



TRANSLATION

**KINGDOM OF CAMBODIA**  
**Nation Religion King**



**ROYAL GOVERNMENT OF CAMBODIA**

A large, light blue watermark emblem of Cambodia, featuring a central crown-like structure with a sunburst at the top, flanked by two mythical animals, and a banner at the base, all enclosed within a laurel wreath.

**NATIONAL STRATEGIC DEVELOPMENT PLAN**  
**UPDATE 2009-2013**

**FOR GROWTH, EMPLOYMENT, EQUITY AND EFFICIENCY**  
**TO REACH CAMBODIA MILLENNIUM DEVELOPMENT GOALS**  
**NOVEMBER 2009**



Samdech Akka Moha Sena Padei Techo **HUN SEN**  
Prime Minister of the Kingdom of Cambodia

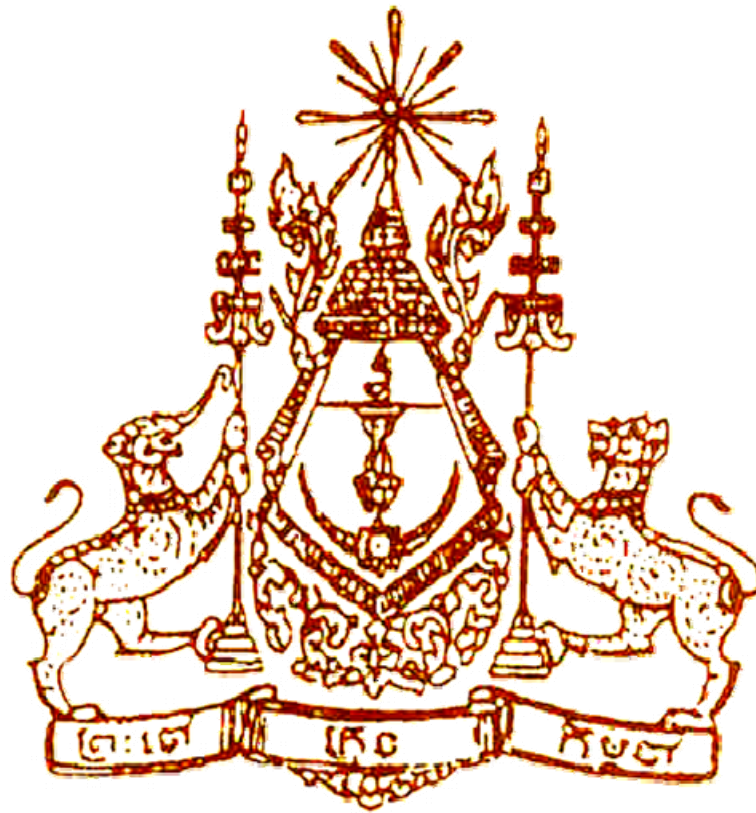
**FOREWORD**

Sd/-

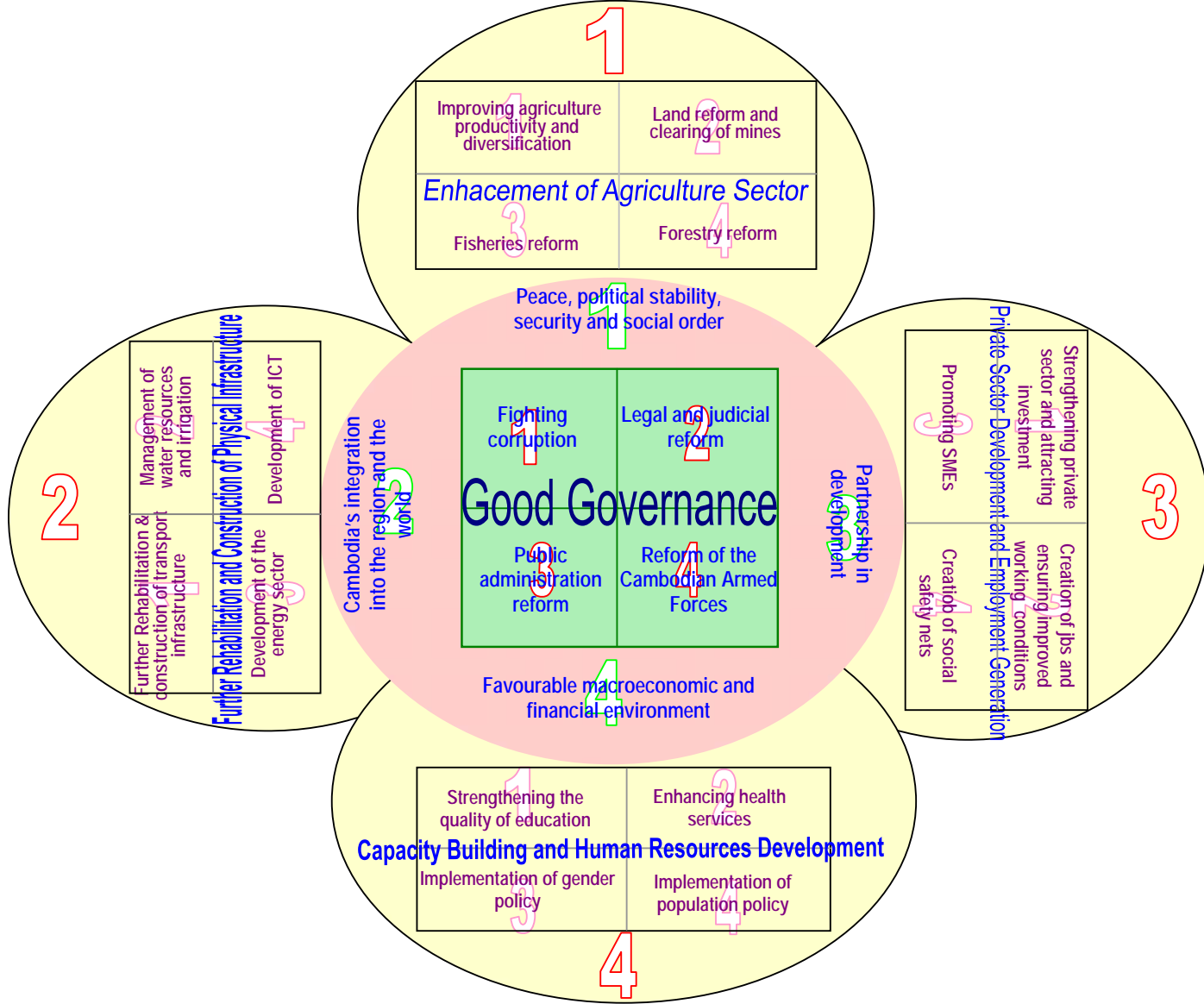
Phnom Penh, 14 November 2008  
Prime Minister of the Kingdom of Cambodia

Samdach Akka Moha Sena Padei Techo HUN SEN

NATIONAL EMBLEM AND FLAG OF THE KINGDOM OF CAMBODIA



RECTANGULAR STRATEGY - PHASE II



## CAMBODIA AT A GLANCE

## GENERAL (2008)

Total Geographic area: Sq. Kms.	181,035
Number of Municipality	1
Number of Provinces	23
Number of Districts	159
Number of Khans	8
Number of Cities	26
Number of Communes	1,417
Number of Sangkats	204
Number of Villages	14,073
Fiscal Year	January-December
Currency	Cambodian Riel (CR)

	Particulars	Unit	2008	2009	2010	2011	2012	2013
	<b>KEY INDICATORS</b>							
<b>1.00</b>	<b>Poverty Headcount (2007)</b>							
1.01	Total for the Country	% of popn	30.1	N/A	25.0			
1.02	Phnom Penh	%	0.8	N/A				
1.03	Other Urban	%	21.9	N/A				
1.04	Rural	%	34.7	N/A				
1.05	Population below food poverty line	%	18.0	N/A	13.0			
<b>2.00</b>	<b>Gender Issues</b>							
2.01	Women in Labour Force: In agriculture	% of Total LF	52.5		50.0			50.0
2.02	In Industries	% of Total LF	53.5		50.0			50.0
2.03	In Services	% of Total LF	27.0		37.0			37.0
<b>3.00</b>	<b>Population</b>							
3.01	Total : <u>March 2008 Census</u>	Million	13.4	14.7	14.9	15.2	15.5	15.8
3.02	Population Density	per sq. km	75	81	83	84	86	87
3.03	Male/Female Ratio	100 Female	94.2	94.8	95.0	95.1	95.3	95.4
3.04	age 0-14	% population	33.7	35.1	34.34	33.6	33.2	33.37
3.05	age 15-64	% population	62.04	61.09	61.82	62.47	62.86	62.62
3.06	age 65 and above	% population	4.26	3.8	3.84	3.89	3.94	4.01
3.07	Rural	% population	80.5					
3.08	Urban	% population	19.5					
3.09	Annual Growth rate	%	1.54	1.77	1.77	1.77	1.76	1.75
3.10	Total Fertility rate (per woman)	live births	3.11	3.04	2.97	2.91	2.85	2.80
3.11	Life Expectancy at birth – Male	Yrs	63.1	63.61	64.11	64.51		
	-- Female	Yrs	67.5	67.98	68.48	68.88		
<b>4.00</b>	<b>Macro Economic</b>							
4.01	Annual GDP ( <i>constant prices, year 2000</i> )	billion riels	41,977	45,444	48,275	52,925	58,040	63,431
4.02	: Agriculture	%	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
4.03	: Industry	%	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
4.04	: Services	%	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)

	Particulars	Unit	2008	2009	2010	2011	2012	2013
4.05	GDP Per Capita	000 Riels	3,000	3,195	3,342	3,612	3,900	4,198
4.06	GDP Per Capita	US \$	739	769	795	849	906	964
4.07	Real GDP % change (constant prices 2000)	%	6.7	2.1	3.0	7.0	7.0	7.2
4.08	Inflation ( Year average)	%	19.7	4.5	4.0	3.5	3.5	3.0
4.09	Exchange rate per US\$	Riels	4,060	4,155	4,205	4,255	4,305	4,355
4.10	Gross Foreign Exchange Reserves US\$	mths imports	3.5	3.5	3.5	3.5	3.5	3.5
4.11	--- In US\$	US\$ million	2,104	1,758	1,959	2,168	2,415	2,689
4.12	FDI: Investments -- for the year	US\$ million	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
<b>5.00</b>	<b>Fiscal</b>							
5.01	Revenue as % of GDP	% of GDP	13.3	12.3	12.7	12.9	13.1	13.3
5.02	Tax Revenue	% of GDP	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
5.03	Total Budget Expenditure	% of GDP	15.7	16.2	15.4	15.6	15.7	15.7
5.04	Current Expenditure	% of GDP	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
5.05	Current Surplus	billion riels	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
5.06	Contribution to FDI (import duty exempted, etc)	% of GDP	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
<b>6.00</b>	<b>Finance Sector</b>							
6.01	Commercial Banks	Nos	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
6.02	Loan outstanding	million riels	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
6.03	Micro-Finance Institutions	Nos	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
6.04	Loan outstanding	million riels	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
<b>7.00</b>	<b>Official Development Assistance (incl. NGOs)</b>			estimated	forecast	forecast	forecast	forecast
7.01	Total	US \$ millions	877.118	771.313	538.680	221.565	62.684	-
7.02	Technical Assistance	US \$ millions	306.422	250.713	156.292	83.884	37.006	-
7.03	Capital Assistance	US \$ millions	527.225	458.707	318.703	111.796	23.204	-
7.04	Other than TA	US \$ millions	43.653	61.893	63.654	25.884	2.474	-
<b>8.00</b>	<b>Agriculture, Forestry and Fisheries</b>							
8.01	Land under crops	000 Ha	596	750	950	100	100	100
8.02	Irrigated land area	000 Ha	1,120.24 6	1,145.24 6	1,170.24 6	1,195.24 6	1,220.24 6	1,245.24 6
8.03	Paddy: cultivated area	000 Ha	2.61	2.63	2.65	2.65	2.65	2.65
8.04	Yield per hectare	tons	2.74	2.77	2.80	2.83	2.87	3.00
8.05	Fishing Lots	Sq. Kms	415	415	415	415	415	415
8.06	-- Released to Community Fishing	%	56.4	56.4	56.4	56.4	56.4	56.4
8.07	Fish: Catch (from all sources)	Tons	471	475	480	485	490	500
8.08	Forestry cover	% of land area	59.09	57.59	57.61	57.63	57.70	57.99
8.09	-- Reforested (cumulative total from 1985)	Ha	8.6	8.0	10	20	20	30
8.10	Fuel Wood Dependency	% h.holds	73	67	61	59	56	54
8.11	set up forest border	km	350	194	500	500	500	500
8.12	Land Reforms: Titles issued to farmers	% of Total	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
<b>9.00</b>	<b>Rural Development</b>							
9.01	Rehabilitated roads -- (of total 28,000 kms)	Kms	24,028	24,707	25,050	25,349	26,146	27,049

	Particulars	Unit	2008	2009	2010	2011	2012	2013
9.02	Access to Improved drinking Water (rural)	% of popn	55.4	57.7	60.0	62.3	64.6	66.90
9.03	Access to sanitation (rural)	% of popn	19.60	23.38	25.00	27.00	29.00	31.00
9.04	Set up Village Development Committees	% of total villages	62	63	64	76	88	100
<b>10.00</b>	<b>Industries</b>							
10.01	Manufacturing output	billion riels	15,281	12,870	14,812	15,769	16,242	16,729
10.02	Garment Industry : output	billion riels	12,348	9,878	11,731	12,595	12,973	13,362
10.03	: Labour force	Nos	329,892	335,000	340,000	350,000	370,000	400,000
10.04	Small and medium industry bases	base	32,800	33,005	33,214	33,450	33,579	33,814
10.05	Total Investment Capital	000 USD	165,932	166,676	168,409	169,699	171,206	171,0278
10.06	output	billion riels	2,700	2,781	2,858	2,878	2,903	2,904
10.07	Workers	Nos	96,883	96,362	98,034	98,731	99,634	99,684
10.08	Female workers	Nos	43,803	44,053	44,108	44,373	44,643	44,918
10.09	Females Entrepreneurs	Nos	3,005	3,055	3,110	3,170	3,235	3,305
<b>11.00</b>	<b>Energy</b>							
11.01	Energy Used: Gasolene & Diesel	Tons	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
11.02	Electricity Generated	Gwh	1,971.749	2,366.099	2,839.319	3,407.182	4,088.619	4,906.342
11.03	Household consumers	Nos	477,412	534,701	614,907	737,888	848,571	975,857
11.04	Per capita consumption/year	Kwhs	103	159	187	220	259	307
11.05	Transmission net work (115 KVA)	KMs	323	353	477	477	713	713
11.06	Transmission net work (220 KVA)	KMs	1,450	1,595	1,914	2,201	2,531	2,911
11.07	Transmission net work (230 KVA)	KMs		110	197	279	864	1,084
<b>12.00</b>	<b>Transport</b>							
12.01	Primary & Secondary roads	Kms	11,494	11,494				11,494
12.02	Of which paved	Kms	2,100	2,621	2,512 (excluded secondary road)			4,100
12.03	Railways	Kms	650	650	650	650		650
12.04	International Ports	Nos	2	2	2	2		2
12.05	International Airports	Nos	2	2	3	3		3
<b>13.00</b>	<b>Telecommunications</b>		Actual	Estimate	Forecast	Forecast	Forecast	Forecast
13.01	Telephones in use (landline & mobile)	000's	4.143	5.000	5.600	6.200	6.800	7.400
13.02	Internet users	Nos	20.108	46.000	61.000	76.000	91.000	106.000
13.03	Rate of Post Service Users		0.36	0.38	0.4	0.42	0.44	0.46
13.04	Client per Station	Nos	161.445	163.932	140.968	125.256	111.286	101.147
<b>14.00</b>	<b>Tourism</b>							
14.01	Visitor arrivals (foreign & domestic)	millions	8.85	9.11	8.13	10.47	11.23	12.10
14.02	Income from Tourism	million USD	1.595	1.617	1.682	1.766	1.872	2.022
14.03	employment in tourism sector	Nos	300,000	310,000	325,000	350,000	380,000	430,000
14.03	No. of Hotel Rooms	Nos	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
<b>15.00</b>	<b>Public Information</b>							
15.01	News Agency- state & private (newspaper, magazine, Cambodian and foreign languages)	Agency	543	550	555	560	565	570



	Particulars	Unit	2008	2009	2010	2011	2012	2013
15.03	Printing House	Section	133	134	135	135	136	136
15.04	In-country Radio Stations - state & private (central & provincial)	Nos	51	54	59	61	63	66
15.05	In-country TV Channels – state % private (central & provincial)	Nos	102	106	110	110	114	117
<b>16.00</b>	<b>Health</b>							
16.01	Infant mortality rate (under age 1) (IMR)	per 1,000 live brths	66 (2006)		60			55
16.02	Under 5 mortality rate (U5MR)	per 1,000 live brths	82 (2006)		75			70
16.03	Maternal Mortality Ratio (MMR)	per 100,000 brths	472		243			150 ???
16.04	Births attended by skilled health personnel	%	58	65	70	75	80	85
	births delivery by trained health personnel at health facilities	%	39	45	50	55	60	65
16.05	Malaria cases: treated at public health sector	per 1,000	0.36	0.2	0.2	<0.2	<0.2	<0.2
16.06	Prevalence of smear positive TB	per 100,000	230 ??		214			130 ??
16.07	HIV/AIDs: Adult prevalence rate (NAA)	% 15-49 yrs	0.7	0.7	0.7	0.6	0.6	0.5
	Contraceptive prevalence using modern method	%	26	37	40	45	46	49
16.08	Referral Hospitals	Nos	74	76 (2009)				
16.09	Health Centres	Nos	956	967 (2009)				
16.10	Drinking Water access:(urban)	% of popn	51	53	54	55	57	60
16.11	Access to sanitation (urban)	% of popn	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)	(Fill up)
<b>17.00</b>	<b>Education</b>		<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
17.01	Primary Schools	Nos	6,565	6,635	6,685	6,785	6,865	NA
17.02	Net Enrolment: Total	%	94.4	95.0	96.0	97.0	98.0	99.0
17.03	Boys	%	94.8	95.5	96.5	97.5	98.5	99.5
17.04	Girls	%	94.0	95.0	96.0	97.0	98.0	99.0
17.05	Survival rate 1-6	°	49.3	52.5				100
	Gross Completion Rate grade 6	%	85.6	85.0	87.0	91.0	92.0	100.0
17.06	Lower Secondary Schools	Nos	1,451	1,521	1,600	one commune 1 school	one commune 1 school	one commune1 school
17.07	Net Enrolment: Total	%	33.9	40.0	43.0	46.0	48.0	51.0
17.08	Boys	%	32.9	38.0	41.0	43.0	46.0	49.0
17.09	Girls	%	35.0	42.0	45.0	48.0	51.0	54.0
17.10	Survival rate 1-9	%	26.3	29.3				50
	Gross Completion rate grade 9	%	49.1	46.0	45.0	52.0	55.0	59.0
17.11	Literacy 15-24 yrs	%	86.0	86.0	87.0	88.0	89.0	90.0
<b>18.00</b>	<b>De-Mining Programme</b>							
18.01	Annual Casualties (deaths & injured)	Nos	271	236	212	191	172	155
18.02	Total cumulative area cleared of mines/UXOs	Ha	37.9	38.6	39.4	40.2	41.0	41.8



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## CHAPTER I

### INTRODUCTION

1. The Royal Government of Cambodia through its concerted efforts has been successfully rebuilding Cambodia from the state of near total destruction of all its assets -- human capital; economic, educational and social institutions; government structures and physical assets in infrastructure. On the basis of the national reconciliation among different factions reached at the Paris Peace Conference in October 1991, the first General Elections were held in 1993 leading to the adoption of the new constitution and formation of a national Royal Government of Cambodia (RGC). From that time the highest priority of the Royal Government has been to vigorously foster the achievement of rapid socio-economic progress to lift the poor out of poverty and to place the nation firmly on a path of sustained economic growth.

2. The formation of the Royal Government of Cambodia (RGC) in 1993 led to the end of the economic embargo imposed on Cambodia in 1979 and resulted in inflows of Foreign Direct Investment (FDI) and Official Development Assistance (ODA) for economic rehabilitation. To begin the process of rebuilding and rehabilitating the social, physical, and institutional infrastructure, the Royal Government outlined its long-term vision for the future in the National Programme to Rehabilitate and Develop Cambodia (NPRD) that was adopted in 1994. Based on this vision, the *1<sup>st</sup> five year Socio-Economic Development Plan (SEDP I, 1996-2000)* was formulated setting clear goals and milestones to be reached by 2000. This Plan's focus was on macro-economic growth, social development, and poverty alleviation. At the same time, a three year rolling Public Investment Programme (PIP) was developed for the period 1996-1998 so that domestic and external development cooperation resources could be channelled to priority areas to achieve goals set out in SEDP I. Since then PIP has been updated annually. During 1993-1998, Cambodia was both at peace and at war.

3. Following the 2<sup>nd</sup> General Elections in 1998, the 2<sup>nd</sup> Legislature of the Royal Government of Cambodia (RGC) was elected into office in November 1998. As a result of the implementation of *Samdech Prime Minister HUN SEN's "Win-Win Policy"* the political and military organizations of the Khmer Rouge were dismantled and were integrated into the mainstream of the society in 1999. The Royal Government has achieved tangible results by implementing the "*Triangle Strategy*" put forward by *Samdech Prime Minister HUN SEN*. This Strategy focused on (1) *building peace, restoring stability and maintaining security for the nation and the people*; (2) *integration of Cambodia into the region and normalization of relationships with the international community*; and (3) *promoting economic and social development*. The successful implementation of the Triangle Strategy set the stage for a profound transformation of Cambodia from a region of uncertainty, war, internal strife, instability and backwardness into an epicenter of sustained peace, security and social order, respect for democracy, human rights and dignity, cooperation and shared development. It is only since 1999 that the people of Cambodia have enjoyed an environment of peace, political stability, law and order, democracy, respect for human rights and economic stability. The current political stability has been achieved and consolidated through persevering efforts of the Royal Government after many decades of conflict. This new environment has enabled the Royal Government to move forward on implementing its reform programs in all sectors to re-build institutional capacities, strengthen socio-economic infrastructure, and create an enabling environment to attract investment from both domestic and foreign sources to achieve Royal Government's economic growth and poverty reduction targets.

4. As SEDP I 1996-2000 was nearing its end, the 2<sup>nd</sup> *Socio-Economic Development Plan (SEDP II 2001-2005)* was prepared focusing on economic growth and poverty reduction. *For the Royal Government, the most formidable development challenge has been and continues to be the development of the private sector that is the engine of economic growth to achieve reduction of poverty and improving the livelihoods and quality of life of the rapidly growing Cambodian population.* The Royal Government considers poverty to be a waste of valuable economic resources which is not only morally unacceptable but can also result in social polarization and instability. Following the preparation of the SEDP II, two important and forward looking developments took place. *First*, following the historic United Nations Millennium Summit in 2000 which declared broad Millennium Development Goals (MDGs) to be achieved by all countries by year 2015, Cambodia developed its own set of MDGs called Cambodia Millennium Development Goals (CMDGs), focusing on poverty alleviation and human development. *Second*, a National Poverty Reduction Strategy (NPRS) was also prepared and adopted in December 2002 through an inclusive consultation process.

