

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA61797

Project Name	KH - Livelihood Enhancement and Association of the Poor Project (LEAP) (P153591)
Region	EAST ASIA AND PACIFIC
Country	Cambodia
Lending Instrument	Investment Project Financing
Project ID	P153591
Borrower(s)	Ministry of Economy and Finance (MEF), KINGDOM OF CAMBODIA
Implementing Agency	Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Interior (MoI), Siem Reap Provincial Administration, Phnom Penh Capital Hall (PPCH)
Environmental Category	B-Partial Assessment
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Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	23-Feb-2017
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Following more than two decades of strong economic growth, Cambodia has attained the lower-middle income status as of 2015, with GNI per capita reaching US\$ 1,070. Cambodia grew by an average annual rate per capita of 7.8 percent during 2004-2014, ranking among the top 15 economies in the world in terms of economic growth. The gross national income (GNI) per capita according increased by more than threefold in just two decades. The main drivers of growth have been garment, manufacturing, agriculture, tourism and, more recently, construction and real estate. Economic growth eased in the aftermath of the 2009 global crisis while remaining strong at 7.2 percent during 2010-2014, on average. Growth eased slightly to 7.0 percent in 2015, in the context of a slowdown in China and appreciating U.S. dollar, and is expected to remain at 7.0 percent in 2016. Resilient garment exports and stronger domestic demand, boosted by a construction boom, low oil prices, and fast credit growth, partly offset the moderation in the tourism and agriculture sectors.

The sustained economic performance has lifted a large proportion of the population above the national poverty line, but Cambodia is still one of the poorest countries in the Southeast Asia

region. Between 2004 and 2013, the poverty incidence under the national poverty line declined from 50.2 percent to 10.1 percent of the population. Most of the poverty reduction occurred between 2007 and 2009, when the poverty headcount rate declined by 20 percentage points, driven by a significant hike in the price of rice, the main agricultural product of Cambodia. Despite this progress, the vast majority of the families that rose above the poverty line did so by a small margin, leaving them at risk in the event of an adverse shock. Poverty reduction in Cambodia has been accompanied by shared prosperity—the real consumption growth of the bottom 40 percent of the distribution was larger than that of the top 60 percent—and a decrease in inequality, with the Gini coefficient going down from 0.372 to 0.258 between 2007 and 2013.

The overall welfare of households, described by nonmonetary indicators, improved significantly throughout the 2004 to 2014 period but, several challenges remain. Cambodia achieved most of the Millennium Development Goal targets, including those related to poverty reduction, child mortality, and maternal mortality. Targets have been nearly achieved in primary education, whereas areas such as gender equality and environmental sustainability have seen less progress. Moreover, the incidence rate and death by tuberculosis remain high. Cambodia's Human Development Index in 2014 was 0.55, well below the East Asia and Pacific average of 0.70 and also below the medium-income country average of 0.63.

Sectoral and institutional Context

The agriculture sector is central to the livelihoods of most Cambodians as 80 percent of the total population live in the rural areas. In 2011, Cambodia's poor people who lived under US\$1.15 per day were about 3 million and the near-poor who lived under US\$2.3 per day were about 8.1 million, 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 cultivates 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.

Poor rural households are constrained by lack of human, financial and social capital, in particular access to finance and to markets. Despite the growth in the formal financial sector in Cambodia, the poor are still forced to take loans at usurious rates to fulfill basic consumption needs, many are becoming over-indebted, handicapped by low financial literacy. A combination of not being able to achieve economies of scale by producing as a group, lack of technical know-how, limited access to agricultural extension services, lack of market information, and poor infrastructure (e.g., roads and markets) inhibit the ability of the poor to successfully participate in key value chains. Despite the productivity improvements and some limited capturing of market opportunities by some small farms in recent years, the productivity of most small traditional farms has remained low. The poor also lack voice and institutions that can empower them. This lack of voice and sense of powerlessness perpetuates a belief among the poor that their situation is unchangeable, causing some to spiral into inaction or social vices. Together, these constraints create a vicious cycle of sustained poverty, i.e., inadequate incomes to meet consumption needs and indebtedness to private moneylenders.

