

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

|                                    |   |                              |  |
|------------------------------------|---|------------------------------|--|
| <b>Country:</b>                    | Cambodia and the Lao People's Democratic Republic | <b>Project Title:</b>        | Trade Facilitation: Improved Sanitary and Phytosanitary Handling in Greater Mekong Subregion Trade Project |
| <b>Lending/Financing Modality:</b> | Project   | <b>Department/ Division:</b> | Southeast Asia Department<br>Public Management, Financial Sector and Trade Division                        |

### I. POVERTY ANALYSIS AND STRATEGY

#### A. Link to National Poverty Reduction Strategy and Country Partnership Strategy

**Cambodia.** The government's poverty reduction strategy is embodied in the National Strategic Development Plan Update, 2009–2013, targeting poverty reduction at a rate of at least 1% per annum and improvement of social indicators, especially in education, health, and gender equity. The government envisions broad-based development of the rural economy to create new jobs and increase incomes, including a focus on enhancing productivity and diversifying the agriculture sector and developing agro-industries. The Cambodia country partnership strategy, 2011–2013<sup>a</sup> of the Asian Development Bank (ADB) acknowledges that double-digit growth in the past has not translated into inclusive growth or reduced vulnerability. Assistance will therefore include safety net provisions and a continuing focus on rural Cambodia.

**Lao People's Democratic Republic.** Priority sectors of the Government of the Lao People's Democratic Republic's (Lao PDR's) poverty reduction strategy (as articulated originally in the *National Growth and Poverty Eradication Strategy* of 2004) have been mainstreamed into the Sixth National Socio Economic Development Plan, 2006–2010. Agriculture, health, education, and infrastructure are listed as key priorities. ADB's Lao PDR country partnership strategy (2009) midterm review<sup>b</sup> assessment identified that poverty was increasingly concentrated in certain regions and ethnic groups. Significant improvement in government services was required to address non-income poverty.

#### B. Poverty Analysis

**Targeting Classification:** General intervention

##### 1. Key Issues:

**Cambodia.** Against the backdrop of rapid economic growth, the 2009 Socioeconomic Survey (CSES) measured a fall in the headcount of the poor from 47% in 1994 to 35% in 2004 to 30% in 2007. The poverty magnitude has fallen from 4.3 million people in 2004 to 3.9 million in 2007. However, the methodology in poverty measurement is relatively conservative. The resulting poverty lines are very low. <sup>c</sup> Poverty incidence is much higher in rural areas (35% of the rural population in 2007) than in urban areas (less than 1% in Phnom Penh and 22% in other urban areas). According to the 2007 CSES, nine out of 10 poor Cambodians live in rural areas. Cambodian households are vulnerable to many different shocks that can drastically change a household's socioeconomic situation. A simple indicator of vulnerability is the proportion of households living above the international poverty line of \$1.25/day purchasing power parity but below \$2/day. In Cambodia, this represents over a quarter of the population (28%). Four groups of households are particularly vulnerable: infants and children, women of reproductive age, food-insecure households, and special vulnerable groups (e.g., orphans and people living with HIV/AIDS). The main sources of risk to these households are (i) crises and emergencies (including macroeconomic crises and natural disasters); (ii) low human development (including poor nutrition and poor access to education); (iii) seasonal unemployment and food insecurity; and (iv) health shocks.

**Lao People's Democratic Republic.** Rapid economic growth has contributed to substantial progress in poverty reduction, with the national poverty incidence falling from 33% in 2003 to 28% in 2008. Poverty in the Lao PDR is directly linked to food availability. Recent estimates by the World Food Programme suggest that only about one-third of the rural population are truly food secure in the strict sense, and one household in seven has either poor or borderline food consumption.<sup>d</sup> Most tellingly of all, despite over a decade of sustained economic growth, prevalence of chronic malnutrition remains. Every second child in rural areas is chronically malnourished based on standardized anthropometric measures of stunting. While steady progress has been made to achieve the first of the Millennium Development Goals (a reduction in income poverty), performance in reducing non-income poverty has been mixed. More attention is necessary to fill gaps for social service provision, environmental enforcement capacity, child malnutrition, and maternal mortality. Poverty is increasingly concentrated among certain regions and ethnic groups. Major improvements in government services are required to address non-income poverty and to improve the level of human resource development.