5. Following the 3<sup>rd</sup> General elections on 27 July 2003, the newly elected Government made public its *“Rectangular Strategy”* as the successor of the *Triangular Strategy* of the Royal Government in the Second Legislature of the National Assembly. It outlined the economic policy agenda to support the policy platform of the Royal Government in the Third Legislature of the National Assembly (2003-2008). The *Rectangular Strategy* synthesised the key elements from the *Cambodia Millennium Development Goals*, the *Socio-Economic Development Plan 2001-2005 (SEDP II)*, the *Cambodia National Poverty Reduction Strategy 2003-2005 (NPRS)*, and various important policies, strategies, plans and other reform programs, all of which had been formulated through broad consultations with all national and international stakeholders. The main aim of the Rectangular Strategy for Growth, Employment, Equity, and Efficiency was to promote economic growth, generate employment for Cambodian workers, ensure equity and social justice, and enhance efficiency of the public sector through the implementation of the Governance Action Plan and in-depth reforms that are coordinated and consistent across all levels and sectors.

6. The 3<sup>rd</sup> five year development Plan for 2006-2010 was formulated to be the single, overarching, guiding, and reference national policy document for pursuing prioritized goals, targets and actions for the next five years. The new Plan was renamed to be the National Strategic Development Plan (NSDP) 2006-2010. NSDP 2006-2010 was organized using the Rectangular Strategy framework. In preparing the NSDP 2006-2010, the Royal Government had taken full ownership and actively led the process of the preparation of the Plan while ensuring participation of and consultations with all stakeholders.

7. With unwavering implementation of the *“Rectangular Strategy”* and the NSDP 2006-2010, the Royal Government of the Third Legislature has created a favorable environment and necessary conditions enabling Cambodia to step forward with increased hopes and strong confidence on the road of further reforms and development. The Royal Government has adhered to the principle of national solidarity to rally all Cambodians, inside and outside the country, from all walks of lives and political tendencies, under the motto *“Nation-Religion-King”* with the objective to build and protect the nation and its social achievements while ensuring national independence, integrity, sovereignty, peace, democracy and progress.

8. Following the General Elections held on 27 July 2008, the Royal Government announced its *“Rectangular Strategy Phase II”* that is the *“Socio-economic Policy Agenda”*

of the “Political Platform” of the Royal Government of the Fourth Legislature of the National Assembly (2008-2013). This political platform was provided by the Cambodian People’s Party to all Cambodians for their consideration before the last elections. An overwhelming majority of Cambodians from all walks of life reaffirmed their support, for the fourth time, for the Cambodian People’s Party to continue to lead the country on the path of development and reforms in all sectors. **Samdech Akka Moha Sena Padei Techo HUN SEN**, Prime Minister of the Kingdom of Cambodia, presented this strategy at the first meeting of the new Government and stated that the “**Political Platform**” of the Royal Government of the Fourth Legislature has been formulated and endorsed through a comprehensive review of the performance during the Third Legislature, people's will and desire, the national and international context and the prioritization of strategies for all key sectors. At this meeting, the Rectangular Strategy Phase II was revealed as an updated and fine-tuned version of the earlier Rectangular Strategy to develop systematic, coherent, interrelated, complimentary, and simplified priority packages within key sectors, which outlines in detail the policy priorities for the implementation of the RGC’s reform programs to re-build institutional capacity, strengthen socio-economic infrastructure, and to create an enabling environment to attract investments from both domestic and foreign sources in order to create employment opportunities for Cambodians, to reduce poverty, and to develop key sectors of the economy. **Samdech Prime Minister** also underlined that “*The Royal Government recognizes the need to ensure consistency in terms of hierarchy, role, substance, coherence and synchronization between the “Rectangular Strategy”, the “National Strategic Development Plan”, and the Sectoral Development Strategies, as well as other policy documents, investment programs and the national budget; and this calls for a review of the timeframe of the “National Strategic Development Plan” and “Political Platform of the Royal Government” which includes the “Rectangular Strategy” as its socio-economic agenda*”<sup>1</sup>. To ensure this hierarchy of RGC key policy documents, **Samdech Prime Minister** emphasized that “*This strategy will be implemented mainly through the National Strategic Development Plan*”<sup>2</sup>. He concluded that the successful implementation of these prioritized policies will require dedicated and concerted efforts by all Line Ministries and Agencies of the RGC during its mandate in the Fourth Legislature of the General Assembly (2008-2013).

9. The on-going international financial crisis and the economic recession in advanced economies have resulted in declining demand for Cambodia’s export and have increased macro-economic and financial risks. These external developments have presented unexpected new challenges for Cambodia. The Royal Government is taking systematic and sequenced measures to mitigate the negative impact of the international financial cataclysm and global economic recession on our financial and economic system, and to protect our hard earned achievements. These external developments have made it necessary for all Ministries and Agencies to re-examine their plans to implement the prioritized policies of the **Rectangular Strategy, Phase II** for the Fourth Legislature. The **NSDP Update, 2009-2013** is being prepared to accomplish two primary goals. First, to synchronize the time period covered by the **NSDP Update** with the term of the Fourth Legislature of the Royal Government in order to ensure that the actions, programs, and projects of all Ministries and Agencies are aligned to implement the prioritized policies of the RGC that are outlined in Rectangular Strategy Phase II. The second goal is to ensure that the roadmap to implement these prioritized policies by Ministries and Agencies has taken into account the potential impact of the global economic downturn on our economy.

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<sup>1</sup> RS II, paragraph15, page 12

<sup>2</sup> RS II, paragraph111, page 53



10. To prepare NSDP Update 2009-2013, the planning methodology has been further refined. As noted earlier, NSDP Update is the implementation tool or roadmap for the implementation of RGC's priority policies for the Fourth Legislature that are outlined in Rectangular Strategy – Phase II. The methodological refinements are focused on:

- Identifying **who** is responsible for implementing the priority policy or policies in each area of RS II; **what** specific actions the responsible institution(s) has/have planned to implement the priority policy(ies); and the responsible institution(s) best estimate on **how** much it will cost to implement the planned actions during 2009-2013. The information collected through this bottom-up planning process is a major component of the information that is required to link the planning, public investment requirements, and development cooperation financing issues within the overall context of the macroeconomic outlook for the Plan period. It is, however, important to highlight that the information provided by responsible institution(s) needs to be based on a comprehensive technical analysis of the sector that must also include prioritization and sequencing of the planned actions.
- Outlining the macroeconomic framework for NSDP Update to present a top-down planning perspective developed based on econometric analysis of a likely scenario on economic growth, “capital” investment requirements to achieve the projected economic growth rate, and outlook for budget revenues and expenditures over the Plan period.
- Programming or allocation of total development expenditures based on: (i) information compiled through the bottom-up planning process that covers all aspects of social and economic development needs; (ii) information from the top-down planning process that establishes the parameters of overall resource availability from the national budget and information on “capital” investments that will be required to achieve the projected economic growth targets; and (iii) estimates of the total amount of resources, from all sources, that are likely to be available or would need to be mobilized to achieve the Plan targets.

11. Also, to ensure effective consultations with concerned development partners and civil society stakeholders in the preparation of inputs by the Ministries and Agencies, the Ministry of Planning took two important steps. *First*, at a workshop held in June 2009 to launch the circular of the RGC on the preparation of the NSDP Update 200-2013, the Ministry of Planning provided detailed policy and technical guidelines to Ministries and Agencies on how to prepare their inputs for NSDP Update. Development partners and other civil society stakeholders also attended this workshop. One important policy guideline issued at this workshop required that “line Ministries and Agencies chairing a Joint Technical Working Group should prepare their inputs *in consultation with their TWG's*”. The Royal Government strongly believes that investment of time and energy on consultations, by both Government officials and development partners, would be most productive if these efforts are focused at the Ministry/Agency level that are responsible for preparing the inputs for NSDP. *Second*, immediately following the workshop, at a meeting of the TWG–Planning and Poverty Reduction, that the Ministry of Planning Chairs, it tasked the Lead Donor Facilitators of the TWG to work with all development partners to ensure that they are ready and able to provide technical and logistic support, if needed, through the TWG mechanism to their concerned Ministry/Agency in the preparation of inputs for NSDP Update. While the Ministries and Agencies are expected to take full ownership of their submissions to the Ministry of Planning, it strongly encouraged Ministries/Agencies, development partners, and other stakeholders to engage in productive consultations that contribute to improving the Ministry/Agency inputs for the preparation of NSDP Update within the TWG framework.



12. The NSDP 2009-2013 is organized in seven chapters. Following the introduction presented in chapter I, it presents a summary of major achievements and challenges faced in the implementation of NSDP 2006-2010. Chapter III outlines the macro-economic framework for NSDP Update 2009-2013 and critical indicators/targets for the Plan period. Chapter IV presents RGC's key policies and actions that will be taken by ministries and agencies to implement these policies during the time frame of the Fourth legislature of the Royal Government. Chapter V deals with issues of costs, resources and programming. Information on monitoring and evaluation aspects of the NSDP 2009-2013 is presented in Chapter VI. The final Chapter VII presents broad conclusions.

## CHAPTER II

### MAJOR ACHIEVEMENTS AND CHALLENGES IN THE IMPLEMENTATION OF NSDP 2006-2010

13. With unwavering implementation of the "**Rectangular Strategy**", the Royal Government of the Third Legislature has created a favorable environment and necessary conditions enabling Cambodia to step forward with increased hopes and strong confidence on the road of further reforms and development.

14. Cambodia has been enjoying the fruits of peace and full territorial unity and integrity as the result of the "**Win-Win Policy**" of **Samdech Prime Minister Hun Sen** as evidenced by high economic growth and poverty reduction over the past decade. Cambodia has integrated into the region and the world and plays a dynamic role on equal footing and with equal rights in various sub-regional, regional, inter-regional and international organizations. With unwavering implementation of the "**Rectangular Strategy**", the Royal Government has created a favourable environment and necessary conditions enabling Cambodia to step forward with increased hopes and strong confidence on the road of further reforms and development. Overall, in spite of the new unexpected challenges that have emerged as a consequence of the global economic recession and the turmoil in the global financial markets, the Royal Government has further consolidated its achievements by continuing its determined implementation of the Rectangular Strategy through NSDP 2006-2010. Notable major achievements have included:

- i. Peace, political stability, security and social order have been strengthened based on a firm foundation of the liberal multi-party democracy. The second free and fair commune elections were held in 2007. The 4<sup>th</sup> national General Elections were held on 27 July 2008.
- ii. Respect for human rights and dignity, including political, economic and social rights, has been enhanced; and decentralization and de-concentration reforms, aimed at strengthening democracy and efficiency of local public services, have been initiated.
- iii. Good governance through state reform, especially civil service reform, legal and judicial reforms and armed forces reforms, has been strengthened to ensure that all government activities are increasingly more transparent, accountable, predictable, effective and efficient.
- iv. Macro-economic stability and unprecedented high, double digit economic growth has been ensured while maintaining low inflation and a stable exchange rate. Competitiveness of the national economy has been strengthened by improving agricultural productivity, building a rural economic base, and expanding the industrial sector, especially to further the dynamism of the garment sector. The services sector has also expanded rapidly. All these have created jobs and skills training for hundreds of thousands of youth.
- v. Through the "**Public Financial Management Reform Program**", budget credibility has been fundamentally achieved as reflected by substantial growth in government revenues and the rationalization of expenditure, especially to increase the current budget surplus, which contribute to expanding investments in the economic and social infrastructure aimed at enhancing public service and poverty reduction.
- vi. The Private sector has emerged as the "**true engine of economic growth**", and made a very impressive contribution to socio-economic development in both the economic and the financial sectors.

- vii. The rehabilitation and construction of the major national road networks has almost been completed and attention is now being paid to accelerate improvement of provincial and rural roads. The irrigation, energy and telecommunication infrastructure has improved significantly.
- viii. Institutional and human resource capacity has been strengthened by concentrating on development of the education and health sectors. The social sectors have made remarkable progress: in the education sector enrollment rates have increased and drop-out and repetition rates have declined; in the health sector infant and child mortality rates and HIV/AIDS infection rate have also declined.
- ix. Partnership with all stakeholders especially official development partners, private sector and civil society has been strengthened by putting in place a range of effective mechanisms, allowing for mobilizing and coordinating cooperative financing and investments.

## POVERTY REDUCTION

15. One of the highest priorities of the RGC has been to reduce poverty, especially in rural areas. Through the successful implementation of the action plan spelt out in the “Vision and Financial Sector Development Plan 2001-2010” which has been updated into the “Financial Sector Strategy 2006-2015” and the “Public Financial Management Reform Program”, the RGC has achieved not only macroeconomic stability but also impressive growth over the last decade, averaging around 10 percent per year. These achievements have enabled RGC to reduce the poverty levels significantly. The first survey of poverty headcount in Cambodia was carried out in 1993/94. It covered only part of the country because of lack of access due to security conditions in some parts of the country. The results of the most recently completed Cambodia Socio-Economic Survey carried out in 2007, show that poverty headcount index within parts of the country that were covered by the 1993/94 survey has declined from 39 percent in 1993/94 to 28.0 percent in 2004, and to 24.7 percent in 2007. In the rural areas in these parts of the country, the poverty headcount has declined from 43.1 percent in 1993/94 to 33.7 percent in 2004 and to 30.6 percent in 2007.

16. At present, data covering the whole country are available for the years 2004 and 2007. These data show that poverty headcount index for the whole country relative to the overall poverty line fell from 34.8 percent in 2004 to 30.1 percent in 2007, a significant decline of 4.7 percentage points from 2004 to 2007 representing a reduction of more than 1 percentage point per year. Similarly, the results show that poverty headcount has declined at all sub-national levels: in Phnom Penh from 4.6% in 2004 to 0.8% in 2007, in other urban areas from 25.8% to 21.9%, and in rural areas from 39.1% to 34.7%. The decline in poverty during the period 2004-2007 reflects substantial and statistically significant growth in real per capita household consumption – the measure of living standards commonly used. The rise in consumption is reported to be both apparent and statistically significant in the two poorest quintiles. Among the poorest and next poorest quintiles consumption increased in real terms by 10.7 and 11.5 percent respectively.

17. The analysis of the data from the Cambodia Socio-Economic Surveys of 2004 and 2007 also shows that the picture of welfare improvements amongst the bottom two quintiles is reinforced by improvements in a wide range of variables related to service delivery and human development outcomes. Gains are most notable in education, health and nutrition. Physical access to public services has improved, as measured in terms of average distances to the nearest health centre or school; this, combined with an improved road network and rising real incomes, helps explain improving rates of school enrolment and health-seeking behaviour. As a result, there is continued improvement in outcomes such as average level of educational attainment and self-reported health status.

Box 1 Major Achievements & Challenges in Reducing Poverty	
<p>1. Poverty headcount index within parts of the country that were covered by the 1993/94 survey has declined from 39 percent in 1993/94 to 28.0 percent in 2004, and to 24.7 percent in 2007. In rural areas in these parts of the country, the poverty headcount has declined from 43.1 percent in 1993/94 to 33.7 percent in 2004 and to 30.6 percent in 2007.</p> <p>2. Between 2004 and 2007, poverty headcount index for the whole country relative to the overall poverty line fell from 34.8 percent in 2004 to 30.1 percent in 2007, a significant decline of 4.7 percentage points -- representing a reduction of more than 1 percentage point per year. More importantly, poverty headcount has declined at all sub-national levels</p> <p>3. Between 2004 and 2007, among the poorest and next poorest quintiles consumption - the measure of living standards commonly used - increased in real terms by 10.7 and 11.5 percent respectively</p> <p>4. The picture of welfare improvements amongst the bottom two quintiles is reinforced by improvements in a wide range of variables related to service delivery and human development outcomes. Gains are most notable in education, health and nutrition. Physical access to public services has improved, as measured in terms of average distances to the nearest health centre or school, an improved road network and rising real incomes.</p>	<p>5. Protecting the hard earned gains made so far and staying on the path to ensure future gains in reducing poverty has now added risks due to the global financial crisis and the economic downturn. Indeed, if the current situation persists for an extended period then people who are just over the poverty line at present could fall below the poverty line. RGC is now implementing a mix of fiscal measures and social protection and safety net programs to ensure that this does not happen.</p> <p>6. Moving forward, RGC will take further measures to ensure that there is a maximum net transfer to the vulnerable and the poor of the available limited external resources in the fight against poverty. There is now an urgent need to begin widespread grass root level practical actions and to drastically reduce expenditures on studies and technical assistance that mask everything under a convenient "poverty" label. Expensive studies and workshops in five star hotels to discuss the problems of the poor appear to be out of place when there are literally millions who have barely enough to eat to survive. Bold innovative programs of direct action to uplift the poor are urgently needed, which would also help accelerate the much needed "transfer of net resources" to the poor.</p> <p>7. Dramatic, quick and highly satisfying results can be achieved by delivering services at the grass roots level that no studies or workshops could ever expect to produce!</p>

18. The NSDP 2006-2010 outlined the actions and broad resource allocations to implement the Rectangular Strategy. To ensure effective monitoring of the implementation of NSDP 2006-2010, regular Annual Progress Reports have been prepared and widely disseminated by the Ministry of Planning. The Mid-Term Review (MTR) on the Implementation of NSDP 2006-2010 was completed and widely disseminated by the Ministry of Planning in November 2008. The MTR highlighted the adverse effects of the meltdown of global financial markets that started in late 2007, on the Cambodian economy, in particular the vulnerable and the poor.

19. This global financial crisis that originated in New York - partly due to the failure of the US regulatory system - has caused a severe recession in the advanced economies and has adversely impacted the economies of developing countries. Since late 2007, along with the global financial crisis there were also wide fluctuations in the price of crude oil, food items, and other commodities. The price of a barrel of crude oil rose from \$ 66.47 in April 2007 to record level of US\$ 147 per barrel in July 2008. It then plummeted, and traded between 30 and 40 US\$ per barrel. However, it rose again to over US\$ 70 per barrel. For Cambodia that imports all of its oil requirements the rapid rise and massive fluctuations in price have posed serious challenges for the economy. The rising cost of fuel that resulted in higher transportation costs for businesses has meant higher prices of essential commodities like cooking oil, construction materials (e.g. steel and cement), and other commodities causing an escalation in the cost of construction of infrastructure and buildings. There were also wide fluctuations in the price of food items. The price of rice doubled in international markets between the first quarter of 2007 and the first trimester of 2008 and doubled again in the first four months of 2008 alone. Since then prices have dropped presenting a new set of challenges for farmers and the rural communities.

20. Many studies have been conducted by various international and national agencies to assess the impact of the global financial crisis and the wild fluctuation in food and fuel costs on the poor across the world, including in Cambodia. In his address at the 2009 Cambodia Outlook Conference on “Cambodia and the Global Economic Crisis: impact, Policy Responses and Actions”, the Prime Minister Samdech Hun Sen pointed out that “this global and regional crisis is not a crisis of Cambodia’s making. It has been caused by external factors beyond Cambodia’s control, and it is a crisis that will have serious impacts on us all. As I have emphasised in other recent forums, we must now work together to manage our way through it, to ensure that the remarkable development and poverty reduction achievements of Cambodia over the past two decades are not lost, and to further strengthen Cambodia’s key sectors for future growth and development so that we can emerge from the crisis with a stronger, more sustainable economy, stronger institutions, and a stable, peaceful and resilient society in Cambodia”.

21. Samdech Prime Minister also emphasized that “we are fortunate that we face these challenges while our economy is still in good shape by having achieved a decade of sustainable strong economic growth and sound macro-economic management. A recent World Bank’s study has placed Cambodia in the top ten developing countries with the highest economic growth rate from 1998-2007, with our average growth over the past decade reaching double digits, but slowing in 2008 to around 7%, which is still relatively high by the international standards. At the same time, we have made an impressive record in poverty reduction, from 45% in 1994 to around 30% in 2008. We have been able to achieve this impressive record through responsible macro-economic management and a steady programme of reforms by government, along with the dynamism of our private sector, and the productivity and effort of the Cambodian people. We have made great progress in the provision of better infrastructure, roads, bridges, irrigation, transport and telecommunications, and the promotion of international labour standards in our garment industry, the promotion of tourism, and the promotion of a positive enabling environment for trade and investment sectors development”.

22. Although the Royal Government has taken various measures to tackle the crisis, it is still progressing and becoming more severe for some countries and its relief is unpredictable. This crisis will impact some key economic sectors and bring down the growth of major sectors such as garment, tourism, and construction which will have negative impacts on our economy and people. Therefore, the Royal Government has placed a high priority on tackling the following key sectoral challenges:

- i. To diversify the markets for our garments and other manufactured goods market to East Asia, the Middle East and Africa etc.
- ii. To further improve tourism infrastructure and the development of more tourism destinations and attractive tour packages.
- iii. To prioritize the use of resources and expertise of the government, and donors to broaden and diversify our agricultural sector, in order to attract more quality investments in agri-business and improve agricultural trade linkages, land reform, agricultural diversification and agro-processing.
- iv. To further invest in infrastructure development, particularly energy generation to reduce energy costs to the private sector and to the community.
- v. Continue to promote and support wealth creation and improving the people’s livelihood according to the correct principles and procedures as stipulated in the Cambodia’s Constitution.

23. Meeting these challenges will require not only a more effective and dynamic cooperation between the government, its development partners and the private sector but also more effective coordination and collaboration within and across government ministries, and the development community. In key areas such as agriculture and rural development, and associated infrastructure development, irrigation and water resource management, and trade facilitation, there is an urgent need to strengthen communication, coordination and cooperation between relevant ministries/institutions to ensure that development programmes are more speedily and effectively designed and implemented, and that the supporting resources provided by our development partners can be more speedily and effectively disbursed for implementation.

24. For the Royal Government, the current global financial crisis presents opportunity for us to strengthen and expand cooperation and regional integration in order to maximize benefits from our great economic potentials through expanding the scale of regional markets as well as trade and investment promotion in the region. This is important to minimize our over dependence on international markets and enhance our competitiveness in attracting investments from outside into the region.

25. Although RGC was taken by surprise by these rapid external developments, it responded quickly by putting in place a response mechanism, and has viewed these unexpected external developments as a challenge to test the economic fundamentals of the Cambodian economy. The RGC response mechanism has adopted a two pronged approach, focusing on short-term and long-term actions. The short-term actions have focussed on implementing fiscal measures to incentivise producers and consumers alike to resuscitate the sluggish real economy, and following a monetary policy that has responded rapidly to changing conditions. This approach has been instrumental in maintaining macroeconomic stability, in particular in ensuring the soundness of the banking system. As long-term measures, the RGC priority is to continue to address long term issues through improved competitiveness. In order to build resiliency against the current global economic down turn and to sustain economic growth, Cambodia will be looking at ways to improve its competitiveness in the regional and international arena, as well as actively look for opportunities to diversify and expand the economic base. Cambodia will continue to diligently explore new economic frontiers while nurturing existing and emerging sectors such as telecommunications and Information Communication Technology (ICT), light manufacturing, financial and securities market; and potential sectors such as alternative energy sources, oil exploration, mining; and processing technology to sustain productivity and competitiveness.

26. Protecting the hard earned gains made so far and staying on the path to ensure future gains in reducing poverty has now added risks due to the global financial crisis, indeed, if the current situation persists for an extended period then people who are just over the poverty line at present could fall below the poverty line. The RGC is therefore taking urgent measures to expand social safety nets for the most vulnerable through subsidies and targeted labour intensive work -- like food for work programs.