While agriculture-dependent livelihoods still constitute the majority of self-employment in rural areas, wage employment (particularly through migration to neighboring Thailand) provides important income supplements especially for poor households. Wage employment is often

associated with smoother and more stable income and consumption patterns for the household, given higher predictability of income. However, to reap the potential benefits of wage employment locally, workers require information about the labor market and opportunities for employment as well as better, employable skills and knowledge that are tailored to meet labor market demand. Enterprise surveys indicate a sizable skills gap among the workforce, predominantly for skilled labor, but also for mid- and low-skilled workers. Soft skills, and basic cognitive skills, are often cited to be lacking among low-skilled workers. Drop-out rates, particularly for the rural poor, remain high. A significant number of students do not complete the required Grade 9 education that enables them to pursue formal educational opportunities, technical vocational education training included.

To address the needs of the rural poor, the government implemented a new and comprehensive livelihood approach through the Livelihood Enhancement and Association of the Poor (LEAP) Project in Siem Reap Province in 2009. Siem Reap was selected based on considerations of need (i.e., high poverty level of the province), capacity (i.e., presence of self-help groups or SHGs, community groups, non-government organizations or NGOs, and micro-finance institutions or MFIs), as well as opportunity (i.e., links to the growth engine of the Angkor Wat tourism industry). Siem Reap also had many of the basic requirements for the model to work, such as active SHGs, farmer federations, community-based organizations, a strong private sector driving growth, and existing service providers.

Initially, the implementation of LEAP was designed to cover 50 communes in the province, with the Asian Development Bank and International Fund for Agricultural Development planning to finance a complementary operation, through the Tonle Sap Smallholder Development (TSSD) Project, in the other 50 rural communes. While the TSSD Project moved forward and eventually covered selected villages in 58 communes, the LEAP approach was piloted in only 6 communes during 2010-2012. The pilot project proved successful, and facilitated the establishment of 100 SHGs and their development into savings and credit groups. Functioning groups emerged as entry points for capacity building and resource provision for economic activities that strengthened livelihoods and increased incomes from investments in agriculture, livestock and handicraft production. An impact evaluation found it to be effective in encouraging savings and associations through SHGs.

While poverty levels have decreased in Siem Reap since the conclusion of the pilot operation, the context and enabling conditions for applying the LEAP approach in Siem Reap remain valid. IDPoor data collected by the Ministry of Planning show an overall decrease in the percentage of combined IDPoor 1 and 2 households in the province from 30.7% in 2008, to 24.6% in 2012, and 17.7% in the most recent surveys conducted in 2015. Despite the progress, Siem Reap remains one of the poorest provinces in Cambodia. The population of Siem Reap is also growing fast, with IDPoor data collection finding a total of 172,260 households in 2008, 180,692 households in 2012 and 190,008 households in 2015. Also, while the TSSD Project developed the capacity of SHGs and provided related economic infrastructure in its target communes and villages, those communes targeted under the project did not receive any such support and have therefore been left behind. As such, the proposed operation aims to address the remaining gaps and build upon the lessons from the pilot operation.

A majority of poor households are in rural areas. However, urban areas are littered with pockets of extreme poverty which is a situation likely to be exacerbated by rural-urban migration. With nearly

nine out of 10 poor households residing in rural areas as of 2012, rural communities should remain the primary focus of poverty reduction efforts. Nonetheless, urban poverty remains a concern, particularly in the rapidly growing Phnom Penh Capital. The first IDPoor survey for Phnom Penh Capital which was conducted in 2015 (covered 8 out of 12 districts) found a total average poverty rate of 9.9 percent. Combined IDPoor 1 and 2 levels in several Sangkats (urban equivalent of a commune) exceed 20 percent, with one Sangkat reaching more than 40 percent. The four central/downtown districts of Phnom Penh Capital were not included in the 2015 IDPoor survey as the methodology was considered to be insufficient to capture the unique social-economic characteristics of urban households. A new methodology designed specifically for central/downtown, urban households is being piloted by the Ministry of Planning (2015-2016). This new methodology will most likely be applied in 2018, when the next application of the Phnom Penh IDPoor survey is planned. IDPoor surveys are conducted in each province every three years, but the timing of the next survey in Phnom Penh may take place sooner as there is significant interest in gathering data from the districts where IDPoor data has yet to be gathered..

In addition to IDPoor data, the Phnom Penh Capital has compiled a list of 215 Urban Poor Communities (UPCs). These communities are largely informal and are on public and state land (railways, road side, sewage pipe, lake, river bank, roof of old buildings, pagoda, stupa), private land owned by the state, community land, private land, areas the government relocated, and private lands the government or communities rented . UPCs are also characterized by lack of infrastructure support and services as well as low wage and low skill income generation opportunities. A needs assessment conducted in several UPC communities in preparation for the proposed project confirmed the need for financial services to alleviate the district/Khan heavy burden of household debt, invest in income generating activities, build skills for better and more stable jobs, and improve the quality of community infrastructure.