## 2. Design features:

The project does not target poverty directly. However, by improving the sanitary and phytosanitary (SPS) handling of agriculture, food, and forestry (AFF) products in Cambodia and the Lao PDR and within the Greater Mekong Subregion (GMS), it will contribute to increasing agriculture sector production and productivity. It will also help make AFF trade more predictable, transparent, and incur lower transaction costs. It will contribute to strengthening AFF value chains within and between countries, extending back to the on-farm production environment, thereby creating demand for on-farm and off-farm labor, primary AFF produce (agriculture and livestock products), and will support incomes and gainful employment of poor rural households. In both countries, poverty is now largely a rural phenomenon. Improved surveillance and outbreak response to livestock diseases will benefit rural households in specific provinces as animal morbidity and/or mortality will be reduced. Improved national food surveillance reduces exposure to illness and time off work for all, including the poor, for whom it is more important in terms of illness costs and lost work time. In the tourism industry, the grading of establishments for food handling will help stabilize and formalize the hotel and restaurant industry, indirectly sustaining employment among workers with relatively low wages in food preparation, handling, and serving. Undertaking grading visits and audits as part of national food safety surveillance systems will create formal jobs.

## II. SOCIAL ANALYSIS AND STRATEGY

### A. Findings of Social Analysis

#### 1. Key issues

The project will help increase the economic returns to primary producers in rural areas and will help support formal income sources from tourism services, although data on current returns to wage earners are less clear.

**Cambodia.** Because of low productivity, poor product quality, dependence on informal markets and trade with Thailand and Viet Nam, farm-gate prices are generally low. For example, the farm-gate price of paddy rice in Cambodia is about 35%–40% lower than that of Thailand and Viet Nam.<sup>e</sup> The farm-gate price of maize is about 45%–60% lower. In general, the only way small producers can have higher returns from agricultural production is to diversify into high-value products that are tradable, such as vegetables, high-quality rice varieties (aromatic ones favored in Thailand and Viet Nam), and/or organically cultivated varieties popular in up-market outlets.

**Lao People's Democratic Republic.** Average incomes from rice farming are about \$250 hectare/year.<sup>f</sup> The only way to increase family income is by diversifying production and through integration with cross-border value chains, and sustainable contract farming. Lao Expenditure and Consumption Survey 2002/2003 (LECS3)<sup>1</sup> poverty data suggest that access to borders and trade is correlated with higher incomes.

### B. Consultation and Participation

1. Project preparation in each country has been undertaken in close consultation with national agencies, development partners, and private sector participants (especially trade and small enterprises associations, and the tourism and hotel industries).

2. What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?  
☒ Information-sharing ☒ Consultation ☐ Collaborative Decision-making ☐ Empowerment

3. Was a C&P Plan prepared? ☒ No ☐ Yes

### B. Gender and Development

#### 1. Key Issues:

**Cambodia.** Gender disparities are manifest nationally in empowerment (attitudes, literacy, and income levels); education (boys enrolment greater than girls); legislative enforcement (although gender targets are well-specified in national planning and poverty-reduction documents); and health status. Women's participation in politics and decision making is particularly limited. There is a particular need to target government service delivery toward women, including agriculture-related services. In AFF production, nearly two-thirds of the farming population is women, women produce the majority of the nation's food, and they are actively engaged in livestock and fisheries. Female employment in tourism is reportedly growing (no formal figures exist), but earnings lag male counterparts. The share of females among government staff in most SPS agencies is low—in some cases lower than 10%; this needs to be raised.