27. Although through a vigorous implementation of its Triangular and Rectangular Strategies over the last decade, the RGC has been able to transform the nation over a very short period relative to the long histories of many developed countries, Cambodia still faces a number of challenges, such as:



- i. Despite remarkable progress in key reforms aimed at strengthening good governance, the quality, efficiency and delivery of the public service still remain as challenges and could not yet respond fully to the real needs of the people. The judiciary could not yet gain full confidence from the public. The development of legal framework has not yet been comprehensive, while law enforcement is still to improve.
- ii. The economy is narrowly based and driven by four main sectors: garment, tourism, construction and agriculture. The garment and tourism sectors are vulnerable to external risks. Agriculture, which shares 30% of the GDP and accounts for more than 60 percent of the total employment, has not reached its full potential.
- iii. Climate change, global economic imbalance and continuing and deepening financial crisis resulting in global economic slowdown as well as the increase in oil price, soaring food price and depreciation of US dollar have brought severe inflationary pressure on the Cambodian economy in the short and medium term. The increase in domestic demand as a result of recent high economic growth has also aggravated the pressure. These pose a threat to the growth prospects for Cambodia.
- iv. Although we have managed to reduce poverty rate significantly through high economic growth and pro-poor policies, the rural poverty rate remains high. Furthermore, the gap between the rich and the poor, especially urban-rural inequality remains a challenge.
- v. Land concentration and landless people are on a rising trend, adversely impacting on the equity and efficiency of land use. On the other hand, large areas under economic land concessions have not been utilized efficiently as targeted, needing strict government measures to tackle them.
- vi. The anarchy in illegal land possession, illegal claim of state land and protected areas as privately owned and unlawful logging are still taking place. At the same time, poverty and internal migration have added pressure on natural resources and places them at risk of destruction.
- vii. Having achieved great progress in the rehabilitation and reconstruction of the national road network across the country, our next challenges are to ensure traffic safety and proper maintenance of the entire road network across the country.
- viii. The aviation sector plays a crucial role in tourism development. Further development of aviation infrastructure, including continuous improvement of flight safety, still continues to be a key priority to ensure the tourism development and absorption of increasing number of tourists to Cambodia.
- ix. Electricity tariff remains high compared to neighboring countries, and is a big obstacle in strengthening the Cambodian competitiveness as well as attracting investments and improving livelihoods. Access to electricity in rural areas is still limited.
- x. Irrigation system has not been fully developed and utilized to its potential, requiring more efficient management and investment.
- xi. Financing, management, and technology are the major challenges for SMEs in Cambodia.
- xii. The social safety net for workers and the poor has not yet become an efficient system.
- xiii. The quality of education at primary, secondary and tertiary levels is low. The production and trafficking of illegal drugs has become a social problem which harms welfare of the Cambodian youth at present and in the future.
- xiv. The shortages of technicians and skilled workers are a major obstacle to accelerating economic development in both urban and rural areas.
- xv. The provision of quality public health services is still limited. In spite of numerous achievements in the health sector, the maternal mortality rate is still high. The progress in promoting health care services, sanitation and clean water in rural areas needs to be speeded up to meet the targets set in the Millennium Development Goals.



- xvi. Lack of education, domestic violence and human trafficking are the major factors that handicap women from realizing their full potential in contributing to socio-economic development.
- xvii. In general, institutional capacity of the Government is still limited due to low salary and incentive schemes. The cooperation between government agencies is still inadequate, while some legal and regulatory frameworks contain loopholes, and there is a shortage of resources to carry out our policies.

28. The discussion on major achievement and challenges faced in the implementation of NSDP 2006-2010 by line ministries and agencies of RGC, presented below, follows the structure of the Rectangular Strategy as well as the NSDP 2006-2010.

## **1. GOOD GOVERNANCE: THE CORE OF RECTANGULAR STRATEGY**

29. Good governance, the core of the Rectangular Strategy, needs above all equitable and fair public participation in all matters through democratic and peaceful means to ensure that the free will and informed choices of the majority are adopted and implemented while at the same time protecting the rights and welfare of the minority. Political stability, internal security, adherence to rule of law, transparency, predictability and accountability of public institutions are vital for orderly economic and social progress and to ensure that public gains are not eroded by disruptive elements. Four major reform areas to promote good governance continue to be RGC's priority in its pursuit for achieving sustainable and steady socio-economic development with equity, equal opportunity, equality before law, and social justice. These are: (i) *fighting corruption*; (ii) *legal and judicial reforms*; (iii) *public administration reforms in all aspects (including decentralisation and de-concentration)*; and (iv) *reform of the armed forces*. Major developments that have taken place in these areas are summarized below.

### **I. FIGHTING CORRUPTION**

30. As compared to crimes where there is a victim and an offender, corruption is a crime where all parties directly involved in corrupt practices benefit from their actions. The victim is the society at large that suffers because of loss of public revenues, lost investment opportunities that could provide new jobs and additional revenues, and inefficient delivery of public services. The RGC had adopted a holistic approach to fighting corruption that recognizes the limitation of the existing legislative framework as well as the existing capacities of its institutions, in particular the legal and judicial system. This approach recognizes that fighting corruption requires capacity to effectively manage and enforce the implementation of any anticorruption laws that are put in place. At this stage of the socio-economic development of Cambodia, the challenges of fighting corruption are compounded by the fact that those who are called to enforce laws transparently and without fear or favour are paid salaries that are not sufficient to support a minimum subsistence level. At the same time, the severe shortage of national legal experts has meant that much of the drafting of the laws is influenced by international experts from many countries, which has created a range of inconsistencies that have significantly slowed down the law drafting process and made enforcement more difficult. Law enforcement remains a challenge for a variety of reasons, in particular the low salaries of law enforcement officers.

31. RGC recognizes that corruption is a phenomenon that exists in all communities, the developed countries, the developing countries, and the international institutions. A quick check of press clippings from around the globe is an easy way to verify this fact. For RGC, the elimination of corruption is a high priority because it is an obstacle to achieving its goal of sustained high growth by fostering private sector development in order to reduce poverty.

32. There are a number of RGC institutions that are involved in preventing and combating corruption. The Anti-Corruption Unit in the Council of Ministers is responsible for receiving complaints from the public about incidences of corruption and taking disciplinary actions against the perpetrators of corruption. It is also responsible for widely disseminating information on RGC's policies on preventing and combating corruption. It also coordinates the preparation of any laws, rules and regulations required to implement RGC's policies on preventing and combating corruption. The Ministry of National Assembly-Senate Relations and Inspection (MONASRI) through its Inspection Program monitors the management practices of public sector institutions and investigates any irregularities. It also monitors law enforcement in line ministries and public institutions and investigates complaints received from the public. The Ministry of Justice is responsible for drafting of all laws, including the anti-corruption law.

33. In August 2006, the Anti-Corruption Unit was restructured and a "Corruption Complaint Office" was created with the aim of enhancing public participation in the supply and receipt of corruption-related information. Disciplinary actions have been taken against civil servants, and customs, police and judicial officers who have been reported to have indulged in corrupt practices. In public management more transparency is being ensured in competitive bidding processes. Campaigns have been launched to provide information to and educate the public and disseminate knowledge on all aspects of corruption, including causes, effects and consequences. The Unit, however, faces many challenges to carry out its functions. It has limited knowledge, skills and experience in fighting corruption. It also lacks the tools, materials, and techniques to be effective in fighting corruption. So far, this Unit has received limited support from the development partners' community.

34. MONASRI, through its Inspection Program, has conducted many investigations of public establishments, including four cases of irregularities in four World Bank Funded projects. It received 298 complaints from the public of which 92 were investigated by MOSARI and the remaining cases referred to other concerned public institutions. MOSARI also suffers from lack of capacity and resources to carry out its functions efficiently.

35. The Ministry of Justice that is responsible for the drafting of all laws has been updating the drafts of the Anti-Corruption Law as work on related laws has progressed. A comprehensive Anti-Corruption Law is now going through the final reviews to ensure that it conforms to the overarching Penal Code that is currently in the process to be passed by the National Assembly. The draft Anti-Corruption Law was endorsed by the Council of Ministers on 11 December 2009. After the Penal Code has been passed by the National Assembly, the Anti-Corruption Law will be submitted to the National Assembly for its approval. In the meantime, the already existing legal framework and institutional mechanisms will continue to be employed to prevent and combat corruption.

36. Cambodia now participates as a member country in the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific. It is one of the countries that has adopted the United Nations Convention Against Corruption, and a signatory in the MOU on Preventing and Combating Corruption.

## **II. LEGAL AND JUDICIAL REFORM**

37. The Royal Government is committed to accelerating the Legal and Judicial Reform process. The Council for Legal and Judicial Reform that was established in June 2002 has the mission to *"initiate and encourage the process and to follow up the implementation of*

legal and judicial reform policy and programs in accordance with the objectives of the Supreme Council of State reforms". Since mid 2005, the Council for Legal and Judicial Reform has been implementing its comprehensive action plan to implement RGC's Legal and Judicial Reform Strategy. The action plan outlined the priorities and specific actions that were planned to be implemented in the short to medium-term (2004-2008), and long-term (after 2008). The Legal and Judicial Reform Strategy has seven strategic objectives which are as follows:

- i. *Improvement of the protection of fundamental rights and freedoms* by developing and supporting measures to safeguard rights and raise awareness among the people and all institutions involved aiming to promote equitable and sustainable development as a simultaneous and integrated part of the fulfilment of rights.
- ii. *Modernization of the legislative framework* by developing a comprehensive framework of laws through an efficient, coherent and participatory law-making process, ensuring balanced legislation and a full implementation of the rule of law.
- iii. *Provision of better access to legal and judicial information* by promoting dissemination of basic legal knowledge through official publications, electronic media and information folders and ensuring easy accessibility to all legal and judicial information for legal practitioners and any other interested party.
- iv. *Enhancement of the quality of legal processes and related services* by strengthening the legal profession, enhancing access to legal assistance and streamlining judicial procedures in order to ensure fair justice and due process for the people.
- v. *Strengthening of judicial services, i.e. the judicial power and the prosecutorial services* by introducing the necessary educational, legislative, procedural and structural measures to ensure access to justice within fair, credible and independent judicial institutions enjoying broad respect.
- vi. *Introduction of alternative dispute resolution mechanisms* to enable quick, informal and easy dispute resolution to the benefit of involved parties and to ease the burden on the established judicial system.
- vii. *Strengthening of Legal and Judicial sector institutions to fulfil their mandates* by strengthening management, planning and monitoring mechanisms and capacity in general in order to enable the full provision of public services and to ensure decision-making in accordance with principles of good governance and their efficient enforcement.

38. During 2006-2008, the Ministry of Justice's work on drafting and reviews of drafts within the executive branch of RGC was completed, and the following draft Laws and Codes were reviewed and approved by the National Assembly:

- i. Code of Civil Procedure promulgated on 06 July 2006.
- ii. Code of Criminal Procedure promulgated on 10 August 2007.
- iii. Civil Code promulgated on 08 December 2007.
- iv. Counter-Terrorism law promulgated on 20 July 2007.
- v. Law on Suppression of Human Trafficking and sexual Exploitation promulgated on 15 February 2008.
- vi. Code of Ethic of Judges, Prosecutors adopted by the Supreme Council of Magistracy on 20 February 2007.

39. Work on drafting the following Laws and Codes has been completed by the Ministry of Justice and have been submitted to the Council of Minister's for its review and approval:

- i. Draft Law on Court Organization and Prosecution.
- ii. Draft Law on the Statute of Judges and Prosecutors.

- iii. Draft Law on Civil Litigation related to Personal Status.
- iv. Draft law on non-Suit Civil Case Procedure.

40. The draft of Criminal Code was approved by the Council of Ministers on 19 June 2009. It is now being reviewed by the Senate.

41. A Pilot Court Model for provincial courts has been established by the Council of Legal and Judicial Reform in cooperation with the Ministry of Justice. This pilot model is being implemented in the following four provinces:

- i. Kandal Provincial Court
- ii. Phnom Penh Municipal Court
- iii. Kompong Cham Provincial Court
- iv. Banteay Meancey Provincial Court

42. Mechanisms for dispute resolution outside the court system to reduce the backlog of cases at the provincial court and to expedite dispute resolution for the citizen and the poor have been put in place by the Ministry of Justice in cooperation with the Ministry of Interior. Since 2007, the Ministry of Justice has established 20 Centers for Legal Services that proceeded. If these mechanisms work successfully then they will be expanded across the country.

43. Laws have been disseminated to the communities and the poor. Since 2007, the Ministry of Justice has disseminated information on laws on TV and Radio through 520 broadcasts. Twenty four Workshops on laws have been held Capital and in provinces and 4200 law books have been published.

44. Twenty four legal trainings programs have been conducted to build capacity of judges, prosecutors, Legal official and Court clerks.

45. Although significant progress has been made through the implementation of the Council of Legal and Judicial Reform's Action Plan, the work has also faced many challenges. The drafting of a numbers of laws, such as the Organization and Functioning of the Supreme Council of Magistracy, Law on Statute of Judge and prosecutor and law on Court Organization and Prosecution could not be completed as planned because these laws are related and need to be revised and discussed further. Work on drafting of the Law on Statute of Court Clerks, Law on Notary and Law on Bailiffs, can proceed further only after the principal law has been adopted. Other challenges faced have included:

- Budget constraints to expand programs aimed at improving legal knowledge of communities and the vulnerable people and as well as the training programs to build capacity of the Judges and prosecutors.
- The Ministry of Justice does not have sufficient resources to provide needed supplies of materials, buildings and the court rooms to the court and prosecution at the provincial level.
- The establishment of Special Courts has been delayed while the Law on Court Organization and Prosecution is the process of being adopted.
- Insufficient resources available for the establishment of the model of the pilot courts.
- Insufficient resources for publishing of laws and court decisions.

### **III. PUBLIC ADMINISTRATION REFORM**

46. Good governance, the core of the Rectangular Strategy, is critical to achieving the priorities of the Royal Government. The Public Administration is one strategic instrument of

implementation. Since 2000, the Council for Administrative Reform (CAR) has implemented a series of National Program for Administrative Reform to systematically and gradually transform the Administration and the Civil Service into effective providers of public services and trusted development partners.

47. This was achieved in the context of successive Governance Action Plans to facilitate coordination among national and sectoral reforms. The GAPs covered a broad area of reforms including the legal and judicial reform, the reform of armed forces, the reform of public finances, decentralization and deconcentration, reforms concerning investment and trade, the management of social services and the management of natural resources. Over the years, major achievements have been made towards principles of good governance in every area of GAPs support of sustainable development, social justice and poverty reduction. The CAR together with ministries and institutions is preparing a third Governance Action Plan that will focus on how to improve services delivery and better coordinate reform efforts.

48. The present Public Administration is less than ten years old. It is the result of peace and reconciliation imperatives. Early in the second mandate (1998-2003), the Royal Government successfully realized the unification of the administrations of the State of Cambodia and of the three political factions into one integrated Public Administration. This allowed the national government, for the first time in over 500 years, to exercise sovereignty over the whole country and to begin the task of implementing its first Governance Action Plan.

49. During the third mandate (2003-2008), the Royal Government accelerated the implementation of its reform program. Through a rigorous implementation of its “National Programme for Administrative Reform (NPAR)”, the Royal Government has been working hard to transform the Public Administration. The Government believes that a performing and accountable Civil Service is essential to secure ongoing peace and political stability, to sustain development and social justice, and to reduce poverty. To-date significant progress has been made to transform the Public Administration to meet the challenges of a globalized world. With the on-going global financial and economic crisis and its impact on the Country, it has become even more urgent to further strengthen the Civil Service.

50. Working in close cooperation with ministries, institutions and development partners, the Council for Administrative Reform (CAR) has achieved significant milestones:

- The integration of all civil servants into unifying systems more conducive to motivation and career progression has been completed.
- Average compensation within the Civil Service has more than quadruple since the beginning of the second mandate.
- Innovative instruments (Special Operating Agencies, Priority Mission Groups, Merit-Based Performance Incentives) are being deployed government-wide to enhance performance and accountability.
- A Performance Management and Accountability System has been developed to support the implementation of P&A instruments.
- The reform is at the leading edge of harmonization and alignment to implement the Paris and Accra agreements.
- There is now a clear direction and a broad consensus on how best to proceed.

51. The following illustrate the breadth of achievements that have contributed to developing human and institutional capacity within the Administration and the Civil Service:



- The legal and regulatory framework to anchor the Civil Service is in place, including the Common Statute and 21 Particular Statutes.
- Management and control systems are operational and effective (recruitment, promotion, retirement).
- Civil servants have been integrated into a new classification system more conducive to career progression. The payroll system has been automated through ICT.
- The compensation regime has been made more conducive to performance - average salaries have reached US\$ 81.4 per month in May 2009.
- Mechanisms to implement the 20% annual increase in basic salary are in place.
- Innovative schemes to enhance performance and accountability are being deployed (SOAs, PMGs, MBPIs).
- The Performance Management and Accountability System is being implemented to better mobilize human resources and identify priority capacity development needs.
- The Policy on Improving Public Services delivery has been approved and is being implemented.
- A Compendium on Public Services is being completed and disseminated to improve access to public services and enhance transparency.
- A Human Resources Management Information System is operational and personnel management processes have been streamlined.
- A system of functional allowances for management and specialized skills was implemented.
- Communications tools have been deployed to inform about the reform (bulletin, website, periodic workshops and seminars).

52. The Royal Government intends to continue to vigorously pursue the implementation of the National Program for Administrative Reform (NPAR) to transform the Administration and the Civil Service into effective providers of public services and trusted development partners. Current challenges and priorities include:

- Complete the policy framework (Capacity Development, HRD, HRM, compensation and redeployment) to guide reform activities.
- Improve the quality and delivery of public services.
- Change the attitude and behaviour of civil servants from administrators to service providers.
- Deploy a network of ministerial focal points to facilitate the implementation of NPAR and the policy framework.
- Further develop human and institutional capacity to implement RGC policies and to sustain results.
- Improve performance and accountability using innovative instruments in a controlled manner and carefully manage associated risks.
- Manage human resources based on principles of performance, merit and fairness.
- Motivate civil servants with adequate compensation and promising career perspectives.
- Develop the capacity of the CAR Secretariat, ministries and institutions to plan, manage and monitor the reform.

#### **DECENTRALIZATION AND DE-CONCENTRATION REFORM PROGRAM**

53. The long-term development objective of the Royal Government's decentralization and de-concentration reform program is to achieve broad-based and sustainable

development and strengthen vibrant local economic foundations so that every citizen has equal opportunity to participate in local development, effective environment and natural resource management and delivery of quality public services to meet the needs of citizen and poverty reduction by focusing on vulnerable groups, indigenous minorities, women and children. The Royal Government believes that establishing and promoting democratic development at provincial/municipal, district/Khan and commune/Sangkat levels can best achieve the expansion of democratic governance. Reforms of management systems of provincial/municipal, district/khan and commune/sangkat administrations have the following two strategic goals: (i) to strengthen and expand local democracy; and (ii) to promote local development and to reduce poverty.<sup>3</sup>

54. The RGC has made significant progress in implementing the Decentralization and De-concentration (D&D) reforms in order to achieve sustainable development through the expansion of local economic development. To implement the D&D reforms an inter-agency committee that is Chaired by the Ministry of Interior (MOI), the National Committee for Sub-National Democratic Development (NCDD), has been established to provide overall direction and to coordinate the implementation of the D&D reforms. In May 2008, the Organic Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans and the Law on Elections of Capital City Council, Provincial Councils, Municipal Council, District Councils and Khan Council were promulgated. The NCDD is now working on the formulation of a regulatory framework to implement these Laws, in particular on the regulations for the demarcation of administrative boundaries at sub-national levels and regulations on the composition of membership of Capital City Council, Provincial Councils, Municipal Councils, District and Khan Councils.

55. The elections of Capital City Council, Provincial Councils, Municipal Councils, District Councils and Khan Councils for their first term were held on May 17, 2009. The inauguration of the office of the Councils and the Boards of Governors at all sub-national levels for their first term was officially organized in early June, 2009 in order to ensure the sustainability, effectiveness and authority of public administration. The objectives of establishing the Councils at sub-national administrative levels through elections - either direct or indirect - are: (i) to create opportunities and mechanism for the Councils to decide on the destiny of their own community through participatory consultations with the people in their localities, and (ii) enable the citizens in these localities to have a voice in securing better and responsive public service delivery, materials, means and infrastructure in order to rapidly and equitably meet the requirements of local development and to contribute to alleviation of poverty. The Royal Government has completed the establishment of institutional structures at all administrative level both at the national level and sub-national levels through democratic principle and process.

56. The NCDD is also coordinating technical support and assistance to improve the capacity of commune/sangkat council members to manage their respective commune/sangkat affairs effectively in accordance with the provisions of the law on the administration of Commune/Sangkat. It is now working on formulating a National Program on the sub-national democratic development that will outlines the work plan for the enforcement of the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans and the short-, medium-, and long-term D&D reform policies to be implemented from 2010 to 2019. The drafting process of this national program is to be completed by the end of 2009. The national program will set the timeframe for the

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<sup>3</sup> Royal Government of Cambodia, "Strategic Framework for Decentralization and De-concentration Reforms", 17 June 2005.



implementation of D&D reform policies and the enforcement of the Law on Administrative Management of Capital, Provinces, Municipalities, Districts and Khans.

57. Despite major achievements and progress that has been made in implementing RGC's Strategic Framework for D&D reforms, developing capacity of the newly created sub-national institutions to deliver programs and services under their mandate, is still a major challenge that will need to be dealt with within the framework of a new comprehensive human resources management system. Human and physical resources for the administration and management of their mandates are still limited and the adoption of required legal documents and procedures is yet to be completed.

58. Under decentralized democratic governance, the long-term vision of the new human resource development (HRD) system for local administration is to have each sub-national council take full responsibility to train its civil servants under its own well-established HRD system. In reality, however, it will take time - at least a decade or so - until each sub-national council can take up such responsibility and will require the continued support from NCDD to build human resources capacities of sub-national councils.

#### **IV. REFORM OF THE ROYAL CAMBODIAN ARMED FORCES**

59. The reform of the Royal Cambodian Armed Forces (RCAF) as one angle of the Royal Government's Rectangle Strategy demands an effective response from the RCAF in its reform to absolutely ensure peace, stability, security, sovereignty, territorial integrity and the nation's development. Based on the "Defence White Paper" as a compass for the RCAF to successfully implement the RGC defence policy, the reform and further capacity enhancement of the armed forces are proceeding according to plan through demobilisation and establishment of more effective armed forces. The share of Defence and Security in GDP has stabilised at around 2% (1.8% in 2005, 2006 and 2007) and is expected to be 1.7% by 2010. This share in the national budget has been steadily declining (from 22.93% in 2005 to 18.87% in 2007). RGC will ensure that the armed forces are always in readiness to protect the country's territorial integrity by allotting needed funds without reducing increasing share for development and social sectors.

60. In the recent years, the security outlook of the Kingdom of Cambodia has changed due to the evolving regional and global security situation. In the current external environment, the RCAF has played an increasingly important role as the leading force in defending the sovereignty, independence and territorial integrity of the Kingdom of Cambodia and in contributing to ensuring the stability, safety and security. It has contributed to enhancing Cambodia's prestige in the international arena through its participation in peace and humanitarian missions within the framework of United Nations' requests and a strong commitment to combating terrorism. Since achieving conditions of full peace in late 1998, the RCAF has substantially contributed to strengthening stability and internal security to support the development of the nation.

61. The reforms of the RCAF over the last decade have faced many challenges that have been somewhat unfavorable for achieving government's efforts in this reform area. The reform process has encountered perpetual constraints such as a lack of resources, unsuitable structure, complicated bureaucracy, inadequate military bases and accommodation and living conditions for soldiers.