Recognizing that the pressures on urban poverty and informal settlements would continue to grow with rural-urban migration and the unique development challenges faced in urban areas, Phnom Penh City was selected for inclusion in the proposed LEAP operation. Phnom Penh City is currently implementing its Five-Year Development Plan (2014-2018), and together with the national government, is developing strategies to manage the risks and opportunities of urban growth, with the LEAP operation intended to demonstrate effective, sustainable approaches to addressing urban poverty.

II. Proposed Development Objectives

The Project Development Objective (PDO) is to improve access of poor and vulnerable households in selected communities to financial services, opportunities for generating income, and small-scale infrastructure, and to provide immediate and effective response in case of an eligible crisis or emergency.

III. Project Description

Component Name

Project Description

Comments (optional)

The project would be implemented in two distinct contextual and institutional environments of the mostly rural Siem Reap Province and the rapidly urbanizing Phnom Penh Capital. The core project activities would be separated into rural and urban components, each would have specific

geographical scope and implementation arrangements which are customized to each unique setting while maintaining consistency and continuity across the project.

Component Name

Component 1: Improving Livelihoods for Rural Poor and Vulnerable Households

Comments (optional)

This component aims to address the needs of poor households in 47 communes in Siem Reap Province through a demand driven approach. Activities would include: (a) organizational and capacity building support to SHGs, Producer Groups and Ag. Cooperatives; (b) seed grants for livelihood sub-projects; (c) market studies; (d) business support services; (e) skills development training; (f) employment support services and (g) productive infrastructure to improve livelihood and increase productivity. As the predominant sources of income for these rural poor households are from agriculture, livestock and fisheries, the project would facilitate support of the MAFF and other technical service providers. The component would be implemented by the SRP Government through the following sub-components:

Component Name

Component 1.1: Building and Strengthening Institutions of the Rural Poor

Comments (optional)

This would support the formation and strengthening of beneficiaries mainly through SHGs, producers groups or agricultural cooperatives, enabling members to engage jointly or individually in productive activities. Capacity building assistance would include basic financial literacy, micro-enterprise/business planning, basic accounting and record keeping, good governance practices, and access to financial services. Seed grants for on-lending to members to implement their Micro Investment Plans (MIPs) would be supplied to SHGs. The project would also provide commune level federations with Community Livelihood Investment Fund (CLIF) grants, which would be for on-lending to member groups. The project would also facilitate links with financial institutions to access financial services.

Component Name

Component 1.2: Enhancing Skills and Employment Opportunities for the Rural Poor

Comments (optional)

Taking advantage of the opportunities offered by enterprises connected to the rapidly growing tourism industry in Siem Reap, this sub-component would provide a complementary livelihood pathway to self-help group, value-chain and market access support under Sub-component 1.1. The Project would invest in the development of beneficiary skills (particularly unemployed youth and women from poor households) and the ability to obtain new or improved wage employment. Activities would include: (a) local labor market surveys and training provider certification; (b) beneficiary targeting and selection; (c) employability training and career counseling; (d) voucher provision and skills training; (e) job placement and employment support.

Component Name

Component 1.3: Improving Basic Services and Community Infrastructure

Comments (optional)

This would support small-scale community infrastructure facilities and services to respond to the priority needs of the beneficiaries and contribute to their productivity and income generating potential. Investments would include storage or small warehouses, water supply and sanitation facilities, small-scale irrigation schemes, community access roads, and better on-farm water management practices, among others. The identification of priority needs would follow the existing

annual participatory identification and planning process that provides opportunity for the beneficiaries to advocate their investment priorities and ensure that these are included in the Commune Investment Plan (CIP). The project would adopt the CSF-PIM.

Component Name

Component 2: Improving Livelihoods for Urban Poor and Vulnerable Households

Comments (optional)

This component aims to address the needs of the IDPoor and vulnerable households in 13 Sangkats in Phnom Penh Capital through a demand driven approach. Activities would include: (a) skills development training; (b) employment support services; and (c) provision of productive infrastructure to improve livelihood and increase productivity. Direct financial services support would not be provided but where appropriate, linkages to existing financial institutions and services would be facilitated. This component would be implemented by the Phnom Penh Capital Hall through the following sub-components:

Component Name

Component 2.1: Enhancing Skills and Employment Opportunities for the Urban Poor

Comments (optional)

Since there are many training and employment programs in Phnom Penh and a wider range of employment opportunities, support would be provided to more secure, satisfying and higher earning jobs. As in the case of the rural component, this sub-component would provide a complementary livelihood pathway to beneficiaries. The Project would invest in the development of beneficiary skills (particularly unemployed youth and women from poor households) and the ability to obtain new or improved wage employment. Activities would include: (a) local labor market surveys and training provider certification; (b) beneficiary targeting and selection; (c) employability training and career counseling; (d) voucher provision and skills training; (e) job placement and employment support.

