37. The borrower agreed to incorporate generic dam safety measures in the irrigation design with the Support and supervision of the dam safety measures to be provided by senior irrigation engineer (or qualified irrigation specialist) of the World Bank.
Projects on International Waterways OP/BP 7.50	Yes	OP 7.50 on International Waterways is triggered since the project funds rehabilitation of the existing irrigation water delivery structures such as tertiary and quaternary canals, which will likely abstract water from tributaries of international waters or link or flow into international waterways (e.g. Tonle Sap River and Mekong River) that forms boundary between the water body or surface water that flows through two or more riparian countries. However, the abstraction of water from international rivers will not increase because the project exclusively funds existing irrigation schemes and introduces more efficient irrigation system. In this case, an exemption letter from the RVP has been approved.
Projects in Disputed Areas OP/BP 7.60	No	The project does not involve activities in any disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The environmental and social impacts are moderate given that its potentially adverse impacts are small-scale and reversible. The potentially adverse impacts are under Components 1, 2 and 3 (Enabling Agriculture Diversification; Supporting Public Infrastructure; and Improving Agriculture Information Systems and Quality Control). These impacts would relate to diversifying agricultural systems, increasing productivity and developing processed and high value food product markets; providing supporting infrastructure, including tertiary road and irrigation structure rehabilitation and upgrading laboratories. However, the project does not foresee any potential large scale, significant and/or irreversible impacts. The project's anticipated environmental impacts are expected to be local, temporary and reversible with standardized mitigation measures such as an ESMP, as part of the project-Environmental and Social Management Framework (ESMF). In terms of social impacts, the project may involve minor land acquisition, and limited labor influx, for the purposes of irrigation and other infrastructure to be financed, as well as infrastructure and training activities taking place in indigenous communities.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
Due to the small scale nature of the activities to be financed no indirect, or long term environmental or social impacts



due to anticipated future activities in the project area are anticipated.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Project alternatives are not required because the small-scale and reversible environmental and social impacts of the project and its sub-projects can be managed through the implementation of the project-ESMF/RPF.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The borrower has prepared a resettlement policy framework (RPF), an indigenous peoples planning framework (IPPF) based on a preliminary social assessment, as well as an Environmental and Social Management Framework (ESMF). MAFF is the lead implementing agency, collaborating with MoWRAM and MRD as “participating implementers” of selective infrastructure. MAFF, MRD and MoWRAM have experience in preparing and implementing environmental safeguards instruments as applicable in projects assisted by the World Bank and Asian Development Bank. In this context, some staff of MAFF and MoWRAM as well as the Social and Environmental Office (SEO) at MRD have attended basic environmental and social safeguard awareness workshops. MAFF, MRD and MoWRAM assigned focal persons to lead the preparation of the environmental and social safeguards instruments.

MRD has experience in applying IFI (ADB) social safeguards to rural infrastructure projects, and has established an office dedicated to social and environmental management. Aside from land acquisition and resettlement, this office also manages social risks related to labor influx including the exclusion of women from employment opportunities, gender-based violence and human trafficking, HIV/AIDs awareness and community health and safety. The Ministry for Rural Development has a dedicated ethnic affairs unit that will advise on engaging with Ethnic Communities. The Ministry of Economy and Finance has a General Department of Resettlement responsible for managing land acquisition and resettlement occurring under World Bank financed projects. Further safeguards capacity building activities are required, especially on safeguards monitoring and reporting, Therefore, US\$ 40,000 budget is allocated by the project to continue to build safeguards capacity.

For the credit line, officers in RDB and PFIs will be trained in the application of the World Bank’s environmental and social safeguards requirements, to investment proposals. For the PFI officers, the focus will be on conducting due-diligence on the environmental and social performance of enterprises participating in the credit line, and screening investment proposals for potential adverse environmental and social impacts. For RDB, this will also include training on conducting due-diligence on PFIs, in terms of their track record environmental and social risk management, and on supervising the performance of the PFI’s on the implementation of the requirements of the Environmental and Social Management Frameworks. In addition, the Matching Grant Approval Committee will include the MAFF Environmental and Social Safeguards Focal Persons, who will be responsible for verifying and documenting that the environmental and social safeguards requirements of the project have been complied with, prior to approving matching grants.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Key non-government stakeholders include farmer organizations and community based organizations located in rural areas that will benefit from the project. Because the project will take place at multiple locations or national scale, disclosure and public consultation were held at the national level, with a consultation meeting on safeguards instruments taking place in Phnom Penh at Tonle Basac II hotel on 20 July 2018. In addition, the social analysis conducted for this activity was based on participatory discussions and focus group meetings with representatives of



non-governmental organizations, indigenous peoples organizations, and community based producer groups.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 05-Jul-2018	Date of submission for disclosure 05-Jul-2018	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Cambodia
05-Jul-2018

Comments

The borrower confirmed with the task team through an email dated July 5, 2018, that the documentation has been publicly disclosed in MAFF website at <http://www.maff.gov.kh>

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank 05-Jul-2018	Date of submission for disclosure 05-Jul-2018
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"In country" Disclosure

Cambodia
05-Jul-2018

Comments

The borrower confirmed with the task team through an email dated July 5, 2018, that the documentation has been publicly disclosed in MAFF website at <http://www.maff.gov.kh>.

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank 05-Jul-2018	Date of submission for disclosure 05-Jul-2018
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"In country" Disclosure

Cambodia
05-Jul-2018

Comments



The borrower confirmed with the task team through an email dated July 5, 2018 that the documentation has been publicly disclosed in MAFF website at <http://www.maff.gov.kh>.

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
Yes	05-Jul-2018	05-Jul-2018

"In country" Disclosure

Cambodia
05-Jul-2018

Comments

Pest Management Plan (PMP) is included in project-ESMF of which the borrower confirmed its public disclosure in MAFF website.

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

No



If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

No

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

No

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

No

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

OP/BP 4.37 - Safety of Dams

Have dam safety plans been prepared?

NA

Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?

NA

Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?

NA

OP 7.50 - Projects on International Waterways

Have the other riparians been notified of the project?



No

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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24-Aug-2018

24-Aug-2018