62. Nevertheless, the RCAF has made significant progress in moving forward its reform process. In addition to ensuring security for the nation, the RCAF has been actively contributing to rehabilitation of physical infrastructure, rescuing people during disasters and,

since April 2006, participating in international peace missions. Hundreds of Cambodian troops have been serving the UN peacekeeping forces in Sudan. Although the capability and resources of the RCAF are limited, Cambodia will continue its efforts to participate with the UN in other humanitarian peacekeeping missions in the future. While border disputes, threats from transnational criminals and international terrorism have recently become a major concern, the RCAF has strengthened its capability to defend the border of the Kingdom of Cambodia and to ensure security for the entire nation. The capability of border protection forces has been further strengthened by the presence of armed forces at all strategically important points, strengthening the expertise in preventing infiltration by international terrorism and transnational crime, mobility, communications, information collection, and cooperation with other competent authorities. Strengthening the presence of armed forces for border protection forces has been intended not only for the protection of the nation in case of any intrusion into Cambodia's territory but also to maintain peace and stability with neighboring countries that has remained the top foreign policy priority of the RGC.

63. Although significant progress has been made in the reform process, the RCAF still has many major tasks to perform to implement the strategic initiatives outlined in the Defense White Paper 2006.

## **2. ENVIRONMENT FOR THE IMPLEMENTATION OF THE RECTANGULAR STRATEGY**

64. There are four main aspects addressing this issue, viz., *(i) peace, political stability and social order; (ii) partnership in development; (iii); favourable macro-economic and financial environment; and (iv) Cambodia's integration into the region and the world.*

### **I. PEACE, POLITICAL STABILITY AND SOCIAL ORDER**

65. Leaving behind an era of conflict and destruction, in just over a decade the RGC has been able to create an environment of peace, political stability and social order which are pre-requisites for achieving sustained economic growth and to reduce poverty. The Royal Government's full commitment to liberal, multi-party democracy, dialogue, and mutual adjustment among people holding different views and perceptions, is bearing fruit. These processes are taking deep roots in Cambodian society. Enhancement in political stability have paved the way for better governance, particularly because of the constitutional amendment in 2006 allowing for all legislations to be passed with a majority of votes, thus removing a major obstacle to moving ahead with the legislative agenda to put in place rules and regulations that are urgently needed for good governance and to create an environment conducive for private sector development. All RGC institutions have contributed to creating the current environment of political stability and social order. The Ministry of Interior (MOI) has made a significant contribution to the achievement of the current environment. To reinforce the central role of the family and religion in building the social fabric of the society, the Ministry of Religion and Cult has continued to make important contributions to promote family and religious values.

66. The tradition of holding free and fair elections is now well established. So far, four General Elections have been held to elect members of the National Assembly. The latest one held on 27 July 2008. Two elections have been held to elect members of the Commune Councils across the country – first one in February 2002 and the second one in April 2007. The Senate was created as an upper house through a constitutional amendment in March 1999. The first election of senators by Commune Councilors and Parliamentarians was held in January 2006. An era of dynamic stability is now in place, with an emphasis on freedom of expression and free speech in an environment of accountability and responsibility for each individual's actions, both within RGC and the general public. RGC will make every endeavor

to ensure that these hard earned gains continue to enhance and get fully integrated into the Cambodian society and psyche.

67. The Ministry of Interior (MOI) has been playing three major roles: (i) managing the sub-national public administration institutions; (ii) ensuring internal security of the nation, and public order through the National Police Forces (NPF); and (iii) leading and coordinating the implementation of RGC's Decentralization and De-concentration Reform Program (D&D), as the Chair of the National Committee for Sub-National Democratic Development (NCDD). The MOI has made significant progress in broadening and further strengthening the sub-national public administration institutions, ensuring internal security, and putting in place institutional arrangements to guide the D&D reform process to achieve democratic development at the sub-national level.

68. The MOI through its NPF has actively participated in spoiling all terrorist activities, safeguarding safety and wellbeing of the people, preventing all plots aiming at rupturing national solidarity and causing political instability and social chaos, and preventing attempts to use Cambodia as a springboard to destroy the neighboring countries. The remarkable achievements are reflected in the overall safety and security, the organization of elections of Commune-Sangkat Councils in the second mandate on April 1, 2007, the general elections of the Fourth Legislature of the National Assembly on July 27, 2008, the elections of the Capital Council, Provincial Council, Municipal Council and District/Khan Council on July 26, 2009, and the attainment of safety for the hearings of the Extraordinary Chamber in the Court of Cambodia.

69. Through the National Police General Commissariat (NPGC), the MOI has cooperated with the Ministry of Justice in drafting the RGC-MOI circulars, and preparing an action plan to prevent and suppress the activities of "juvenile delinquency". The MOI, through this subsidiary body, has also prepared a strategic plan on combating drug trafficking, the exploitation of labor and sex exploitation of women and children and on strengthening management mechanisms for the implementation of this plan at the central as well as in provincial, municipal and district/Khan levels. In cooperation with relevant ministries, the MOI has promoted the enforcement of Law on Land Traffic to reduce road accidents. It is implementing the MOI-MEF Inter-ministerial Prakas on the Collection, Distribution and the Transfer of the fines paid by traffic offenders to national budget. The MOI has collaborated with the Ministry of Public Works and Transport in the drafting of the Sub-decree on the Management of Garages that repair, assemble and transform vehicles been formulated. The MOI has strengthened the capacity of the National Police Force including the National Border Police to be more professionally capable of defending the sovereignty and ensuring security and order within the nation.

70. Despite strong commitment and remarkable success, there are still some challenges caused by limited capacity, including human resources and equipment; as well as limited legal framework to guide the work. The prevention of international terrorist attacks against foreign embassies, legations, international delegations, tourists and investment entities is a priority of RGC. However, the organized overseas criminals, taking advantages of our weakness use all means to infiltrate and hide in our country, evade our legal network and carry out crimes. The control of foreigners is not as yet as comprehensive as it needs to be to safeguard national security. Despite a significant reduction in crimes, the incidences of armed robberies, murders, illegal drug circulation and trafficking, rapes, women and children trafficking as well as other offenses such as technical violation of law and money laundering are still high. There are too many traffic accidents. The administrative management is complicated in cities and towns by juvenile delinquency in public places; night clubs and

dancing halls are negatively affecting the youth, causing inactiveness in study, drop outs from schools and leading to the conduct of other wrong doings.

## **II. CAMBODIA'S INTEGRATION INTO THE REGION AND THE WORLD**

71. Cambodia is now fully integrated into the region and with all nations of the world on equal footing. As a member of the Association of South East Asian Nations (ASEAN) it actively participates and contributes to its work. As a member country of the World Trade Organization (WTO) Cambodian businesses now have opportunities to export their products around the world. Cambodia is participating in sub-regional, regional and inter-regional and global cooperation initiatives such as the Greater Mekong Sub-region (GMS), Ayeyawady-Chao Phraya Mekong Economic Cooperation Strategy (ACMECS), Asia-Europe Meeting (ASEM), Asia Pacific Economic Cooperation (APEC), the Non-Aligned Movement, and in the work of the World Investment Promotion Agency (WIPA). RGC has established normal relations with all international organizations and the international community.

72. Further strengthening of the integration of Cambodia's economy into the region has been a high priority of the Royal Government. RGC institutions, in particular the Ministry of Foreign Affairs, have worked hard to strengthen relations with countries in the region by actively participating in the work of the GMS and ACMECS; and through multilateral development cooperation agreements. These multilateral agreements include: agreements between Cambodia, Lao PDR, and Viet Nam (CLV); Cambodia, Lao PDR, and Thailand (CLT); and Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV).

73. Cambodia's integration into the regional and global economy has contributed to achieving sustained high rates of economic growth over the last decade. The on-going global financial crisis that originated in the advanced economies, because of the failure of their regulatory systems, however, now poses new challenges not only for Cambodia but for all developing and middle-income nations across the globe.

## **III. FAVOURABLE MACRO-ECONOMIC AND FINANCIAL ENVIRONMENT**

### **A. MACRO-ECONOMIC MANAGEMENT: 2006-2008**

74. The Royal Government of Cambodia's concerted efforts to secure political and social stability, internal peace and security, along with sound and progressive management of the economy have enabled it to achieve sustained high rates of economic growth and poverty reduction over the last decade. Economic growth during the mandate of the Third Legislature, 2003-2008, averaged around 10% per year, with a record high annual rate of growth of 13.3% in 2005. Economic performance in 2008 was somewhat diminished compared with 2003-2007, as a result of the global financial crisis that started in late 2007 and caused a recession in the advanced economies. The economy grew at an annual rate of 6.7% in 2008 (Table 1 on next page).

75. Two key features of economic performance in recent years have been the increasing diversity of the sectors contributing to economic growth and the robust contribution of the agriculture sector to economic growth. This performance is underpinned by the strong support extended to agriculture, the garment sector, and active promotion of the Tourism sector by the RGC. The expansion of the economy resulted in a rapid growth of the construction sector, facilitated by the availability of increased domestic credit to the private sector. During 2003-2005, domestic credit to private sector grew at an average annual growth rate of 30%. It grew by 53% in 2006, 78% in 2007.

76. Over the period of implementation of NSDP 2006-2010, the highlights of the changes in the sectoral composition of the economy were as follows:

- The share of agriculture sector in total GDP increased from 30.8% in 2005 to 32.4% in 2008.
- The share of industrial sector declined from 25.1% in 2005 to 22.4% in 2008. Within industrial sector the share of:
  - Textiles and Garments sub-sector has declined from 12.3% in 2005 to 10.3% in 2008.
  - Mining Sub-sector has not changed from 0.4% in 2005 (also 0.4% in 2008).
  - Construction sub-sector slightly declined from 6.3% in 2005 to 6.1% in 2008.
- The share of services sector has slightly declined from 38.9% in 2005 to 38.8% in 2008. Within the services sector the share of:
  - Tourism and Hotel sub-sector has increased from 4.3% in 2005 to 4.5% in 2008.
  - Transportation and Communications sub-sector has not changed from 7.4% in 2005 (also 7.4% in 2008).
  - Financial sub-sector has increased from 1.1% in 2005 to 1.3% in 2008.
  - Real estate sub-sector has declined from 6.6% in 2005 to 6.4% in 2008.

**TABLE 1: MACROECONOMIC INDICATORS, 2003-2008**

(as a percentage of the GNP)

	2003	2004	2005	2006	2007	2008
Real GDP (% growth)	8.5	10.3	13.3	10.8	10.2	6.7
-Agriculture	10.5	-0.9	15.7	5.5	5.0	5.7
-Industry	12.0	16.6	12.7	18.3	8.4	4.0
-Services	5.9	13.2	13.1	10.1	10.1	9.0
GDP per capita in US\$	356	402	468	534	623	739
Domestic saving (without transfers)	1.8	3.6	2.0	2.9	3.7	4.4
National savings	16.2	16.3	17.2	21.7	22.6	12.7
Central administration savings	0.8	1.7	1.8	1.2	3.2	3.5
Private savings	18.3	16.9	19.6	21.5	23.2	20.9
Domestic investment	12.2	11.8	11.1	11.2	11.1	11.5
Public investment	6.4	5.7	5.2	5.7	6.1	6.3
Development Cooperation Partners investments	5.4	4.5	4.4	4.9	5.3	5.3
Private Sector investments	12.8	12.9	16.3	17.0	20.4	18.0

Source: Ministry of the Economy and Finance, National Bank of Cambodia, IMF.

77. As noted earlier in this Chapter, one of the highest priority of the RGC has been to reduce poverty, especially in rural areas. The impressive economic growth over the last decade, averaging around 10 percent per year has raised living standards and reduced poverty headcounts across the country. Physical access to public services has improved, as measured in terms of average distances to the nearest health centre or school; this, combined with an improved road network and rising real incomes, helps explain improving rates of school enrolment and health-seeking behaviour. As a result, there is continued improvement in outcomes such as average level of educational attainment and self-reported health status.

## B. BUDGET REVENUES AND EXPENDITURES

78. Along with the rapid growth, tax revenue collection performance also improved significantly over the years 2006-2008. Total revenues collected as a percent of GDP increased from 11.4% in 2006, to 12.1% in 2007, and 13.3 percent in 2008. At the same time,



budget expenditures increased at a relatively slower rate than revenues resulting in a decline of the overall deficit from 3.3% of GDP in 2006, to 2.8% of GDP in 2007, and 2.7% in 2008.

79. Since 2004, the Royal Government has been implementing the PFM Reform Program (PFMRP). The long term vision of this reform program is to build a public financial management system by 2015 that meets international standards. In developing the implementation strategy of the Public Financial Management Reform Program (PFMRP) careful attention was paid to the sequencing of reforms. It was recognised that not everything can be done at once, but also that some basic and core activities need to be done before others can work effectively. To guide this sequencing, potential activities were grouped into a series of Platforms with each Platform representing a real and measurable improvement in the performance of the public financial management system, but also being a step to the next Platform. The series of Platforms decided upon at that time are shown in the diagram I.

80. It was also considered important that the plans to implement each Platform should encompass not just technical and process developments, but also complementary organisational, capacity and motivational developments. It was recognised that without attention to all these different dimensions each Platform would not be a robust step to the next. Reforms would be shallow and subject to degradation during the reform process unless these aspects of reform support each other.

81. Significant progress has been made in achieving the goals of Platform I, although there is a continuing need to reinforce Platform 1 activities. Revenues have improved significantly and flow of these resources to line ministries and other policy and service delivery implementing agencies has been improved. Greater fiscal stability has been achieved with improvements in forecasting, the management of cash balances and the virtual elimination of the substantial accumulation of arrears of payment of the past.

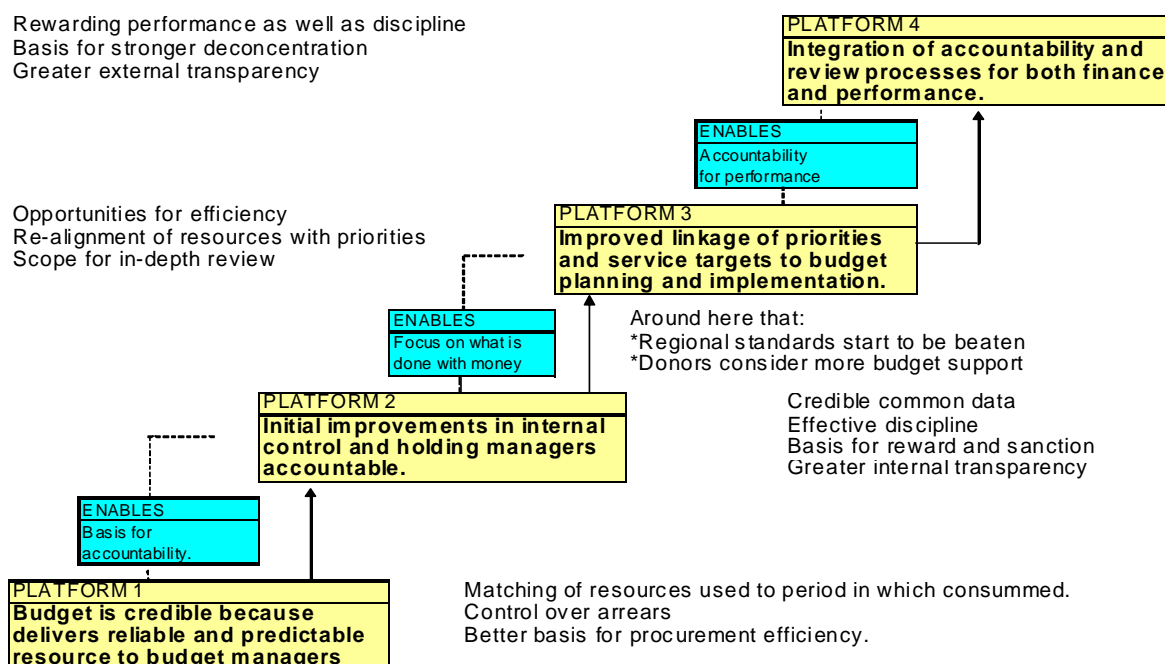
82. The outcome of the implementation of the first platform of the reform program focused on *building budget credibility* has been:

- *Improved and strengthened revenue policy, forecasting, management and tax collection.* As a result, revenues increased on average by around 26% per annum, the legal framework has been broadened, improved, and enhanced.
- *Improved and strengthened budget preparation.* Budget is now more comprehensive, accurate and responsive to RGC policies. The budget preparation process has been refined and made more comprehensive through introduction budget strategic plan, a new budget classification, piloting program budgeting, and carrying out systematic mid-year budget reviews and preparing quarterly revenue and expenditure plans. The "Public Financial System Law" was prepared and adopted. The next step is to ensure that that there consistency, coherence, and coordination between the Public Financial System Law and the Law on Administration of Capital City, Province, Township and District/Khan, in order to achieve the goals of PFMRP and D&D reform programs.
- *Improved budget implementation and efficiency.* As the results, budgetary control is more simplified and effective, disbursements and payments are smoother and timely, and recording is more transparent and accurate. These has been done through strengthening of cash management, establishment of Treasury Single Account, introduction of new Chart of Accounts, introduction of banking system payment, reduce budget execution processes and procedures, including decentralizing financial inspection and procurement. In addition, internal control system has been strengthened through establishment of internal audit body in all line ministries and agencies.
- *Institutional capacity of the Ministry of Economy and Finance has been enhanced.* Roles, functions, and responsibilities of departments and individuals are now clearly defined, transfer of knowledge and know-how through on-the-job training by consultants/advisers is now taking place. Other activities to strengthen capacity have included: study tours; short term and long term training; as well as incentive to skilled

staff through the Priority Mission Group (PMG) and Merit Based Pay Initiative (MBPI) mechanisms.

## DIAGRAM I

### SEQUENCE OF PLATFORMS



83. The implementation of Platform I reflects the Royal Government's firm determination, ownership and acceptance of accountability. The Royal Government will continue to strengthen Platform I achievements. In 2007, work on detailed planning for implementation of Platform 2 began that is focussed on "*Building on Improved Budget Credibility towards Achieving Financial Accountability*". The detailed action plan to implement the Platform II was officially announced on 3<sup>rd</sup> December 2008. It is now being implemented. The main theme of Platform 2 is increased accountability of those who are responsible for the safe, efficient and effective management of public resources. Platform 1 had sought to address the overall resource management framework and to tackle fundamental problems in the system as a whole. Platform 2 seeks the engagement of all budget entities and their managers in improving their own internal financial management within the overall framework. Activity plans developed aim to bring this about through a combination of regulatory, process and capacity development initiatives with an appropriate balance of incentives for good PFM performance and sanctions for poor performance.

## C. INFLATION AND MONETARY DEVELOPMENTS

84. As a small and open economy that is highly dollarized, Cambodia is affected by changes in price of crude oil, food items, and other commodities in the international markets. The dramatic increase in the price of a barrel of crude oil that rose from \$ 66.47 in April 2007 to record level of US\$ 147 per barrel in July 2008 as well as the price of rice that doubled in international markets between the first quarter of 2007 and the first trimester of 2008 and doubled again in the first four months of 2008, resulted in inflation rising to 25.7 percent in May 2008. However, the proactive measures taken by the National Bank of Cambodia were able to reduce the inflationary pressures and inflation had declined to 13.5 percent at the end of 2008. Over the 2006-2008 period, the exchange rate of the Riel against the US Dollar was stable, varying between 4,000 Riel to 4,125 Riel for 1 US Dollar. Gross international



reserves accumulated to 2,200 million US Dollars, sufficient to support 3.8 months of imports.

85. The Cambodian banking system has not suffered any direct losses because of the sub-prime loans that have adversely effected the financial institutions in other countries. However, to increase confidence in the banking system and to mitigate any potential effects the National Bank of Cambodia took proactive measures to strengthen prudential regulation of the banking system, increased the reserve requirement rate from 8% to 16% in the banking system, placed a 15% credit ceiling on the real estate sector, improved credit rating system of the banking sector, and strengthened the credit information sharing system. The National Bank of Cambodia has also required banks to develop a modern enterprise system based transaction mechanism by improving the code of conduct, encouraging good corporate governance, and provided guidance to banks on risk management.

86. During 2006-2008, significant progress has been made to transform the financial institutions into a market-based, private sector-dominated sector. Reform measures and infrastructure improvements have contributed to the development of a healthy financial sector. The prudential indicators for banks have posted positive gains. The average capital adequacy ratio for commercial banks in December 2008 was 28%, compared to the base level of 15%; there has been a remarkable increase in aggregate assets in the banking system. In terms of asset quality, non performing loans reached a level of 14.8% at the end of 2002, 9.9% at end of 2006, but decreased significantly to 3.7% in December 2008. Money supply (M2) compared to GDP increased to 28.6% at the end of 2008. Loans to the private sector increased by 23% of GDP, while total deposits increased to 22.2% of GDP.

87. The National Bank of Cambodia (NBC) has actively supported microfinance institutions, both domestic and overseas partners, to link banking services to rural areas. Because of the fast growth and increasing complexity of the banking system, the NBC is working on amending the scope of the Law on Banking and Financial Institutions to keep the legal framework up-to-date with market changes. The NBC has established a Financial Intelligence Unit to implement the Law on Anti-Money Laundering and Combat the Financing of Terrorism, passed in 2007.

88. The RGC has continued to vigorously implement the Financial Sector Development Strategy 2006-2015. Concerted efforts have been made to carry out planned actions in both non-banking and banking sectors under the lead of the MEF and NBC respectively.

#### **IV. PARTNERSHIP IN DEVELOPMENT**

89. The three aspects of partnership between RGC and other stakeholders comprise relations with (i) civil society; (ii) private sector; and (iii) external development partners. In regard to the first two:

- Active efforts continue to involve and associate all sections of the civil society in all appropriate aspects of RGC's planning and decision-making processes for taking Cambodia forward. Civil society is an important partner and many NGOs, both national and international, play an active and vigilant role in social and economic development efforts as well as in promotion of democracy and human rights. These organisations are represented and contribute at high cooperation and consultation forums like CDCF, GDCC and TWGs. A law on NGOs will be passed after wide consultation with all stakeholders.
- In RGC's development strategy, the private sector has the prime role as the locomotive and driving force for investments and economic growth. To facilitate and assist private sector development and orderly progress, several mechanisms have been set up. Already, the cooperation efforts such as through the Government Private Sector Forum are much appreciated by the private sector and are bearing fruit as manifest in the robust growth of private sector investments. Full efforts will continue to strengthen and

deepen the harmonious and symbiotic relationships with the private sector, based on strict adherence to the laws and regulations and focused on development priorities.

90. *Relations with external development partners (EDPs)*: Generous financial and technical assistance from EDPs has greatly helped Cambodia to achieve impressive progress so far. RGC fully appreciates this help. The cooperative relationship between EDPs and RGC has enhanced progressively, has deepened over the years and is becoming healthy based on appreciation of mutual needs and roles. Various developments in the consultative process in the last few years include:

- To guide EDPs and better ensure proper coordination of all assistance from EDPs, a Strategic Framework for Development Cooperation was issued in 2006.
- The annual overarching consultative discussions forum has graduated into full Cambodian ownership by being transformed into the Cambodia Development Cooperation Forum (CDCF) which held its first meeting in 2007.
- A high level GDCC (Government-Development Partner Coordination Committee) meets thrice yearly to discuss common issues and pursues Joint Monitoring Indicators (JMIs) on the progress of various aspects of NSDP.
- Technical Working Groups (TWGs) function to better coordinate and monitor progress at the sectoral level. After review of their initial functioning, and in consultation with all EDPs, clear guidelines were issued in 2006.
- The procedures and processes of collection of data of EDP assistance have been streamlined and the ODA data base maintained at CRDB/CDC gets continuously updated.
- EDPs are increasingly cooperating among themselves and bring to RGC matters of common concern.
- RGC is committed to implement the “Accra Agenda for Action” to increase efficacy of development assistance<sup>4</sup>.