Component Name

Component 2.2: Improving Basic Services and Community Infrastructure

Comments (optional)

This would follow the same process as in Sub-Component 1.3, drawing on use of the CSF-PIM. To ensure that the sub-projects would most benefit the poor and vulnerable households such as the UPCs, the community planning meetings would include both IDPoor households and representatives of the UPCs. The types of infrastructure facilities that would be funded include, but not limited to drainage system, community road/footpath, water supply and sanitation system, and street lighting. These community infrastructure investments have been identified in the UPC needs assessment survey and are expected to increase the beneficiaries' productivity, resilience and ability to adapt to natural and economic shocks.

Component Name

Component 3: Project Management, Coordination, and Monitoring & Evaluation

Comments (optional)

This component would support the overall implementation, supervision and coordination of the project at the national, provincial, district/Khan, commune/Sangkat, and village/community levels, including: (a) social and environmental safeguard risk management; (b) procurement planning and contracts management; (c) financial management, disbursement and audit; and (d) monitoring and evaluation (M&E), and communication.

Component Name

Component 4: Contingent Emergency Response

Comments (optional)

This component, with an initial allocation of zero dollar, is part of the World Bank's (IDA's) support to an immediate response mechanism in Cambodia. This would allow the reallocation of a portion of undisbursed balance of the project for recovery and reconstruction support following a formal government request in the event of an eligible emergency.

IV. Financing (in USD Million)

Total Project Cost:	20.00	Total Bank Financing:	20.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			20.00
Total			20.00

V. Implementation

The project would be supervised by a Steering Committee (SC) chaired by a Secretary of State in the Ministry of Interior (MoI). This committee would provide the strategic direction and guidance in the management and operations of the project, and would include members from relevant government institutions involved in rural and urban development programs. Other institutions and individuals from academia, Non-Governmental Organizations (NGOs) and the private sector would also be invited to provide advice to the committee.

The overall management and operation of the project would be led by the Project Coordination Office (PCO) under the General Secretariat of the MoI. The PCO would be headed by a Project Director (PD) and composed of a team of specialists responsible for project operations, procurement, financial management, social and environmental safeguards, and Monitoring and Evaluation (M&E) activities.

Due to the predominance of agriculture and fishery-based livelihoods in rural areas, the Ministry of Agriculture Forestry and Fisheries (MAFF) would be a key implementing partner agency. It would provide the beneficiaries with: (a) technical assistance to their planning, assessment and implementation of investment plans that would be financed under the project; and (b) extension services (through the Farmers Field School approach), focusing on production, processing and marketing aspects. The Safeguards Working Group of the National Committee for the Sub-National Democratic Development (NCDD) at MoI would be responsible for the review and confirmation of the livelihood and infrastructure environmental screening undertaken at the commune/Sangkat and provincial levels based on the Environment Watch-list. The Ministry of Labor and Vocational Training (MoLVT) would be tapped to provide skills and vocational training to the beneficiaries, together with other service providers.

One Sub-Management Team (SMT) each at the Siem Reap Province and Phnom Penh Capital would be established to lead the project's local operations. The SMTs would be supported by the respective local governments, district/Khan and commune/Sangkat level professionals and facilitators. The SMTs would engage experienced NGOs to undertake social mobilization and group

formation activities in target communes/Sangkats. Specialized NGOs, public, and/or private sector agencies would also be contracted to provide support for livelihood improvement, capacity building, value chain linkage, skill-building and job placement services in areas where government services cannot fulfill that function. They would work alongside the responsible government institutions and ensure appropriate knowledge transfer.

In line with the government policy to strengthen roles and responsibilities of the District Administration, a team of full-time District/Khan Facilitators (DFs) would be contracted by each SMT to facilitate and supervise implementation of village and commune level activities, including social and environmental safeguards. The DFs would also directly support the District and Commune/Sangkat Councils, coordinate and support the work of Community Professionals (CP) and provide the link between the district and commune level administrative structures with the provincial and national-level expertise available for support.