**Lao People's Democratic Republic.** Women account for over 50% of the agricultural workforce and are responsible for many decisions and activities surrounding AFF production. However, they currently receive a disproportionately small share of the services and resources directed at AFF development, and remain insufficiently acknowledged in public policies and programs. Gender gaps have been found to exist in (i) agriculture extension services; (ii) cultivation, commercialization, and other productivity enhancement interventions; (iii) market information services; and (iv) financial and other (including trade-related) services.<sup>g</sup> Female staff in government SPS agencies generally comprise 30%–50% of the workforce, although it is more balanced in private sector food and tourism establishments.

**Key Actions:**

Gender analysis has been prepared for each country under the project, including selected training and participation targets. Tourism sector growth in both countries will benefit women especially.<sup>h</sup>

☐ Gender action plan    ☒ Other actions or measures    ☐ No action or measure

- Cambodia – at least 15% of the participants for the technical training under the project shall be female.
- Lao PDR – at least 30% of the participants for the technical training under the project shall be female.

**III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS**

| Issue  | Significant/Limited/No Impact  | Strategy to Address Issue  | Plan or Other Measures Included in Design     |
|--|--|--|---|
| <b>Involuntary Resettlement</b>  | None (project category C)  | None   | <input checked="" type="checkbox"/> No action |
| <b>Indigenous Peoples</b>  | None (project category C)  | None   | <input checked="" type="checkbox"/> No action |
| <b>Labor</b><br><input type="checkbox"/> Employment opportunities<br><input type="checkbox"/> Labor retrenchment<br><input type="checkbox"/> Core labor standards                                      | The projects will result in expansion of employment opportunities in trade-related AFF production, processing (e.g., food products) and trade (including tourism services) | Jobs will be created by private sector businesses as AFF activity expands                | <input checked="" type="checkbox"/> No Action |
| <b>Affordability</b>   | None. The Projects impose no charges on households; academic scholarships and short course, language training etc is fully funded  | Eventually formal businesses will be able to fund some of the trade-related SPS services | <input checked="" type="checkbox"/> No Action |
| <b>Other Risks and/or Vulnerabilities</b><br><input type="checkbox"/> HIV/AIDS<br><input type="checkbox"/> Human trafficking<br><input type="checkbox"/> Others (conflict, political instability, etc) | None   | None   | <input checked="" type="checkbox"/> No Action |

**IV. MONITORING AND EVALUATION**

Are social indicators included in the design and monitoring framework to facilitate monitoring of gender and social development activities and/or social impacts during project implementation?    ☒ Yes    ☐ No

Selected targets for training, for example:

- Cambodia – at least 15% of the participants for the technical training under the project shall be female.
- Lao PDR – at least 30% of the participants for the technical training under the project shall be female.
- The borrower shall ensure that all monitoring and evaluation data shall be disaggregated by gender.

<sup>a</sup> ADB. 2011. *Country Partnership Strategy: Cambodia, 2011-2013*. Manila.

<sup>b</sup> ADB. 2009. *Country Partnership Strategy Midterm Review: Lao PDR, 2007-2011*. Manila.

<sup>c</sup> The average national poverty line for Cambodia in 2007 was KR2,473 (\$0.62) per capita per day.

<sup>d</sup> World Food Programme. 2007. *Lao PDR: Comprehensive Food Security and Vulnerability Assessment*. Rome.

<sup>e</sup> Economic Institute of Cambodia. 2008. *Price Distortion in Cambodia: A Case Study of Paddy, Maize and Soya beans. A Report for Cambodia: Sustaining Rapid Growth Report of the UNDP (Unedited Draft)*. Phnom Penh.

<sup>f</sup> Agrifood Consulting. 2006. *Macroeconomics of Poverty Reduction Project. Improving Farm Family Incomes in Lao PDR Summary Report*.

<sup>g</sup> ADB. 2007. *Capacity Development Technical Assistance to Lao People's Democratic Republic for Capacity Strengthening for Gender Mainstreaming in the Agriculture Sector*. Manila.

<sup>h</sup> World Tourism Organization. 2011. *Global Report on Women in Tourism*.

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<sup>i</sup> Lao Statistics Bureau (2007)