91. The total external development assistance to Cambodia has registered an increase due largely to inclusion of assistance from hitherto “non-traditional” partners. However, internationally, development assistance from the developed world does not show any signs of moving upwards to the level advocated by the Monterrey Consensus, 2001, viz., 0.7% of GDP per annum, but instead is estimated to have dropped 8.4% in 2007 after a 4.7% drop in 2006<sup>5</sup>, and averages only at 0.45% of GDP of developed countries. At the country level in Cambodia there are some significant shortcomings still to be addressed and overcome, as exhaustively brought out in the Aid Effectiveness Report, 2007 (CRDB/CDC). In addition and in particular:

- Except in a few instances (MEF, MOH, MOEYS) where SWAP approach is followed, alignment of Development Partner resources to NSDP has not proceeded well despite clear undertakings in Paris and Rome Declarations and country level agreements by major donor agencies.
- Many TWGs are still to commence review of all ongoing programmes to align and reorient them to NSDP priorities as well as to PIPs in spite of clear calls from the highest levels in RGC<sup>6</sup>; as such, much needed EDP resources continue to be spent in traditional and pre-conceived ways, resulting in studies and duplicating technical

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<sup>4</sup> Arrived at the third high level forum in September 2008 (the first two were in Paris and Rome)

<sup>5</sup> Report released by UN SG on 4 September 2008

<sup>6</sup> Prime Minister Samdech Hun Sen's foreword to NSDP and APR and several speeches at international and domestic forums

assistance<sup>7</sup>, and not adding to much needed 'net transfer of resources' for Cambodia's priorities.

<b>Box 2</b> <b>Alignment, Use and Accountability of EDP resources</b>	
<p>1. NSDP 2006-2010 has called for changes in EDP approaches, viz., (i) move away from expensive high level studies to practical action; (ii) reduce technical assistance to the minimum necessary; and (iii) bring about 'net transfer of resources'. Regrettably, the progress so far on all these three fronts is not encouraging.</p> <p>2. NSDP 2010 enjoined on the TWGs to immediately engage in reviewing all ongoing EDP assisted programmes and projects to see if they correspond to the priorities outlined in the NSDP. They were also asked to review all ongoing technical assistance (experts and studies, for example) and to make a conscious effort to avoid duplication and reduce overall allocations to be able to release funds for more substantive activities. But, hardly any TWG has done this partly because they do not have adequate information on the level and kind of assistance EDPs provide.</p> <p>3. Many projects included in the ODA data base maintained by CRDB, to which inputs come only from EDPs, could not be accommodated in the PIP, 2009-2011, since the ministries indicated in it as the counterpart ministries are not aware of them. Likewise, the MOP has no knowledge of many projects shown in the ODA data base as relevant to TWG-PPR. There is an immediate need to reconcile these differences. This is also needed to enable RGC to fulfil its responsibility to the</p>	<p>people of Cambodia to account for all external assistance provided to the country and to monitor "total resources" being spent pursuant to NSDP priorities.</p> <p>4. NSDP 2006-2010 stated at para 5.17 that 'budget support' would be the most preferred mechanism for external support. In addition to loan and some technical assistance projects of IMF, WB and ADB which are implemented by the RGC, further progress in this direction has commenced through Poverty Reduction and Growth Operations (PRGO) jointly supported by many EDPs. Still, most EDP assistance is directly managed and implemented by the concerned aid-providing agencies. As such, RGC ministries and agencies are not fully in the picture about the actual work being done and its cost.</p> <p>5. Joint Monitoring Indicators (JMIs) are created and are pursued to monitor progress in RGC's commitments and processes towards overall goals. There needs to be equal emphasis to create JMIs for EDPs to meet in terms of accountability, alignment and harmonisation.</p> <p>6. The immediate need is for more efforts by EDPs to better align their resources to meet NSDP priorities and to increasingly utilise the opportunities in TWGs to inform RGC about their work and better coordinate among themselves.</p>

### **3. ENHANCEMENT OF AGRICULTURAL SECTOR**

92. The four sides of this rectangle are: (i) *improving agricultural productivity and diversification (including animal husbandry, food security and nutrition, and rural development)*; (ii) *land reform and de-mining*; (iii) *fisheries reform*; and (iv) *forestry reform (including environment protection and conservation)*. Notable features during the last two and half years were: continued RGC efforts in arresting depletion of natural resources and environment; rehabilitating and enhancing irrigation potential; favourable weather conditions; some diversification into cash crops; issuance of more land titles to the farmers; and, further improvement of rural infrastructure. The National Strategy for Agriculture and Water, 2006-2010, was developed through a consultative process and adopted in 2007.

#### **I. IMPROVING AGRICULTURAL PRODUCTIVITY AND DIVERSIFICATION**

93. The Royal Government's overall goal is "poverty reduction and economic growth through enhancement of agriculture sector development". The sectoral goal is to "ensure food security, increase incomes, create employment and improve nutrition status for all people by improving productivity and diversification, and commercialization of agriculture with environmentally sound protection and food security".

94. An "Agriculture Sector Strategic Development Plan: 2006-2010" was prepared by the Ministry of Agriculture, Fisheries and Forestry (MAFF) in October 2005. A strategy to implement this Plan was also prepared by the TWG for Agriculture and Water in March

<sup>7</sup> CRDB is in the process of preparing "A Guideline for the Management of Technical Cooperation in Cambodia", and notes, in the Position Paper for Consultation (June, 2008), inter alia that: TC remains a "problem"; it comprises up to half of ODA; it might be stuck in an inappropriate and out-dated 'post-conflict recovery mode'; and, significant amounts of TC are just "tolerated".

2007. However, a sector-wide program to implement the Plan is not yet in place. Also a strategy for the agriculture and water sectors has been formulated jointly by MAFF and the Ministry of water Resources and Meteorology.

95. The “Agriculture Sector Strategic Development Plan: 2006-2010” has identified the following seven strategic objectives for the agriculture, fisheries and forestry sectors:

- i. Food security, productivity, diversification.
- ii. Improve and strengthen agricultural research and extension systems
- iii. Market access for agricultural products.
- iv. Institutional and legislative development framework.
- v. Land reform – land market development and pro-poor land access.
- vi. Fisheries reform - sustainable access.
- vii. Forestry reform - promote sustainable conservation and management of forests, ensure better management of natural protected areas.

96. To achieve the seven strategic objectives, the MAFF has organized its activities in the following five program areas:

- Program # I: Improving productivity & diversifying agriculture sectors.
- Program # II: Promote market access of agriculture products.
- Program # III: Strengthen institution, legal framework and human resources development.
- Program # IV: Management of sustainable fishery resources.
- Program # V: Management of sustainable forestry resources.

97. Significant progress has been made by MAFF in increasing the land area for crops, paddy cultivated area, yield per hectare, fishing lots, and area released to fishing communities, fish catch (from all sources), forestry cover, and percent of land area reforested.

98. Over the years 2006-2008, the overall agricultural production has increased remarkably in spite of unpredictable weather conditions. The growth rate for agriculture sector was 5.5 percent in 2006, 5.1 percent in 2007, for 2008 is estimated to be 5.4 percent. In 2008, the total cultivated land area was 2.61 million hectares, producing about 7.15 million metric tons resulting in an average yield of 2.74 tons per hectare and a surplus of 2.02 million metric tons of milled rice.

99. The livestock production has increased slightly. The number of cattle raised has increased by about 13 percent over the 2004-2008 period. However, the number of pigs raised has declined from 2.42 million heads in 2004 to 2.21 million heads in 2008 due to an increase in import of pigs from neighbouring countries. Animal husbandry sectors' contribution to the economy has remained stagnant at about 4 percent. This sub-sector needs to grow in order to meet local needs to improve nutrition and to serve the tourism industry. Introduction and propagation of high yielding species and expanded veterinary services is priority of MAFF. To promote agricultural production, the MAFF has prepared laws and regulations that include: the Law on Sanitary and Phyto-sanitary, the Law on Production and Animal health, Law on Agricultural Pesticide Management, and Law on Agricultural Land.

100. Notwithstanding the significant progress that has been made, a number of challenges remain to:

- Increase productivity in rice and other crops; increase and improve access to extension services, credit and inputs; increase irrigation; ensuring better benefits for farmers through marketing; lack of farmer's knowledge in using agricultural inputs, techniques and soil improvement management.
- Develop appropriate legal and regulatory tools and competency in law enforcement to monitor and regulate agricultural inputs and soil resources and soil fertility management.
- Improve post-harvest management; promote export and domestic markets for agricultural products (including rice – not merely paddy, fruits and vegetables); promote agro-industry including post-harvest processing; improve quality of standard of agricultural products; organise farmers' organisations for better bargaining power; aim for optimum use of land and other resources; and, encourage and increase private sector investments and participation.
- Establish mechanisms at local level that can provide techniques and services to the farmers; promote program of agricultural extension at local level; and promote the formation of farmer to be effective and partner with private sector.

101. The livestock production has been adversely effected due to:

- Outbreak of diseases and lack of resources and capacity to effectively prevent the spread of diseases and protect the livestock.
- The reluctance of some investors to invest in poultry projects after the incidence of bird flue.
- Lack of market competition for meat and animal feed.

## II. LAND REFORM AND DE-MINING

102. Land constitutes the most precious resource of Cambodia. RGC's overarching policy is to ensure that all land is put to the best use possible for the benefit of all Cambodians, now and in the future. The draft Declaration on Land Policy addresses issues relating to Land Administration (clarify and record ownership and other rights), Land Management (to ensure that land and natural resources are effectively managed) and Land Distribution (to allocate state land for public and private purposes in a transparent, decentralized and fair manner).

103. Out of a total land area of 18.1 million hectares, the state owns 14.5 m and 3.6 m (20%) are with private entities. The Land Law details land by its use, ownership and control. There are three categories, viz,

- State Public Property, is non-transferable and is held for public purposes (government buildings and establishments, infrastructure use, etc) or environmental interests (like natural forest reserves, rivers, lakes, seashores and others).
- State Private Property, is often idle that could be put to various uses or transferred, including grant of land concessions (for large plantation, commercial farming, mining and social concessions).
- Private Property held by private individuals or entities.

104. The Royal Government recognizes that land reform is vital to enhance social stability, the development of an efficient land market, environmental sustainability, and for increasing agricultural productivity through the issuance of land titles to the citizens; in particular, to farmers who are cultivating land that they occupy. Issuing land titles to citizens is vital for improving the management of land use, especially the management of state-owned lands, to ensure security of land tenure in a transparent and equitable manner, and



to further reduce poverty by enabling citizens to have access to financial markets by using their land titles as collateral. It was estimated in 2001 that there are 6-7 million parcels of land (plot) for which land titles have to be issued.

105. RGC attaches high importance to land reforms for poverty reduction and sustainable socio-economic development. The priority is on strengthening security of land tenure (both state land and private land) through land registration for systematic and sporadic land titling procedures in order to provide land titles to people as well as institutions entitled to tenure rights. To strengthen land management, the required policy and legal framework for effective implementation of the Land Law has been developed and approved. The work so far has included: a Sub Decree on State Land Management; Guiding Circular on Illegal Land Occupancy of State Land; Prakas on Identification, Mapping, Classification of State Land; the Inter-Ministerial Prakas on Strengthening of Cadastral Commission; Joint Prakas on the The Mechanism for Agricultural Dissemination Service Delivery for Social-Land-Concession Using Farmers; Joint Guidelines on Strengthening of Performance of all levels of Cadastral Commissions. The draft Policy and Sub-Decree on Registration of Indigenous-People-Community lands and the draft Policy on Land Evaluation System have been developed and discussed. In addition, a Committee for Land Dispute Resolution has been established in order to promote the efforts in resolving land conflicts.

106. Significant progress has been made in *issuing land titles*. So far, 1,664,297 land titles have been issued, of which 3/4 are rural lands and 1/4 are urban lands. Of these, 1,070,665 titles were issued through systematic land titling process whilst 593,645 titles were issued through sporadic titling. To-date the land titling process has, therefore, covered between 23 and 24 percent of total land plots (6-7 million) throughout the Kingdom. The targets set for the issuance of land titles in the Cambodian Millennium Development Goals (CMDGs) for the year 2010 is the registration of 32 percent of total land parcels (plots) – of which 24 percent are set for lands owned by farmers. The CMDGs targets for 2015 are registration of 65 percent of total land parcels (plots) – of which 48.75 percent are the land parcels (plots) owned by farmers. Of the total land titles issues so far, 70 percent are for common property of couples, 20 percent are for property owned by women, 5 percent are for personal property owned by men, and another 5 percent are for property owned by monasteries.

107. With respect to the registration for the communal property of indigenous lands in the pilot areas of three communities, the task force has completed the phase of land identification and boundary demarcation by consulting with relevant people on the boundary issues. This next step is the setting up of the pole and full registration at the beginning of 2010, as well as continuing the implementation of Sub- decree 83 ANK.BK concerning the procedures of indigenous land titling; especially, those in Mondulkiri and Rattanakiri provinces.

108. In area of settlement of land disputes, the Cadastral Commission has dealt with 5193 cases, of which

- 1810 cases were completely solved, that involved 8560 households and 3057.2 hectares of land;
- 272 cases were withdrawn;
- 1369 cases were rejected due to non compliance with the Cadastral Commission's jurisdiction; and
- 1742 cases are pending.



109. The number of dispute cases brought to the Cadastral Commission has increased from year to year by over 20 percent.

110. To further strengthen *land management*, the process of establishing policy framework and relevant regulatory frameworks such as land management policy, national housing policy, guidelines on legal procedures for resettlement, and law on land management, urbanization and construction are now being prepared through an inter-ministerial working group. To prepare Land Use Maps for urban areas, the Ministry of Land Management, Urban Planning and Construction is providing technical support to District/Khan, provincial and municipal authorities in order to collect and verify data on Urban and Provincial Land Use Planning from ten provinces/Municipality. The task of data collection in Stung Hao and Bovet Towns has been completed and work is nearing completion in three more areas - the towns of Kratie, Neak Loeung and Anlong Veng. In addition, a Strategic Development Plan for Phnom Penh city has been finalized and work is now underway in three other provinces (Sihanouk, Kep and Kompong Cham province).

111. RGC has been implementing a policy to distribute land to landless citizens through its *social land concessions* program. The National Strategic Development Plan (NSDP) 2006-2010 had set a target of providing land to 10,000 landless-families under this program. To reach this target, each Province/Municipality has been asked to make available land for at least 416 families. The Royal Government has identified 36,917 hectares of state-owned land in twelve provinces for distribution to 14,791 landless poor households under its social land concessions program. So far:

- 4,700 hectares of land have been distributed to 783 households under LASED Kampong Cham.
- 9,514 hectares of land have been distributed to 190 households in Kratie.
- 129 hectares of de-mined land to 95 households in Uddor Meanchey.
- 1,019 hectares of land to 317 families of disabled veterans in Taken Koh Sla commune of Chhouk district in Kampot province.
- 2,074 hectares of land to 903 families of soldiers who served along the Thai-Cambodian border in Choam Khsan district in Preah Vihear province.
- At the same time, under a plan initiated by the head of Government, 4,500 hectares of land has been reserved for 793 families to develop a new village named "Thomcheat" in the area of Preah Vihear temple to be developed with financial support from the Royal Government.

112. Notwithstanding the progress made so far, many challenges remain that will require concerted action to enhance citizens' confidence in land management practices:

- There is a need to promote the culture of land registration and to further strengthen the services delivery by the Cadastral System through a Single Window process that is transparent and accountable and delivers its services in a timely manner to build citizens confidence in the system. Accelerate the countrywide land systematic land registration system, in particular in the economically potential areas through establishment of a special operation agency.
- Land management, land use and land distribution processes need to be made more transparent, equitable and effective. The management of state land needs to be strengthened using various tools, including land management planning for all levels to direct land development and monitoring, preventing Concentration of unused land in few hands, preventing clearance of state-owned lands, forestlands, and lands in

protected areas. Properly identifying lands to allocate for poor landless families, veterans, and for relocation of families displaced due to economic development projects of private companies, or through actions to recover state lands that were occupied illegally -- through RGC's social land concessions program; as well as taking more stringent enforcement measures against the concessionaires who do not properly comply with the terms and conditions of the agreements of economic land concessions.

- Undertake a review of already granted large economic concessions by strengthening the control mechanism for contract implementation; verify the size of authorized lands in order to take back land that are not being used in accordance with contracts or exceed the limits under the 2001 land law and to remove from the concessions lands of 'protected areas' and lands already earlier held by people, which had been inadvertently included in concessions, and restore such areas back to 'protected areas' or to the people who were using them, as the case may be.
- Strengthen the social and environmental impact assessment in a participatory and transparent manner in the areas considered to be land concessions.
- Pursue and ensure registration of state land according to procedures stipulated in the Sub-decree on the Management of State Land and the Registration of Indigenous-People Community lands where these people are living in community.
- Strictly implement the Guiding Circular on Illegal Occupancy of State Land in order to identify speculators and to take back illegally-occupied lands for social development and environment protection purposes.
- Pursue the taxation of idle lands; consider terminating concessions that are not complying with existing laws and regulations; set up a clear and well-functioning system of land information and land price valuation; and the preparation of strategic development plan for provinces and municipalities in particular for the economically potential areas in order to manage their development and to prevent concentration of lands for speculation.
- Pursue implementation of RGC's Guiding Circular on the Plan on Distribution of Social Land Concessions to 416 families in each province to reach the target of 10,000 families by 2010.
- Speed up the process to grant collective land rights and titles to indigenous minorities (estimated to be 17 groups) and to restore to them land wrongfully bought from them by some unscrupulous individuals; 2 pilot projects in Rattanakiri and 1 in Mondolkiri are being started to register lands held by such minorities.
- Provide land to the landless poor where-ever possible.
- Through education and wide publicity, warn poor people from parting with their land, their main source of livelihood, to speculative land grabbers who pay a price seemingly high to the poor who may quickly use up this newly acquired "wealth" for consumption and are often left without any source of livelihood.
- Speed up land dispute resolution process, in particular, the disputes of multi-parties by establishing Land Conflicts Mobile Team with a status of a special operational agency to clear the backlog in the districts.

**113. De-mining:** Past conflicts contaminated large land areas with landmines and unexploded ordnance (UXO), which routinely claim lives and limbs. The clearance of land from mines and Explosive Remnants of War (ERW) is required to reduce casualties and to remove a major constraint to the development of effected areas. The Cambodian Mine Action and Victim Assistance Authority (CMAA) has been implementing a landmine and ERW clearance programme since 1992 and its performance has improved steadily.

Reported annual casualties from landmines/ERW have decreased from 4,320 in 1996 to 271 in 2008. De-mining and ERW de-fusing have increased mine-free land areas from 33,036 hectares in 2005 to 43,650 hectares by May 2008.

### **III. FISHERIES REFORM**

114. Fish continues to be a vital source of food, nutrition and income of millions of Cambodians. Total production of fish grew to over 650,000 tonnes in 2008, the main increases coming from rice field capture and a steady growth in aquaculture. The new Fisheries Law was promulgated in May 2006; the fisheries sector has since undergone major reforms and now has a more poverty-focused approach. Since the release of the fishing lots for community use, 468 Community Fisheries have been established (433 inland, 35 coastal), of which 173 were formally legally registered in October 2008. In addition, 235 Community Fish Refuges (CFR) have also been established mostly in the remote areas far away from important water bodies. In aquaculture, 13 State and 152 private hatcheries are now operating and 15,000 families are engaged in small-scale aquaculture. Fisheries management was strengthened, including the increase in community's fisheries registration around Tonle Sap Great Lake, expansion of aquaculture activities and increased suppression on illegal fishing. The Fisheries Administration also tightened and will continue its efforts in preventing and suppressing flooded forest land grabbing.

115. In spite of the significant progress made the fisheries sector still face many challenges:

- Fisheries are being seriously threatened through the destruction of flooded forests, land clearing for land ownership by both ordinary and powerful people, which requires a timely and effective intervention from the government.
- Shortage of resources to carry out its functions: transportation, equipment, budgets and gasoline for management process, research and studies to develop and conserve fisheries resources.
- Lack of resources to effectively protect the conservation site in Tonle Sap Lake, dolphin conservation in Upper Mekong River in Kratie and Stung Treng marine conservation posting and boundary of flooded forest and eradication of fishery violation
- Competency of the fisheries communities still limited, most of the communities are not provided support by development partners, including NGOs.
- Fishing by using electrocution fishing gears, long tubular mosquito nets, and destroying fish hatching sites in flooded forest is still taking place.

### **IV. FORESTRY REFORM**

116. The implementation of the Law on Forestry and regulations along with good collaboration between all concerned institutions, forest resources are now more strictly managed, resulting in increased prevention and suppression on illegal forest land grabbing. In 2008, the Forestry Administration allocated 9 logging coups outside forest concession areas to meet local wood consumption amounting to about 261,270 m<sup>3</sup>. Reforestation/tree plantings, community's forestry establishment, forest boundary demarcation, and wildlife research and conservation were actively carried out as planned. However, illegal forest land clearing and land grabbing still exist. The Ministry of Interior plays an important role in issuing instructions to all level of local authorities to strengthen statistics, movement and resettlement of new incomers, and not to allocate forest areas for other purposes. The

implementation of sub-decree on rules on the use of state forest lands for forest plantation will contribute towards achieving Cambodian Millennium Development Goals that set a target of 60 percent forest cover in 2015.

117. The Forestry Administration faces many challenges in carrying its tasks. These include:

- Lack of human resources and incentive for staff working in remote areas.
- Lack of budget for forest management and conservation.
- Lack of offices and facilities for working.
- Threats from powerful man.
- Illegal people usually change mean of transportation of illegal timber and destroying forest.
- Forest demarcation facing difficulties with encroachers and destruction of marking poles.

### **ENVIRONMENTAL PROTECTION, CONSERVATION, AND CLIMATE CHANGE**

118. Protection and conservation of the unique eco-system that Cambodia is blessed with and the sustainable use of this natural resource for the benefit of all Cambodians is a high priority of the Royal Government. Significant progress has been made in developing the regulatory framework to manage these resources and to strengthen the capacity of the Ministry of Environment and other RGC institutions to manage the implementation of the laws and regulations. In April 2006, through a sub-decree a National Climate Change Management Committee was established. In 2008, two Laws – the Law on Bio-safety and the Law on Natural Protected Areas – were adopted.

119. The Ministry of Environment (MOE) has been implementing the following programs to address environment management issues:

- i. Environment assessment impact.
- ii. Environmental pollution control, covering solid waste management, air quality control, and public water quality management.
- iii. Natural protected area management.
- iv. Education and dissemination of information on environment issues.

120. The MOE in collaboration with other ministries and concerned parties has provided recommendations on environmental-social impact assessment for 15 projects in the agricultural, industrial, energy, tourism and infrastructure sectors. The Ministry of Environment also signed agreements with 61 project's owners on environmental protection.

121. Significant progress has been made in expanding the collection of solid waste across the country. The number of solid waste collection sites has increased from 43 locations in 2005 to 65 locations in 2008. The amount of solid waste and garbage collected has increased from 352.5 tons in 2005 to 518.1 tons in 2008. In the Kompot, Pursath, Battam Bang, Siem Reap provinces and Sihanouk Ville 45 to 85% of the solid waste and garbage is now collected. In Phnom Penh, solid waste and garbage collection services by CINTRY Company cover 90-100% of total solid waste garbage in four districts and between 45 to 70% in three other districts.