These councils would perform a variety of roles with respect to the different sub-components of the project. The Councils would identify and validate IDPoor households as potential beneficiaries, assist in awareness building and the mobilization of beneficiary households, review and validate Self-Help Group (SHG) seed funding and Community Livelihood Investment Fund (CLIF) funding proposals (in the case of Component 1), encourage application for skills building and job placement, and perform their mandated responsibilities with respect to community infrastructure procurement, including the monitoring of the implementation of social and environmental safeguards to be financed by the project according to the commune planning process and the CSF-PIM.

At the village/community level, for Component 1, the project with the support of contracted NGOs and District Facilitators would identify a cadre of CPs to be developed as village facilitators, book keepers, community development officers, skilled extension workers, etc. These CPs would be identified and selected from within the communities where SHGs are operating to assist the project in social mobilization, formation, strengthening and sustainability of SHGs. These are the Commune Extension Worker (CEW), Village Extension Worker (VEW), Village Animal Health Worker (VAHW), and where needed, other livelihood development facilitators, including social and environmental safeguards. CPs would work closely with Commune/Sangkat Councils to assist them in their functions, drawing on capacity building and technical support from DFs and SMT staff as needed.

The community infrastructure sub-components would utilize CSF-PIM in the preparation and implementation of community sub-projects. The CSF-PIM has been used by Communes for small-scale investments for several years. This manual requires the identification of community investment priorities through a participatory process led by the Commune/Sangkats Budget and Planning Committee, Chief, and Council. Once the investment activity is defined, the district and provincial technical staff would help in the design of the sub-project including incorporation of the social and environmental safeguards requirements. Upon approval at the provincial level, the Commune/Sangkat Council manages the procurement and supervision of a contractor, drawing on district and provincial technical services as needed. Rather than the Provincial Treasury releasing payments to contractors, the Provincial SMTs would release the payments following a similar financial transaction and approval procedure based on the CSF-PIM to ensure consistency with existing provincial procedures.

The M&E system would be designed to monitor the projects physical progress, financial progress,

results and impact. These would be assessed regularly using the agreed targets and indicators provided in the Annual Work Plan and Budget (AWPB), financial accounting system, and results framework. The M&E system would also include conduct of special studies and audits of selected project processes, the results of which would be used for performance improvement and knowledge sharing. The impact of the project and the achievement of the Project Development Objective (PDO) would also be assessed through an internal impact evaluation (IE) that would be informed by the baseline and completion surveys.

The PCO would have the overall responsibility for M&E. Its M&E team would be led by a Coordinator and supported by one M&E Officer based in each of the SMTs. Field staff from the implementing agencies including Community Professionals, NGOs, service providers and local governments would be required to provide specific reports and data. The collection, storage, displays and reporting of data would be organized using an MIS application for use with hand-held devices that would be specifically designed for the project and drawing on the experiences of other similar projects. The surveys and impact evaluation would be undertaken by the National Institute of Statistics and contracted impact evaluation specialists in collaboration with NCDD.

The sustainability of SHGs emerged as a significant risk following the completion of the LEAP pilot. This is largely the result of the limited time and interventions to sufficiently build the capacity of the SHGs to make them viable and independent. A performance assessment and certification approach would be adopted under the project to determine the SHGs organizational development level and identify additional capacity building interventions to address the gaps. The commune/Sangkat level federations together with Commune/Sangkat Councils would also provide motivational, technical and some financial support to SHGs. The federations' continuing activities would be sustained through membership dues paid by individual SHGs and from the CLIF grant being revolved to support SHG activities. Linkages to Micro-Finance Institutions (MFIs) would also help to sustain SHGs through the provision of financing and technical assistance. In the urban Phnom Penh context, the experiences with credit and savings SHGs are mixed. The project would therefore limit assistance on technical instead of financial support to existing groups and individual households.

Activities aimed at strengthening access to markets and jobs would be sustained through enhanced knowledge and skills provided by the project. Producers would have more effective connections through value chains which would allow them to continue to benefit from increased productivity and income. Individuals who have received training, counseling and job placement support would continue to benefit from higher earning jobs and better career opportunities.

Small-scale infrastructure would be sustained through a combination of Commune/Sangkat Council Fund investments (financed through annual allocations) and individual household and producer group's financing and support. Beneficiaries/users of community based infrastructure such as water supply systems and irrigation schemes would be trained to undertake collective operation and maintenance of the infrastructure as well as generate funds/users' fees for routine repair and maintenance. Infrastructure that are connected to national, provincial/municipality or utility networks such as wastewater drainage, water supply and electricity, would be maintained by the relevant agencies.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)**VII. Contact point****World Bank**

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