122. There are three air quality control stations in Phnom Penh located at Kbal Thnol round, Olympic water tank round and Tuol Kok traffic light. They monitor the CO, NO<sub>2</sub> and SO<sub>2</sub> levels.

123. To monitor water quality for biodiversity conservation, every month the Ministry takes water samples along Tonle Sap river (Prek Kdam), up Mekong river (Chroi Changva), down Mekong river (Kien Svay) and Tonle Bassac (Ta Khmav Svay Rolom) as well as water samples from sewage at Boeng Trobek, Stung Chrav. The analysis is used to monitor water quality in rivers.

124. The MOE has prepared a master plan of natural protected areas covering 18 areas. The Ministry is also carrying out research and collecting data on plant species, medicine plants and animals.

125. The MOE has also supported the communities living in natural protected areas. The number of these communities has increased from 59 in 2005 to 82 in 2008.

126. The MOE is also working on addressing the climate change issues. The Ministry prepared a Second National Report under the United Nations Convention on Climate Change.

127. The MOE is engaged in providing educational information and discussions on environment issues as well as disseminating this information to the public.

128. A challenge of very significant proportion lurking on the horizon is the country's ability, and need, to adapt to the reduction in the fluctuations of water levels in the major rivers between wet and dry seasons, as well as possible increase in water pollution, that are likely to result from upstream countries controlling the flow by erecting successive barriers for tapping electricity and irrigation waters, and by releasing industrial wastes into the river systems. Such changes will alter and adversely affect the entire eco-system in Cambodia and will have serious implications for its crops and fisheries. Constant watch and dialogue will be maintained through the Mekong River Commission. The regulatory framework to effectively manage Cambodia's eco-system is still at an early stage of development. Lack of coordination and cooperation between city and provincial governments as well as among ministries and agencies continue to hamper efforts to control illegal activities.

## **RURAL DEVELOPMENT**

129. Rural Development, as a vital parameter for the enhancement of agriculture and poverty reduction, is a major crosscutting issue, covering rural infrastructure, health, education, agriculture, water supply and sanitation, and other areas of socio-economic development in rural areas. It is central to poverty reduction since 85% of Cambodian population, which have high poverty incidence, live in rural areas. RGC has adopted a multi-pronged approach to foster rural development and empower local communities to plan and manage development of their communities. The decentralisation and deconcentration of public services delivery, support for participatory decentralised-based programmes, and the provision of credit to households and small businesses are some of the examples of Royal Government's efforts in this sector.

130. Since 2006, it is a priority sector among other 6 priority sectors of the RGC under the PFMRP for budget allocations and timely disbursements.

131. Institutional and human resource capacity development in this sector has been progressing though the development of policy and regulatory framework necessary for the implementation of rural development activities including the following draft national policies, national strategies and other regulations:

- National Policy on Rural Road;
- National Strategy on Rural Road;
- National Policy on Rural Clean water Supply and Sanitation;
- National Strategy on Rural Clean water Supply and Sanitation that will be completed in March 2010;
- Policy on Indigenous People;
- National Policy on Rural Development; and
- Royal Decree on Village Development Committee (VDC) and Sub-Decree on Procedures for the Establishment and Functioning of the VDC, which has been submitted to Council of Ministers for endorsement.

132. **TO BE TRANSLATED.**

133. **TO BE TRANSLATED.**

**TABLE 2: PROGRESS IN RURAL DEVELOPMENT**

	INDICATORS	2006	2007	2008	2010 (Est.)
1	Rehabilitation of Rural Roads – out of total 28,000 kms	22,964	23,729	24,140	25,000
2	Access to Improved Drinking Water - % of Rural Population	42.6	45.5	40.49	43.49
3	Access to Sanitation – % of Rural Population	16.5	16.7	23.24	25.0
4	Village Development Committee (VDC) – out of total Villages of 14,073	8,938	8,926	8,697	9,723

134. **TO BE TRANSLATED.**

#### **4. FURTHER REHABILITATION AND CONSTRUCTION OF PHYSICAL INFRASTRUCTURE**

135. A functioning physical infrastructure is a pre-requisite for sustained economic development, growth, and poverty reduction. The depth and diversity of the physical infrastructure influences not only the pattern of growth, but lack of it prevents access to health and education, trade liberalisation and access to local, regional, and international markets. RGC's key physical infrastructure priorities include repair, maintenance and upgrading of the road network from national to rural levels, improved water supply and sanitation, creation of an efficient power sector, rural electrification, better telecommunications, etc. This rectangle of the Rectangular Strategy addresses issues dealing with: (i) further rehabilitation and construction of transport network; (ii) water resources and irrigation system management; (iii) development of the energy sector (including oil and gas) and electricity network; and (iv) development of information and communications technology.

##### **I. FURTHER REHABILITATION AND CONSTRUCTION OF TRANSPORT NETWORK**

136. Significant progress has been made in rehabilitating and construction of physical infrastructure of national roads network, ports and main airports to put in place a transportation network connecting all parts of the country, as well as with neighbouring



countries. RGC has also given a high priority to ensuring that the transportation network is properly maintained and has encouraged and promoted the participation of the private sector in the operations and maintenance of the transportation network. The rehabilitation, construction and development of the railway network that connects Phnom Penh to provinces and to the railway networks of the neighbouring countries, as part of the Asian Railway Network, is also a high priority of the RGC. To speed up the development of the railway network, RGC has decided to give the concession to the private sector for the development, operations and maintenance of the railway network. The Ministry of Public Works and Transport is responsible for the rehabilitation, construction, and regular maintenance of the transport network.

**137. Road Network:** The rehabilitation and construction of single-digit National Roads Network is now nearing completion. The main National Roads (asphalted) now connect Phnom Penh with almost all provincial capitals, and link to major cross-border check points with the neighbouring countries. Significant progress has been made to put in place regional and sub-regional roads (such as the Asia-Pacific Region, ASEAN, and the Greater Mekong Sub-Region), that will serve as the economic corridor routes, and international transit routes facilitating transportation, provision of logistics, trading, international trans-boundary tourism, and national defence.

**138.** At the end of 2008, the total roads network was 30,652 Kms of roads that include:

- 2,117 km of single-digit National Roads.
- 3,146 km of double-digit National Roads.
- 6,441 km of Provincial Roads, of which 113 kms are now asphalted.
- 18,948 km of Rural Roads.

**139.** During the period of implementation of NSDP 2006-2010 (2006-2008), a total of 2,375 kms of road network was rehabilitated and/or constructed. That included:

- 1,731 km of single-digit National Roads.
- 531 km of double-digit National Roads.
- 113 km of Provincial Roads.

**140.** To safeguard against the misuse of the roads network and to enhance road safety a Traffic Law has been adopted. The development of an efficient legal system for the transport sector and the enforcement of laws are a priority of RGC. A General Secretariat of the National Road Safety Committee has been established that is responsible for:

- Preparing and disseminating information on National Safety Plan.
- Organizing seminars/workshops to promote road safety.
- Producing educational material on road safety, and disseminating this material widely on Radios and TVs.
- Conducting trainings on auditing and publishing information on road safety.
- Organizing National Week of Road Safety, to be held from 7<sup>th</sup> to 14<sup>th</sup> April, every year.
- Conducting trainings on road safety for the public as a part of the tests to get Motorcycle Driving License through the Provincial/Municipal Departments of Public Works and Transports.

- Preparing and implementing on-site training programs on road safety in low-income communities in the remote districts/areas as part of the testing to get the Motorcycle Driving License.
- Conducting training programs as part of the Motorcycle Driving Test for adult youth in schools in Provinces and Cities countrywide.
- Organizing a series of Seminars to formulate the Traffic Safety Action Plan, and promote the “Helmet Campaign”.

141. Through the efforts of the Overloaded Vehicle Inspections Committee in cooperation with transport companies and the owners of trucks the overloaded trucks traffic along National Roads has been significantly reduced. To prevent these illegal practices the Ministry of Public Works and Transport has installed weighbridge stations and mobile scales on selected road sections; including the installation of 8 weight bridge stations and 18 mobile scales. Work on 7 permanent weighbridge stations and 20 mobile scales is underway that is scheduled to be completed in 2009.

142. A sub-decree on the Management of Garages that repair, assemble and transform vehicles has been adopted in order to prevent the out-of-standard transformation that makes vehicles able to carry more than limited weight.

143. **Railways:** At present, transportation of passengers and goods on the railways is quite limited. Plans are now being prepared to rehabilitate and expand this important mode of transportation and its integration with the regional railways. The Committee for Railways Restructuring and Rehabilitation and the Committee for the Management of Railways Concessions are now in place. A *30-year concession agreement* between the Royal Government and Toll Holdings Ltd of Australia was signed in June 2009. Work is now underway to implement the concession agreement. To *rehabilitate the railways infrastructure*, a rehabilitation project funded by a loan agreement with the Asian Development Bank (ADB) is now being implemented. So far, the rehabilitation contractor has been working on developing a detailed plan and to start work on the project. Through this project the following sections of the railways network will be rehabilitated: the missing link from Sisophon – Poipet 48 km (to connect to Thai railways); the line between Phnom Penh and Sihanouk Ville Port of 264 Km; and from Phnom Penh to Sisophon of 337 Km. The Royal Government is also considering a supplementary financing agreement with ADB and a grant from AusAID (total about US\$ 72 million) which will provide funding for a new station construction in Samrong (9 km from Phnom Penh) and additional upgrading of the railway, including branch line to Green Trade Warehouse (6 m from Phnom Penh) and Northern Line. To construct the missing link from Batdeoung to Trapeang Sre (the railways connecting point on Cambodia-Viet Nam border) a engineering feasibility study is being carried out. Following the exchange of notes between the Royal Government and the Government of People’s Republic of China in late 2008, a railways expert team from China is now carrying out this work. A draft of the railways cross border agreement between Cambodia and Thailand was prepared by working groups in the two countries in 2007 (Royal Railways of Cambodia and State Railways of Thailand). The last meeting between the two working groups was held in March 2008. The Royal Government has now assigned the Ministry of Public Works and Transport to carry forward these negotiations.

144. **Ports:** RGC has been implementing its “Open Sea” Strategy. As a part of this strategy, at the **Sihanouk Ville Port**, a container terminal of 400 m that can accommodate 1,000 vessels/month, with a 9m depth has been constructed. This terminal has a maximum container storage capacity of 7,900 TEUs (Twenty Equivalent Units) at a time or 340,000

TEUs/year; an average lifting capacity of 25 Containers per hour per derrick. In 2008, the total quantity of cargo in transit was 2,057,967 Tons, and 258,000 TEUs of containers; compared to a cargo of 1,818,877 Tons and 253,271 TEUs of containers in 2007.

145. The improvements at the **Phnom Penh Autonomous Port** have included the addition of 1 crane with a lifting capacity of 45 Tons; 1 crane for lifting empty 40' containers; the installation of navigation aids from Vietnamese border up to Phnom Penh; setting up of CCTV Camera and ID Pass Safety Systems; 1 X-ray scanner; the establishment of a Navigation School for staff from both international ports; and the operation of an administrative building to deliver one stop services. A total of 1,543 vessels called at Phnom Penh Port in 2008, compared to 1,398 vessels in 2007. Total quantity of cargo in transit through the port in 2008 was 1,240,339 Tons, increasing 12% compared to 1,106,701 Tons in 2007. The number of containers transiting the port in 2008 was 47,507 TEUs, with a very small increase compared to 47,504 TEUs in 2007. Number of passenger vessels in 2008 was 1,878, showing a decrease of 3% comparing from 1,931 in 2007.

146. **Airports:** RGC has been implementing its "Open Sky" strategy. As part of this strategy, the infrastructure of the 3 international airports has been significantly improved fostering the development of tourism. All of the 8 local airports are being repaired and preserved, rehabilitating runways and establishing airports boundaries. As of now, the infrastructure of 2 airports has been fully rehabilitated. Development of human resources in civil aviation sector is a RGC priority to ensure further improvement of this sector in the future.

147. **GMS Cross Border Transport Agreement ( CBTA ):** The Agreement including its 20 Annexes and Protocols is now effect. RGC has ratified and adopted 3 Protocols and 17 Annexes. To implement this agreement, RGC has entered into bi-lateral MOU's with Thailand, Viet Nam, and Lao-PDR. The progress to-date has included:

- *Agreement between Cambodia and Thailand:*
  - Two MOU's have been signed for implementing CBTA at Poi Pet-Aranyapraphet check point.
  - A quota of 40 units from each country in trans-border traffic has been agreed. Work is now underway to identify and construct the CCA, and the identification of additional Check-points.
  - Both side have agreed to de-link the 2 MOUs in order to allow the implementation of the MOU on the exchange of traffic rights (quota 40) at Poipet–Arangpathed border check point.
- *Agreement between Cambodia and Viet Nam:*
  - 1 MOU has been signed. Work is now underway to identify and construct the CCA, and to establish Customs Procedures for inspection of goods and vehicles crossing the border, etc.
  - Custom authorities from both sides have agreed and signed a MOU on custom procedures to implement of The Initiative in Implementation of GMS Cross Border Transport Agreement ( IICBTA ) at Bavet-Mockbai border check point.
  - Initially, under bi-lateral CBTA, a quota of goods and 40 buses crossing the border at Bavet was agreed. However, in March 2009, an agreement has been reached to increase the quota of vehicles crossing the border from 40

units to 150 units and 6 check-points will be opened for trans-bordering transport.

- *Bilateral Agreement Cambodia-Lao PDR:*
  - Agreement, Protocol and an MOU have been signed with Lao PDR.
  - There is a quota of 40 trucks.
  - A separate Partnership Agreement on passenger traffic is under preparation that will require the approval of the Ministries of Public Works and Transport from both sides.
  - To start the implementation, Lao PDR has suggested 4 units and 5 routes destination only.
- *Trilateral Agreement Cambodia, Lao PDR and Viet Nam*
  - The three countries have agreed to set up a Task force for preparing a Trilateral Agreement between Cambodia, Lao PDR and Viet Nam on cross-border transport that will start in 2010.

**148. Sewage/drainage and waster water filtration systems:** The Ministry of Public Works and Transport is also responsible for the rehabilitation, construction and maintenance of the sewage/drainage and waste water filtration systems. At present, sewage water is a major problem in Phnom Penh, Sihanouk Ville, and Siem Reap provincial town. The lack of available resources has been a major constraint to further rehabilitate and construct sewage/drainage systems and waste water filtration stations across the country. In recent years, the sewage/drainage system in Phnom Penh has been upgraded, in Sihanouk Ville a waste water filtration station has been completed. A water treatment station in Siem Reap is under construction with a plan to expand the work to include dredging of Steung Siem Reap. Plans for construction of a waste water filtration station in Kampot are currently being studied.

**149.** The Ministry of Public Works and Transport faces many challenges that include:

- The process of reviewing plans for the rehabilitation and construction of the transport sub-sectors takes a long time.
- Lack of adequate legislative instruments and regulations to effectively deal with identified problems.
- Roads, bridges are deteriorating faster than the current capacity to rehabilitate, improve and to carryout regular maintenance of these facilities in a timely manner.
- The private sector has not as yet shown an interest in road maintenance.
- National roads are still being damaged by overloaded vehicles traffic.

## **II. WATER RESOURCE AND IRRIGATION SYSTEM MANAGEMENT**

**150.** The Ministry of Water Resources and Meteorology (MWRAM) has made significant progress during 2006-2008 in rehabilitating and constructing irrigation infrastructure to expand capacity of the irrigation system and to provide protection from natural disasters (floods and drought) that are becoming more unpredictable because of climate change. The Law on Water Resources Management was approved and adopted in June 2007.

**151.** The MWRAM has carried out many projects across the country. Its activities have included:

- Rehabilitation, maintenance and construction of 141 irrigation projects which provide irrigated water to 267,224 hectares of agricultural land (rainy season rice 191,202

hectares and dry season rice 76,022 hectares). By the end of 2008, the capacity of the irrigation system has increased to provide water for 827,373 hectares of agriculture land. This represents 31.6% of the total cultivated land (2,615,741 hectares), and now can provide water for rice crops totaling 582,085 hectares of land in the rainy season, and 245,288 hectares of land in dry season.

- Dug 30 wells to use under ground water for irrigation.
- To reduce the vulnerability by flood and drought:
  - Rehabilitated 7 flood control projects which are able to protect 130,799 hectares of cultivated land. In 2008, the total area protected from flooding was 244,299 ha.
  - Rehabilitated 6 **polder** projects which are able to protect 14,328 ha of cultivated land. Up to 2008, the total area provided protection from sea water was 31,008 ha.
- Installed 12 and repaired one pumping stations which can rescue rice paddy totaling 305,225 ha from drought, 137,122 ha in dry season rice and 168,103 ha in rainy season rice.
- Established 350 Farmer Water Users Communities (FWUC) involving 305,550 households. Women are actively involved in FWUC committee leadership.
- In the area of Hydrological improvements:
  - Repaired and set up 20 hydrology stations along Mekong, Tonle Sap and Basac river.
  - Set up 39 water level **staff** gates along the river at check points.
  - Set up 13 water level automatic recorders at the check points along the rivers.
  - Set up 4 discharge **measurements** at Siem Reap River in Siem Reap province, Sangke River, Battambang province, at Porsat River, Porsat province, and at Boribo river, Kampong Chhnang Province.
- To strengthen the capacity to provide up-to-date weather information, the Meteorology Department of the MRWAW has:
  - Repaired and upgraded 8 climate observation stations in Phnom Penh Municipality and in provinces.
  - Repaired and installed 5 new climate observation stations in provinces.
  - Installed 05 wind direction and speed wave 10-100 m measurements to examine heat, sun light, in municipality and in provinces.
  - Installed 01 station of information receiver satellite to examine the latitude of cloud MTSAT.
  - Installed telecommunication network to send and receive meteorology data in national and international framework GST 01 place.
- MOWRAM has studied river basins round Tonle Sap River and other main rivers to effectively and sustainably manage, conserve, and develop water resources sector: Boribo River basin, Dountry River Basin, Monkolborei River Basin, Sangke River Basin, Svaychek River Basin, Prekthnot River Basin, and Krangponlei Rive Basin. It also prepared a master plan on water resources management in The Kingdom of Cambodia.

152. Notwithstanding the progress made so far, many challenges remain:

- Although the Water Resources Management Law has been adopted, sub-decrees to implement the Law have not yet been prepared. It is important to carry out this task

to define mechanisms that will be used to implement the Law effectively especially, river basin management, water license, FWUC, and water quality protection.

- The inter-ministerial coordination is weak and need to be strengthened and enforced.
- There is a need to develop basic data and information on infrastructure which relate to water management and improvement to reduce the impact of floods and droughts. There is a need to strengthen irrigation, drainage, and infrastructure management to:
  - Select priority locations for rehabilitation and construction within the irrigation infrastructure that have high potential for generating incomes in rural communities.
  - Engage Commune Councils in managing commune irrigation infrastructure.
  - Take action to encourage water resources management to maximize its impact on increasing agricultural production in different ways.
  - Increase participation of farmers and farming communities in matters dealing with irrigation utilities and maintenance.
  - Limited budget for irrigation system maintenance.

### URBAN DRINKING WATER SUPPLY

153. The Ministry of Industry, Mines and Energy (MIME) is responsible for the supply of clean drinking water. Drinking water supply capacity has increased significantly over the last decade. There are now 111 urban centres that have access to clean drinking water from safe drinking water supply systems. In Phnom Penh, the production of safe drinking water supply increased from 79,400,031 cubic metres in 2007 to 85,531,649 cubic metres in 2008. In 2009, around 90 per cent of Phnom Penh's population has access to safe drinking water around the clock. 17,590 poor households, many of which are female-headed households, have been receiving support through a policy of subsidised charges for water use based their income.

154. It has been estimated that around 51 per cent of the population living in all urban centres of the country have access to safe drinking as the Water Supply Authorities of these urban centres increased their supply capacity based on people's actual needs. Safe drinking water production by the Water Supply Authorities in all urban centres has increased from 11,965,649 cubic metres in 2007 to 13,754,769 cubic metres in 2008.

155. Although progress has been made in providing clean drinking water, many challenges remain:

- The percentage of the total population having access to safe dinking water is still quite low.
- The poor still have limited access to safe drinking water.
- Available financial recourses for further development in this area are still limited.

### III. DEVELOPMENT OF THE ENERGY SECTOR AND ELECTRICITY NETWORK

156. Significant progress has been made in increasing the available supply of electricity and the expansion of the electricity network. To guide the development of the energy sector, an Energy Sector Development Plan, 2005-2024 has been prepared. A Rural Electrification Master Plan focusing on the use of renewable energy has also been prepared and is being implemented. Some the major improvements have included:



- A 115KV-transmission line, from Thai border to supply electricity to Banteay Mean Chey, Siem Reap, and Battambang Provinces has been completed.
- Two 370KW-microhydro power stations (O Romis and O Mleng) and a reserve 300KW-desiel-powered generator are now fully operational to provide electricity to the provincial town of Mondulkiri.
- In August 2009, Electricité du Cambodge completed work on the 230KV-transmission line from Vietnamese border to supply electricity to Phnom Penh and the southern region of the country.
- To implement the Rural Electrification Policy, the Royal Government has established a Rural Electrification Funds to promote equity in access to electricity supply services and encourage private sector to participate in investing in rural power supply services in a sustainable manner, in particular to encourage the use of new technologies and renewable energy.
- To enhance regional cooperation, within the framework of the GMS, Cambodia has been participating in the implementation of GMS Power Trade Plan; and within the framework of ASEAN, Cambodia is participating in the implementation of ASEAN Power Grid.

157. Although significant progress has been made, the energy sector also faces many daunting challenges:

- How to ensure efficiency and sustainability of production, supply, and proper maintenance of the power infrastructure across the whole country.
- How to lower the current high cost of electricity generation not only to support private sector development but also to make it available to the poor at affordable cost.
- How to attract private sector investment and participation to expand the power infrastructure to meet the growing demand for electricity, in particular to the rural communities. In 2008, only around 10 per cent of rural households had access to electricity, while in urban centres about 75 per cent of urban homes has access to electricity.

158. Offshore *oil and gas* fields are a common asset of all Cambodians, now and in the future. With the first discovery of off-shore oil in 2004, 27 exploratory wells have now been drilled in petroleum prospective areas to make further realistic estimates of the extent and scope of oil deposits. The Cambodian National Petroleum Authority (CNPA) has signed contracts with a number of companies from various countries to explore for oil and gas in six other blocks in Cambodian gulf waters. Exploration work is accordingly proceeding ahead. Once the deposits levels are estimated, further work and investments are needed for setting in place the development infrastructure before pumping could commence, currently expected in 2011. Coordinated advance planning should start now to carefully conserve and use this energy resource and potential revenues from it in an optimal manner to benefit Cambodia and its citizens in the immediate and long term. The priorities are to:

- Get maximum revenues to the state through multi-layered returns such as by way of royalties, profit sharing, taxes, etc. MEF has done considerable advance thinking to examine all available options. Besides, RGC is examining the Extractive Industry Transparency Initiative (EITI) as a platform for good governance in the treatment of these resources.
- Set up mechanisms and bodies to guide this sector and monitor operations by ensuring strong regulatory oversight, transparency, and clear separation of policy, regulatory and operational aspects.

- Consider and prepare plans for use of substantial associated gas which would otherwise go to waste by flaring.
- Set up downstream units for processing and use of the resource for value-addition and for industrial use including fertiliser production.
- Prepare and get ready a list of priority projects and feasibility studies for using the additional financial resources – such as for installing more hydro-electric generation capacity, transmission lines for a national grid, rural electrification, agriculture and rural development including water and sanitation, civil service reform and improvements in salary levels, etc.

#### **IV. DEVELOPMENT OF INFORMATION AND COMMUNICATION TECHNOLOGY**

159. Information and communication technology includes telephones and telecommunications, and mass media. With increasing competition and largely led by private operators, Cambodia has leaped ahead in the use of mobile phones. Significant achievements and major challenges include:

- Following the opening up of the telecommunications sector in January 2006, more private investors have joined this sector and have substantially contributed to its development. The Ministry of Post and Telecommunications is managing the implementation of several large projects worth around 536 million US\$ to extend the fibre optics cable network infrastructure across the country to expand telecommunications services nationwide.
- On 31 December 2008, the total number of telephones in use increased to 4,143,417 (of which 4,100,000 were mobile phones and 43,417 were fixed lines). In 2005, total number of telephone lines was 882,020. This exponential expansion has occurred especially in rural areas along with more access to e-mail and internet in all 24 provinces and municipalities.
- The number of internet subscribers was 20,100 in 2008 whereas it was just over 8,630 in 2005.
- The number of fixed public phones has increased from 439 in 2005 to 456 in 2008.
- Use of computer technology and internet are also spreading fast along with increasing expertise among young people.
- From 2006 up to now, postal services have been improved significantly in following areas: (i) reduction in the distribution of postal items, (ii) putting in place express postal services in all 24 Capital-Provinces, (iii) expansion of postal services to major urban centres, (iv) establishing a postal item control-monitoring system by using IPS system for postal express service, postal package, and registered mail.
- RGC will continue to implement the Government Administrative Information System and E-Government.
- The Ministry of Information has made significant progress to improve and expand the coverage, efficiency and quality of mass media (radio, TV and the press agency). About 70% of Cambodian population is now able to receive news, education, and entertainment through the existing mass media, both government and private, thus helping to enhance national identity and solidarity.
- Major challenges in this sector include: (i) efficiency in the management of telecommunication sector is still limited, (ii) illegal international gateway continues to adversely affect government revenues and legal international gateway although the Ministry of Post and Telecommunication has been striving to crack down this illegal activity, (iii) coordination between Ministry of Post and Telecommunication and

operators/development agencies is still to be improved, (iv) cost of internet use is still high, (v) private postal services are more competitive than public postal services and the capacity of human resource in postal sector is still limited.

## **5. PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT**

160. RGC has recognised and accorded a critical place for the private sector as the main engine for investments and growth in the country. RGC's role is that of the fosterer, promoter, enabler, facilitator and regulator. Massive levels of investments are needed in the next few years to maintain and accelerate momentum of diversified economic growth. A robustly growing private sector would complement public investment in the social sectors, absorb increasing entrants in the labour force and create a wide variety of skills. The four aspects of this rectangle are: (i) *strengthening private sector and attracting investments (including garment and tourism sectors); (ii) promotion of small and medium enterprises; (iii) Job creation and ensuring better working conditions for workers and employees; improved work conditions; and (iv) establishment of social safety nets for civil servants, employees and workers.* RGC has brought down the costs of doing business and expanded market access, reduced in-country transportation costs and improved safety through improved basic infrastructure that also promotes integration of urban and rural economies. The progress so far made towards achieving these priorities has significantly contributed to the recent developments in other sectors and to the enhancement of socio-economic conditions of rural population especially the poor.

### **I. STRENGTHENING THE PRIVATE SECTOR AND ATTRACTING INVESTMENT**

161. Private sector investments have grown at a rapid pace as evident from the macro-economic and monetary indicators thereby affirming the increasing confidence and comfort among domestic and international investors in the Cambodian economy. This is a testimony to the increasing success of RGC's proactive and progressive policies – ensuring peace, political stability, law and order, legal cover, macro-economic growth and monetary policies, and creating an enabling environment for the development of the private sector. The Royal Government has pursued a export-led, pro-poor growth strategy focused on diversifying and broadening the economic base and has encouraged, facilitated, and supported private sector investment in priority sectors.

162. The Government-Private Sector Forum, chaired by the Prime Minister, that meets every six months as well as the work of the Steering Committee and various sub-committees have provided an important venue for meaningful cooperation and understanding between the RGC and the private sector. An additional working group for improving employer-employee relations has been set up. Also, the management of mineral ore resources exploitation and strengthening and enhancing of trade activities have been added as priority areas for consideration.

163. To reduce the burden of seeking approvals from a number of line ministries and agencies, the Royal Government has created a "Single Window" mechanism through which investors can complete all paper requirements to seek approval of their proposed investment projects. This "Single Window" mechanism is administered and managed by the Cambodian Investment Board of the Council for the Development of Cambodia (CIB/CDC). To reduce further the administrative burden of seeking approvals of investment projects of less than 2 million US\$, the RGC has decentralized the authority to review and approve these projects to provincial authorities.

164. The CIB/CDC has also established an “Investor Aftercare” mechanism and an “Investor Tracing System” to provide support to investors in getting their approved projects underway and to monitor progress on the implementation of the approved investment projects. The Royal Government is determined to ensure transparency, accountability and effectiveness in the delivery of services to investors. A high priority of the Royal Government is to continue to streamline and improve the delivery of investor services by strengthening the technical capabilities of officials, in particular at the mid levels, at the national and sub-national levels.

165. To promote private sector investments, the Royal Government has signed bi-lateral agreements on the promotion and protection of investments with 7 neighbouring countries, and 17 agreements with other countries in the Middle East, East Asia, and Europe. These efforts will be expanded to enter into bi-lateral agreements with other countries in the ASEAN, APEC, US, Europe, and Middle East.

166. The Ministry of Commerce (MOC) has been working on streamlining the procedures for new business registration, providing market information, organizing product associations, implementing “better factories” program, trade facilitation and promotion, and enforcement of intellectual property laws. To facilitate registration of new businesses, in September 2007, the Ministry established a commercial registration office at its provincial branch in BattamBang Branch to serve businesses in BattamBang, Pursat, Bantay Meachay, and PaiLin Province. Plans to open commercial registration offices in other provinces include:

- In 2010, a commercial registration office in Preah Sihanouk province to serve businesses in Preah Sihanouk, Takeo, Kampot, and KohKong Provinces.
- Also, in 2010, a commercial registration office in the Kratie Branch to serve businesses in Kratie, Stoeng Treng, Mondol Kiri, and Rotanakiri province.
- In 2012, a commercial registration office in the Siem Reap Branch office to serve businesses in Siem Reap and Oddar Meanchay Province.
- In 2013, the Ministry of Commerce will develop an electronic system for business registration.

167. Until recently, MOC has provided market information only through the Ministry's News Letter and Television. To improve market information, in 2008, the Ministry developed an Electronic Market Communication System (EMCS) which is expected to provide better and faster information. EMCS can now be accessed by mobile phones to check price information of agricultural products, food products, exchange rate, and other market demands.

168. The MOC has also provided assistance in organizing product associations to improve production capacity and to integrate products into local markets, niche markets, and world markets. Between 2007 and 2009, several product associations have been organized including Pepper Development Association, SkorTnot Development Association, North-West Agricultural Development Association, and Prahoc Kampong Kleng Association. Currently, the Ministry is assisting to organize cashew nut association in Kampong Cham and Kampong Thom province. Organizing product associations could help to upgrade businesses from family businesses to businesses with sustainable market strategies and the ability to compete in world markets.

169. To facilitate and promote trade, the Ministry has actively implemented the Sub-Decree on Trade Facilitation through Risk Management which was adopted in March, 2006.

It has organized "Trade fairs" to promote local products and organized several business meetings with foreign trade partners for individual products to solve the problem of product congestion and to facilitate the flow of products to the world market.

170. To strengthen private sector for trade and economic development and promoting local business, the MOC has set up 11 Provincial Chambers of Commerce in 2006 and 2007 in the Bantam Bang, Siem Reap, Pursat, Bantay Meanchey, Kanda, Takeo, Kampot, Sihanoukville, Koh Kong, Kampong Speu, and Kampong Cham provinces. In 2008, Cambodia's Chamber of Commerce was organized to represent Cambodia's private sector in business negotiations and to attract foreign direct investment into Cambodia. Phnom Penh Chamber of Commerce that was established in 1995, has been providing training for trainers, as well as support to the Provincial Chambers of Commerce.

171. The MOC has been enforcing the Laws on Intellectual Property Rights to prevent production and distribution of fake products. Camcontrol officers regularly do market surveillance and carryout inspections at border check points to prevent the importation and selling of unsafe products which could have negative affect to the health and well being of the consumers.

172. To maintain competitiveness of the Garment sector in the world market, the MOC has been implementing the "Better Factories" program to ensure that better working conditions in the sector meet international standards, as well as providing training to workers and unions on Labor Law and fashion design.

173. To promote integration in the region, in 2008, a Cambodia-Vietnam Cross Border Market Committee has been organized to develop the blue print for cross border market construction along Cambodia-Vietnam border in Memot and to prepare agreement on tariff free exports of Cambodia agricultural products to Vietnam.

174. The MOC has noted that exports of agriculture products face many challenges, these include:

- Many products do not meet technical standards of the buyers because of out of date processing facilities, such as old rice mills and poor production methods. At present, there are only 2 rice processing mills which can produce between 12,000 to 15,000 tons of rice each year.
- High production costs due to high formal and informal expenses including high transportation cost due to high oil price and high energy cost, and too many types of informal expenses.
- Many products do not meet the sanitary and phytosanitary standards that are a pre-requisite for import of Cambodian products into some countries.

175. The following Laws and regulations have been developed and are being implemented by the MOC to gain trust of the business community and investors:

- Law on Commercial Rules and Registration Right (1995)
- Law on the Management of Quality and Safety of Products and Services (2000)
- The Law on Marks, Trade Names and Acts of Unfair Competition (2002)
- The Law on Commercial Enterprises (2005)
- The Law on Commercial Arbitration (2006)
- The Law on Secure Transaction (2007)



- The Law on Insolvency (2007)

176. The private sector investment from both domestic and foreign sources has been the main drivers of the sustained high rates of economic growth achieved over the last decade. The economic sectors that have received most of these private investments have included: the tourism sector, the garment sector, the construction sector, and more recent years the exploration for oil, gas, and mineral resources. However, the global financial crisis and the recession in the developed economies that started in late 2007 have had a serious adverse impact not only on the inflow of foreign direct investment but also on domestic private sector investment. The Royal Government is implementing a fiscal stimulus package to support the growth of the real economy as well as measure to mitigate the adverse impact of these external developments on the vulnerable and the poor. The Royal Government remains committed to creating an environment that encourage and promotes investments by both domestic and foreign investors in all priority sectors to broaden and diversify the economic base. Highlights of the actions taken and challenges faced by priority sectors that have attracted domestic and foreign investments in recent years are summarized below.

177. **TOURISM SECTOR:** The driving force behind the development of the tourism industry in Cambodia has been its cultural heritage and natural environment. Some of the major achievements of the Ministry of Tourism (MOT) to support the development of the tourism industry have included:

- RGC's "Open Sky Policy" to promote easy access to tourist destinations by air travel has been vigorously implemented. Major airports have been upgraded, and the Sihanouk Airport is now operational. In 2009, a new national airline "Cambodia Angkor Air" was launched to operate flights between Phnom Penh, Siem Reap, and Sihanouk Ville as well as flights from Phnom Penh and Siem Reap to Ho Chi Minh City.
- Tourist Visa requirements have been simplified for tourists from within the region. With the ASEAN framework, the Royal Government has signed agreements with Singapore, Malaysia, Philippines, Laos, and Vietnam that exempt citizens of Cambodia and these five countries from visa requirements. Within the ACMECS framework, a Single Visa issued by either Cambodia or Thailand for travel to Cambodia and Thailand. For travellers from around the world, entry visa is issued at the point of entry. The MOT has also signed and/or is in the process of bilateral negotiations with Kuwait and Russia to promote tourism.
- Anti Child sex tourism activities are being actively monitored and actions taken against the perpetrators by the Child Safe Tourism Commission of the MOT in cooperation with line-ministries, relevant agencies, national and international organizations. Tourism promotions materials are now produced, such as video clips, radio spots, stickers, leaflets, billboards, and through newspapers and magazines to raise awareness of and to ensure Child Safe Tourism.
- The tourism sector in Cambodia has experienced a growth rate of over 20 percent per year between 2003 and 2007, and 5.5 percent in 2008. However, further development of the tourism sector faces many challenges that include:
  - The high cost of tour packages to Cambodian destinations.
  - Lac of competition in the market for tourism services (e.g. accommodation, transportation and communications services).
  - The rating/classification of hotel, resort, guest house etc. does not follow international standards.



- Development of tourism is concentrated in urban areas. There is a need to broaden investments in areas surrounding the historical-cultural site (such as Chong Khneas, Kampong Phluk), around beaches and islands, as well as aggressively promoting eco-tourism around Tonlesap River.
- The infrastructure of relevant services in tourism sector is limited. There is a need for further improvement of physical infrastructure connecting to historical-cultural and eco-tourism destinations.
- A significant proportion of income generated by tourism sector is spent outside the country to procure goods and services with little participation of local companies and providers of goods and services. It is important to establish strong backward linkages with local supplier and between tourism and agriculture sectors.
- There is need to monitor and take prompt action to mitigate the risks and adverse effects from tourism on environment especially in Siem Reap (e.g., excessive use of underground water resources which may lead to soil degradation and damage to ancient monuments) and Sihanoukville.

178. The preservation and promotion of the rich Khmer cultural heritage and traditions are a high priority of the Royal Government. The ancient temples, museums, and various artistic endeavours, including presentations of traditional Khmer dances, songs, and paintings have contributed to and supported the growth of the tourism sector. The Ministry of Culture and Fine Arts has been actively involved in ensuring that the cultural heritage sites are protected and in promoting activities covering various aspects of fine arts.

179. **GARMENT SECTOR:** A major contributor to economic growth and employment so far, is showing signs of losing its competitive edge because of higher wages (exacerbated by inflation in the recent past) relative to wages in other countries producing similar products, higher freight costs, and increased competition for similar products while the overall demand for these products in the world markets is declining. There are also other factors that have implications for continued growth of the sector, for example, the sector's limited participation in garment value chain functions; and proliferation of worker's associations in factories because of ambiguities in the Labour Law. To cushion the sector, RGC has provided exemption from taxes and starting in late April 2008 commenced providing subsidies to top up the salaries of workers by US\$ 6 per month.

180. **CONSTRUCTION SECTOR:** Another important contributor to growth so far, has been adversely affected by the global financial crisis, as well as by dramatic changes in the cost of imported building materials such as cement and steel.

181. **OIL, GAS AND MINERAL EXPLORATION:** In recent years, exploration for oil and natural gas, the minerals has attracted foreign investor interest. Exploration work for oil and gas reserves is now well underway and it is expected that in near future the exploration phase will move to a production stage generation new revenues for the state. Exploration for bauxite has commenced in north-eastern provinces which also have become a potential new source for semi-precious stones. Careful regulations and procedures need to be in place to ensure environmental sustainability, in-country value-added processing, and maximising revenues to the state.

182. RGC will continue to actively promote private sector investments for expansion and diversification of manufacturing and industrial production to take advantage of the country's natural endowments. At present, 3 cement plants are in operation, apart from enterprises for

bottling beverages and making cigarettes; and a small-size oil refinery is being planned by a private party.

## **II. PROMOTION OF SMALL AND MEDIUM ENTERPRISES**

183. Further development of this sector has contributed to benefiting rural communities in processing, and adding value to, products, as well as creating employment. It has also created an important link with the trade sector, as well as with larger enterprises. The planned work ahead will focus on three main aspects, viz., (1) legal framework and adjustment – limitation of procedures of inspection and product justification for import and export without sacrificing essential quality aspects, preparation and adoption of a sub-decree on business facilitation through risk management, and widening registration through internet; (2) financing, creation of a financial leasing company, company classification by credit points, and strengthening governance and financial reporting; and, (3) supportive actions for SMEs – creation of a new business development service, prevention of all kinds of smuggling, subsidies for SMEs for export, and adding SMEs into a global value chain. Adoption and acceleration of the “one village, one product” movement is among many other measures to be pursued.

184. The Ministry of Commerce (MOC) has taken actions to reform the commercial registration procedures for SMEs. The timeline required for commercial registration has been reduced from 2 - 3 weeks to only 1 week. The documentation required to register a SME has have been reduced. The requirements to report criminal convictions and reconfirming address of the company are no longer needed. The capital requirements in the form of a Bank Deposit for commercial registration have been reduced from 20 million Riels to 4 million Riels. The administrative fee for Commercial Registration has been reduced to 177.00 US\$. After the reform in 2005, the number of companies registered has increased every year and in 2008 was double the level of 2005.

## **III. JOB CREATION AND ENSURING BETTER WORKING CONDITIONS FOR WORKERS AND EMPLOYEES**

185. Creating jobs and ensuring improved working conditions are RGC’s continuing long-term goals aiming at enhancing the living standards of the population and ultimately alleviating poverty and accelerating economic growth. Unemployment in Cambodia is overwhelmingly a youth problem<sup>8</sup>. Of every 100 job seekers in Phnom Penh, 72 are 15-24 years old. An additional 275,000 job seekers enter the labour market each year. The creation of new job opportunities, however, is dependent on the level of investments by the private sector in the formal and informal sectors in both urban and rural areas. Ensuring that the skills of the new entrants match with the requirements of the new jobs is a challenge that will require more focussed efforts to expand technical education and vocational in both urban and rural areas as well as developing labour market information systems. To some extent the achievement of the goal to to generate more employment and to improve agriculture sector productivity and diversification will depend on the availability of skills some of which can be developed through technical education and vocational training.

186. The Ministry of Labour and Vocational Training (MLVT) has been providing employment placement services to assist job-seekers in finding employment in private sector businesses and to work in foreign countries. Each year several thousand workers have been assisted by the Ministry to secure jobs outside the country.

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<sup>8</sup> ILO, Policy Brief on Youth and Employment in Cambodia, 2007.

187. The Ministry is also provided technical and vocational training programs through its 36 training centres. There are an additional 12 private technical and vocational training institutions, and 9 NGO managed institutions. To mitigate the adverse impact of the global financial crisis and the economic downturn, the Royal Government has created a Special Training Fund for short-term training for workers who have lost jobs and those who are unemployed. In the academic year 2007-2008, through this Fund the Ministry's technical and vocation training centres have provided training to 21,140 trainees, of whom 8,396 had jobs and 12,744 were unemployed. In addition, under the National Training Fund initiative 64 institutions were selected to provide training that included 35 municipal-provincial institutions, 15 associations and 14 NGOs. They have provided training to 19,000 trainees, of which 6,846 had jobs and 12, 154 were unemployed. These trainees were paid an allowance of 4000 Riels for food per day and 40,000 Riels for accommodation per month. The Ministry has also trained 7,497 apprentices in 100 enterprises in 2008 to early 2009. The Ministry has established a National Employment Agency (NEA) to assist the trainees after they have finished their technical and vocational training in finding jobs.

188. To ensure improved working conditions, the Ministry has continued its focus on strengthening the enforcement of the Labour Laws and regulations, disseminating information about these laws, conducting inspections of working conditions, hygiene and occupational safety, child labour and foreign employees at business establishments across the country. It has facilitated resolution of labour disputes and promoted the formation of labour associations in accordance with the provisions of the Labour Law. In 2008, there has been a dramatic decrease in the number of labour disputes and violations concerning working conditions. The Ministry is now working on drafting the Law on Trade Union and the Law on Labour Court. A tripartite working group - composed of representatives of workers, employers and relevant development partners - has been established to guide this work.

189. The Ministry conducted 3,133 inspections and identified 927 enterprises that were in violation of the provisions of the Labour Law and were given a warning and 12 were fined. The collective bargaining dispute conciliation services of the Ministry handled 174 cases of collective bargaining disputes in 171 enterprises of which 90 cases were resolved. Eighty two illegal strikes have been settled by labour inspectors. The unresolved cases have been referred to Arbitration Council. In 2008, the Ministry conducted 1,338 inspections of hygiene and occupational health conditions 586 enterprises. The Ministry removed 8,221 children who were engaged in hazardous types of work, and has prevented 10,095 children from working on these types of jobs.

190. There are many challenges that will require concerted efforts to ensure continue job growth and a labour relation environment that is conducive to attracting new private sector investment. These challenges include:

- Challenges facing the Garment sector that has been a major source of growth over the last decade, because of its lack of competitiveness and the limited participation in Garment value chain functions.
- The proliferation of Workers' professional organizations mainly because the Labour Law (1997) did clearly specify the rules for the formation of Labour Unions. As a result, in some garment and footwear factories there are now 3, 5 or even 8 local unions in a factory.
- Developing a labour market information system, expanding the coverage of the Employment Placement services.

- Expanding the technical education and vocational training programs to meet the skilled labour needs, especially in rural areas to create skilled jobs and to support the development of agro-industries, improve agriculture sector productivity and diversification.
- Support systems and management of workers seeing employment outside the country need significant strengthening.
- The rules and regulations governing the National Social Security Fund need to be enforced by the Ministry to ensure that contributions on behalf of workers are paid by employers on time. The Ministry's capacity to enforce the rules and regulations also needs to be strengthened.

#### **IV. ESTABLISHMENT OF SOCIAL SAFETY NETS FOR CIVIL SERVANTS, EMPLOYEES AND WORKERS**

191. The Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSAVY) is responsible for developing and managing the Social Security Fund and the National Social Security Fund for civil servants. The Social Security Fund and the National Social Security Fund for Civil Servants have been established. When fully implemented, the Social Security Fund will provide benefits to retirees, for work disabilities, motherhood, work-related injuries, and death. The pension of retirees and payments for work disabilities have been adjusted constantly in response to national economic growth. Associations of elderly persons have been created to enable them to help each other to help reduce hardship of elderly.

192. The MoSAVY is also responsible for ensuring the well being of the veterans. A total of 87,875 families (families of dead veterans, disabled veterans; retired veterans and veterans losing their ability to work) have received regular payments from the government. The payments to veterans have been regularly adjusted in proportion with the salary increase of civil servants and armed forces. The Cambodian Veterans' Association has been established to promote the interests of veterans and their families, protect their rights, raise their living standard and create a sense of solidarity and mutual help. Reforms of the veteran sector have improved the living conditions of veterans.

193. The MoSAVY, also provides services to homeless and destitute people, emergency relief to people effected by natural and other disasters, victims of sex trafficking and inter-country human trafficking, protecting the four basic rights of children, promoting family values, and caring for orphan infants, orphan children, disable children, and children with HIV/AIDS.

194. A national committee to address homeless people's problems at the national level and a sub-committee to tackle homeless people's problems at municipal sun-national levels has been established. The six-point strategy of providing temporary shelters in social affairs' centers, psychology education services, health care services, and short-term vocational training services; and reintegrating vulnerable people into communities through the provision of support capital at the first stage and follow-up by local officials of the Ministry of Social Affairs, Veterans and Youth Rehabilitation is being implemented.

195. The social relief operations have provided assistance to more than 10,000 families each year to overcome difficult situations through small-and-medium scale emergency programs. More than 1,000 victims of sex trafficking and inter-country human trafficking are saved each year through victim reintegration and operations against human trafficking.

196. The four basic rights of the children have been mainstreamed in the programs delivered by the government and various NGOs. The five-year National Action Plan for combating human trafficking and sexual exploitation against children has been implemented fruitfully. The policy of alternative care for children and minimum standards has been adopted. The Cambodia National Council of Children (CNCC) has strengthened its activities as a coordinating institution to promote improved cooperation among relevant institutions for children's interests. A total of 10,913 orphan infants and children have been cared for in 223 centers, thereby, a 2,154 of orphan infants, orphan children, disable children, and children with HIV/AIDS has been raised and cared for at 20 government centers. The community-based child protection network program has also increased and reinforced its activities.

197. The Youth Rehabilitation Department of the MoSAVY has been providing education programs on delinquency and impact of substance abuse to children and young teenagers across the country. Children and young teenagers committing offences and abusing addictive substances have been admitted to centers that provide health services, moral education, general knowledge and vocational training to enable them to be reintegrated into their communities. Attention has also been given to protection for children in prisons. Policies for the disabled have been successfully implemented. Rehabilitation services for the disabled are being continuously strengthened and expanded. Discrimination against the disabled has been gradually reduced. Cambodia has taken part in the United Nations Convention on the rights of the disabled. The Law on the Protection and Promotion of the Rights of the Disabled was adopted in July 2009 to protect the rights and interests of the disabled. Many disabled people have received vocational training in centers and are being employed to earn a living. Progress is being made to promote sports, art and cultural movements of the disabled.

198. Although significant progress has been made in meeting the needs of the various vulnerable groups, the magnitude of the problems is daunting in light of the available resources. Around 30% of the total population is still living below the poverty line. Most of poor people live in rural areas, do agriculture for their living and face natural disasters and other sorts of disasters every year. Some of the poor who migrate to large cities and populated areas are enable to find employment. Orphan child and infant abandonment continues to exist in society. Violence and debauchery among children and young teenagers committing offences and abusing addictive substance has notably and worryingly increased from year to year. In the last few years, there has been a notable decline in international aid in this area, making it difficult to provide the necessary rehabilitation services needed.

## **6. CAPACITY BUILDING AND HUMAN RESOURCES DEVELOPMENT**

199. The last, but not the least, of the "growth" rectangles of RS covers predominantly social sectors, viz., (1) *strengthening the quality of education*; (2) *ensuring enhanced health services*; (3) *implementation of gender policy*; and (4) *implementation of population policy*. Progress has been very impressive in both education and health sectors, where cooperation and coordination mechanisms among various stakeholders had started even before introduction of the TWG mechanism in late 2003. Sectoral strategies in both of these critical sectors are now well developed and are being implemented, and progress is being monitored on a regular basis in a timely manner.

### **I. STRENGTHENING THE QUALITY OF EDUCATION**



200. Strengthening the quality of education has been and remains a high priority of the RGC. It is recognized as a necessary and critical element for human development and poverty reduction. To effectively tackle the enormous challenges in the education sector, RGC encouraged the use of a sector wide approach (SWAp) by building partnerships to carryout joint planning and programming for the education sector. The first Education Strategic Plan (ESP) 2001-2005 and a detailed Education Sector Support Program (ESSP) 2001-2005 were completed in 2001. The first joint review and appraisal of the ESP/ESSP were carried out in June 2001. In September 2004, a revised ESP and ESSP for 2004-08 was prepared and endorsed by development partners. The most recent ESP 2006-2010 was developed to ensure consistency with NSDP 2006-2010, CMDGs, and to achieve the targets set in the *National Plan for Education for All: 2003-2015*. The ESP 2006-2010 implementation has contributed to enhancing equitable access to education for all Cambodian children, assisting them to become good students, good children, and good citizens, who will be able to productively contribute to socio-economic development of Cambodia in the future.

201. The SWAp in the education sector has made two important contributions. First, it has made available to the Ministry of Education a mechanism for aligning development cooperation assistance with the education sector needs. Second, it has reduced the transaction costs to the MOEYS of coordinating with each development partner's agency bilaterally. A significant number of development cooperation partners are now participating in the planning, reviews and financing under the SWAp in the education sector. On the financing side, however, development cooperation funding through direct budget support is still quite low. In 2008, funding through direct budget support accounted for only 3.5 percent of total development cooperation assistance to the education sector. The education sector is one of the priorities in *Public Financial Management Reform (PFMR)* program of the RGC. The RGC remains committed to further strengthening of the quality of education and have continued to increase the recurrent expenditure allocations for the education sector in the National Budget and has ensured timely disbursements to the MOEYS of the allocated resources, which have increased from 183.2 billion CR in 2000 to 742.5 billion CR in 2009.

**TABLE 3: DEVELOPMENTS IN THE EDUCATION SECTOR: 2005/06–2008/09**

Targets and Indicators			2005-06	2006-07	2007-08	2008-09
1	<b>Primary Schools(1-6):</b>	<b>Nos</b>	<b>6,277</b>	<b>6,365</b>	<b>6,476</b>	<b>6,565</b>
2	Longest distance to a school	Kms	11		TBC	TBC
3	Net Enrolment %:	Total	91.3	92.1	93.3	94.4
4		Male	93.0	93.2	93.2	94.8
5		Female	89.7	91.0	93.3	94.0
6	Net Enrolment %:	Urban	91.2	93.2	92.7	94.0
7		Rural	91.7	92.2	93.6	94.7
8		Remote areas	83.7	86.0	88.4	90.3
9	Completion rate Grade 6 %:	Total	90.3	90.1	86.2	85.6
10		Male	91.8	90.4	84.7	85.4
11		Female	88.7	89.8	88.0	85.7
12	Survival Rate: 1-6 years	%	49.3	52.5	59.3	TBC
13	<b>Lower Secondary Schools (7-9)</b>	<b>Nos</b>	<b>911</b>	<b>1,112</b>	<b>1,303</b>	<b>1,451</b>
14	Longest distance to lower sec. school	Kms	13		TBC	TBC
15	Net Enrolment % :	Total	31.3	33.7	34.8	33.9
16		Male	32.1	34.3	33.7	32.9
17		Female	30.4	33.1	35.9	35.0
18	Net Enrolment %:	Urban	50.1	53.5	55.9	54.0
19		Rural	28.6	30.7	31.5	30.9
20		Remote	6.0	9.0	11.1	11.3



21	Completion rate Grade 9:	Total	35.8	41.9	48.7	49.1
22		Male	40.8	48.8	52.9	52.2
23		Female	30.8	35.2	44.2	45.9
24	Survival rate %: 1-9:		26.3	29.2	33.1	TBC
19	Literacy rate - 15-24 years old %		84.7	84.7	87.8	87.5

Source: EMIS, MoEYS, CSES 2007, and Census 2008

202. The priority policies in the ESP 2006-2010 are focused on three areas: (i) ensuring equitable access to education; (ii) improving quality and efficiency of the education services; and (iii) strengthening institutional development and capacity building for decentralization. Significant progress has been made to achieve the major priorities of ESP 2006-2010, especially in ensuring entry of 6 years old to primary schools and reducing parental cost barriers at all schools and all levels nationwide. The implementation of Child Friendly School (CFS), curriculum and standard assessment has contributed to improving education quality and efficiency. Good progress has been made especially on increasing the number of primary schools and lower secondary schools, increasing the number of students enrolled in secondary schools, and increasing adult literacy rate (15-24). However, it is recognized that there are still gaps that require more intensive efforts to implement the strategies successfully, especially those related to Early Childhood Education, reducing repetition and drop out rates, facility development and higher education in particular for students from poor families and remote areas. Table 2 shows the latest data for the education sector.

203. Major actions taken by the MOEYS to achieve the desired outcomes in the three strategic policies of ESP 2006-2010 have included:

- In the first strategic policy of ESP 2006-2010, that is, “ensuring equitable access to education”, the actions taken and major results achieved have included:
  - Issued a Prakas on gradually increasing school operational budget in 2006.
  - Issued guidelines and action plans to eliminate unofficial payments in schools which is a barrier to students from the poor families, especially girls.
  - Built dormitories in all the Teacher Training Colleges (TTCs) to accommodate approximately 3,700 teacher trainees.
  - Built dormitories for girls in secondary schools (general education) in Siem Reap, Kampong Thom, Kratie, Rattanakiri and Mondulkiri that can now accommodate 356 girls.
  - Built dormitories in the Higher Education that can now accommodate 560 female students.
  - Provided scholarships to poor students, in particular 17,667 girls per year in grades 7 to 9.
  - The total number of primary, lower secondary and upper secondary schools has increased significantly from 8,628 in school year 2005/06 to 9,834 in 2008/09. The increases at different levels are as follows: primary schools from 6,277 in 2005/06 to 6,565 in 2008/09; lower secondary schools from 911 in 2005/06 to 1,451 in 2008/09; and upper secondary schools from 252 in 2005/06 to 349 in 2008/09.
  - To reduce gaps in accessibility to education services for children from the very poor households and households in remote areas, more primary schools were built in remote areas. In school year 2008/09, there were 547 primary schools in remote locations.
  - Total enrolment in primary schools has decreased from 2,558,467 in school year 2005/06 to 2,262,834 in school year 2008/09 due to decrease of school age populations. In lower secondary schools it has increased from 588,333

- in 2005/06 to 605,707 in 2008/09. In upper secondary schools enrolment has increased from 204,925 in 2005/06 to 292,423 in 2008/09.
- The female/male enrolment ratios at the primary, lower secondary, and upper secondary school levels have improved significantly. At the primary school level the net enrolment ratio has increased from 91.3 percent in 2005/06 to 94.4 in 2008/09, at the lower secondary school level from 31.3 percent in 2005/06 to 34.0 in 2008/09, and at the upper secondary school level from 11.3 percent in 2005/06 to 16.4 in 2008/09.
  - The expansion of education services has included more accessible facilities for disabled children by way of ramps, toilets, etc.
  - Equitable access to and the quality of public education services in urban and rural areas had been promoted for boys and girls.
  - The percentage of female teachers at primary level has reached 44.8% of the total in 2008/09.
  - The number of teachers recruited increased to 5,000 annually.
  - To pursue a long-term strategy in this sector, continued investments and efforts have taken place for progress in tertiary education. Equity for admission to higher education has been improved through scholarship award scheme for outstanding students, poor students, students from remote areas, and female students.
  - Currently, there are 77 institutions offering higher education of which 33 are in the public sector and 44 are privately owned and run.
- In the second strategic policy area, that is, “improving quality and efficiency of the education services”, although significant progress has been made especially on such strategies as related to CFS, curriculum and standard assessment, however, more intensive efforts are needed especially on Early Childhood Development, reducing repetition and drop out rates, facility development and higher education. The actions taken and major achieved results have included:
    - Issued a Prakas on Internal Regulation for public primary schools to increase promotion rate.
    - Endorsed the Child Friendly School (CFS) Policy and the Master Plan to improve quality of education.
    - Endorsed Policies on Education for Disabled Children, implementing accelerated classes and piloting the CFS programs in the lower secondary schools.
    - Issued guidelines on the implementation of the new curriculum for basic education including the learning standards and action plans for guiding teachers on the new curriculum policy and guidelines on preparing school subjects and guideline for students to select elective subjects to study in upper secondary schools. The MoEYS is developing a framework for supplying core textbooks.
    - Some public and private higher education institutions have been assessed and accredited.
    - Developed re-entry program, policy on NFE equivalency program and equivalency program for primary education of NFE.
    - 59% of newly trained teachers were deployed to remote and disadvantaged areas comparing to target 30%.
    - Standard tests have been conducted for grade 3, 6 and 9 to see students’ understanding on math and Khmer.

- In the third policy priority area, that is, “institutional development and capacity building for decentralization”, MoEYS’s efforts were focused on the finalization of and implementation of the Education Law and BMCs. The Education Law was promulgated by the RGC on 08 December 2007. The MoEYS is now preparing action plans to improve other legislative instruments, so far, the actions it has taken have included:
  - The MoEYS has developed a Gender Mainstreaming Strategic Plan: 2006-2010.
  - Conducted training programs on gender and integrating the gender concept to education personnel for all levels.
  - The MoEYS has issued Guideline dated 05 February 2008 on the functions and duties, the preparation of documents, and legislative instruments for those institutions that are involved in managing and using the Program Based Budgeting (PB) at the central and provincial/municipal levels.
  - The Sub-Decree No. 126 GnRk/bk registered on 09 September 2008 on Teachers’ code.
  - The Sub-Decree No. 84 GnRk/bk registered on 09 June 2009 on Organization and Operation of MoEYS.
  - The MoEYS has drafted a Strategic Plan to decentralize the education function and it is waiting for the endorsement of the Organic Law.
  - The MoEYS is now focusing its effort, in particular, on strengthening the monitoring system.

204. Although significant progress has been made, many challenges remain that will require targeted action plans. These challenges concern issues that are currently impeding progress to achieve the policy priority goal of enhancing access to education services. At a broader level, access to education services at the primary and lower secondary school level, at present, is not equally accessible to all segments of the population. Those still not fully benefiting from the significant advance that have been made over a relatively short period of time, include: those who are economically disadvantaged, minorities, and populations living in remote areas. Other factors that also have an adverse effect include:

- Direct and indirect cost: transportation, learning material, costume, food, etc.
- Child labour and migration: most related to student in lower secondary education.
- Issues related to Society, disability and poverty.
- Child health and nutrition.

205. Other challenges that need to be addressed include:

- The education system needs to be decentralised and deconcentrated according to the organic law and its national program to promote democratic development.
- Reducing the number of incomplete primary schools -- approximately 18% of all primary schools.
- Even after the planned expansion of lower secondary schools not all communes would have been covered. After the ADB and World Bank projects are completed there will still be a need to construct an additional 400 lower secondary schools to secure full coverage.
- Teacher shortage and housing for teachers in remote areas remains a problem, especially for teachers with a bachelor degree.
- Ensuring adequate supply of textbooks for all students.

- Efforts to reduce repetition and drop out rate that are still too high.
- Loss to teaching and learning time due to lack of classrooms and teacher absenteeism.
- At present, the traditional management at school level is not responding to the development of ICT.
- Limited capacity of school principals to implement decentralization such as School base Management, classroom management, teaching and learning activities, student performance evaluation and effective use of budget resources.
- The number of classes for students with disability is still too few.

## II. ENSURING ENHANCED HEALTH SERVICES

206. Progress in enhancing the delivery of health services has been impressive. From early on RGC had adopted a health sector-wide management (SWiM) approach to guide the development of this sector. A process to carryout discussion with development cooperation partners begun in 1999 and a Joint Health Sector Review was held in December 2000. A Health Strategic Plan (HSP) was subsequently prepared. It provided the framework for three development cooperation partners, ADB, DFID and the World Bank, to coordinate their financial inputs to the health sector through a Health Sector Support Project (HSSP) for 2003-2007. A comprehensive review of the HSP 2003-2007 was carried and a HSP 2008-2015 (HSP2) was developed taking into account the findings of the review. The implementation of HSP2 began in 2008. Joint Annual Performance Reviews have been organized on yearly basis since 2002 to monitor the progress of strategic plan implementation.

207. The building blocks of the HSP 2003-2007's strategic framework were the following three main health programs of the MoH:

- Reproductive, Maternal, New Born and Child Health.
- Communicable Diseases.
- Non communicable Diseases and other health problems.

208. Major achievements and challenges faced in the implementation of NSDP 2006-2010 policy priorities in each of the three program areas are summarized below.

### *PROGRAM AREA #1: REPRODUCTIVE, MATERNAL, NEW BORN AND CHILD HEALTH (RMNCH)*

209. Significant progress has been made to expand services delivery under the RMNCH program that are reflected in improvements in core indicators of RMNCH performance during the 2006-2008 period (Table 3). Notable achievements have included:

- Proportion of deliveries assisted by skilled birth attendants increased from 39% in 2006 to 58% in 2008.
- Proportion of women who gave birth in the public health facilities increased from 19.3% in 2006 to 39% in 2008
- A significant increase in the number of deliveries in health centers.
- In 2008, 81% of women received 2 or more antenatal care from trained health personnel during their pregnancy compared to only 60% in 2006.
- Increase in the proportion of mothers who gave birth by Caesarean section (CS). The rate of CS is a proxy indicator for access to Emergency Obstetric and Newborn Care (EmONC) and the increase indicates that more women are referred to hospitals

where these life-saving services are available. However, there are concerns about the uneven distribution of CS and EmONC services across the country and it will be important in the future to monitor CS rates disaggregated by ODs.

- Children's health improved dramatically over the period from 2000 to 2005 and infant and child mortality rates declined by almost 30%. A progressive increase in immunization coverage has raised the measles immunization coverage to over 80%. A decision to introduce Hib vaccine in 2010 and to add Japanese Encephalitis vaccine in the near future has been made. Certification of neonatal tetanus elimination is expected next year.
- Increased coverage of Health Centers implementing Integrated Management of Childhood Illness (IMCI). The cumulative number of health workers who have been trained in IMCI is increasing steadily and the coverage target of 65% was reached in 2008. Although the number of health centers with two or more staff trained in IMCI increased from 58% in 2007 to 69% in 2008, it is recognized that there is a need to maintain quality IMCI services.

**TABLE 4: CORE INDICATORS OF RMNCH PERFORMANCE**

Indicator	2006	2007	2008
Deliveries at health facilities (%)	19.3	25.5	39
Delivery by trained birth attendant (%)	39	46	58
2 or more ANC health personnel consultation (%)	60	68	81
Caesarian section (%)		1.13	2
Contraceptive prevalence using modern contraceptive method (%)	23	24	26
Children under 1 year immunized with DPT3-HepB (%)	81	82	92
Children under 1 year immunized against measles (%)	78	90	91
New case per contact per child <5 per year	1	1	1.1
# of HC implemented IMCI	456	556	660

Source: Annual Health Statistics Report 2008, MoH

**210.** The main challenges faced in the implementation of the RMNCH program have included:

- Health outcomes and health service utilization rates in different socio-economic groups point to equity issues that need stronger attention.
- Critical concerns about the uneven distribution Emergency Obstetric Neonatal Care services across the country and need for increasing quality of continuum of care for RMNCH.
- Maternal mortality remains unacceptably high and substantial investments in delivery services and fast track interventions are required. However, it is recognized that maternal mortality is a cross-sectoral problem; influenced by women's education and literacy levels, infrastructure development, and levels of women's participation and gender equity.
- Demand side interventions are important to increase utilization of improved services through provision of clearly defined Continuum of Care of services.
- Large disparities in maternal and child health outcomes and inequities in health service utilization and access to care between richest and poorest quintiles.

#### **PROGRAM AREA #2: COMMUNICABLE DISEASES**

211. Cambodia has demonstrated through the implementation of its communicable disease programs that enormous achievements are possible when sufficient resources are available. The progress to date is on track to achieve the communicable disease CMDGs. While the relative importance of communicable diseases within the broad range of diseases has diminished somewhat, it still requires sustained and focused attention. A high level of preparedness still needs to be maintained to minimize the risks of emergence of new diseases – and re-emergence of the old ones.

212. Cambodia has the highest **TB incidence** in the Western Pacific Region, at 495 cases/100,000 population/year. The coverage of the basic Directly Observed Treatments (DOTS) for tuberculosis (TB) has reached 100% of health center, while Community DOTS has been expanded to 506 health centers. Public-private DOTS have also been expanded to 11 provinces and TB/HIV collaborative activities to 57 ODs. The third national seroprevalence survey showed a further decline in HIV prevalence among TB patients from 11.8% in 2003 to 7.8% in 2007. TB cure rate of over 85% has been maintained for the 12 consecutive years. TB case detection rate has increased from 65.4% in 2007 to 69% in 2008. Multi-Drug Resistant TB project is being piloted.

213. ITN coverage strategy currently covers 75.6% people living up to 2 km from the forest areas. The number of village health volunteers has increased from 1,734 in 2004 to 2,000 in 2008 and the village malaria workers from 380 in 2004 to 800 in 2008. **Malaria incidence** has decline from 7.5 per 1,000 populations in 2004 to 4.1 per 1,000 populations 2008. Malaria prevalence has declined from 4.2% in 2004 to 2.9% in 2007. Malaria mortality has also declined from 2.8 per 100,000 populations in 2004 to 1.46 per 100,000 in 2008.

214. The coverage of the school-based **dengue control** in collaboration with Ministry of Education, Youth and Sport has increased from 107 primary schools in 2004 to 159 Primary schools in 2008. Dengue incidence rate has decreased from 9,983 cases (78.2/100,000 population) in 2004 to 9,542 cases (65/100,000 population) in 2008. Dengue Case fatality rate has decreased from 90 cases (0.90%) in 2004 to 65 cases (0.68%) in 2008.

215. **Rapid Response Teams** (RRT) have been established from National level down to Health Center Level. Their functions include: Early detection of outbreaks via an event based surveillance system and response to the outbreaks by local teams within 24 hours, Provision of laboratory supplies for sampling and Personal Protection Equipment to protect the teams as part of their preparedness, Training of the staff on outbreak response including management of suspected Human Avian Influenza cases, In addition to outbreak investigation, RRTs are in charge of collecting routine communicable disease data and reporting them to next level. Early Warning and Response System indicator based zero reporting system covers 12 diseases and syndromes. Data is submitted via preformatted SMS system into provincial and national level where automatic computer based analysis is done and reported.

216. **HIV/AIDS:** As a result of the large scale up of prevention, care and treatment services, the HIV incidence has decreased significantly since 2000, which now stands at only 0.9%<sup>9</sup> i.e. less than half of 1.9% assumed earlier for 2005. The 100% Condom Use Program for HIV prevention covers 24 provinces with outreach and peer education program reaching more than 90% of entertainment workers in 2008. STD case management is being provided at 32 specialized STI clinics in 24 provinces for high-risk population and syndrome approach of STD integrated into 222 health centers for the general population. Voluntary

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<sup>9</sup> CDHS put this figure at 0.6% but subsequent agreement among all concerned revised it to 0.9%.



and Confidential Counselling and Testing services have been scaled up to 212 sites nationwide and 392,315 people have been tested for HIV in 2008.

217. Home and community based care for people living with HIV have been scaled up to 657 Health Centers in 20 provinces. Opportunistic Infection Treatment/Anti-Retroviral Treatment (OIT/ART) services have been expanded to 51 sites in 39 Referral Hospitals/Operational Districts in 20 provinces. A total of 31,999 patients with advanced HIV infection (>90% of those in need) are currently receiving ART including 3,067 children. In addition 12,805 patients are currently on OIT and prophylaxis. The survival rate of patients with HIV/AIDS after 12 months on ART is higher than 85% in 2008.

218. The National HIV/AIDS Authority (NAA) is responsible for coordinating and monitoring the national, multi-sectoral response to HIV/AIDS. It has been implementing a five-year comprehensive and multi-sectoral national strategic plan (2006-2010) that was developed in collaboration with all government agencies, national and international NGOs, other civil society organizations, the private sector and development partners<sup>10</sup>. The main results achieved under the plan are as follows:

- HIV prevalence in the general adult population (15 to 49 years old) declined from an estimated peak of 2% in 1998 to 1.2% in 2003 and 0.9% in 2006<sup>11</sup>. If efforts are maintained at current levels, it is expected that HIV prevalence will further decrease to 0.7% in 2010 before stabilising thereafter<sup>12</sup>.
- HIV prevalence among brothel based female sex workers (FSW) dropped to 13.7% in 2006 from 21.4% in 2003<sup>13</sup>.
- The number of people living with HIV (PLHIV) was estimated at 64,750 in 2007. This included 3,350 children under the age of 15. In 2008 there were an estimated 58,700 PLHIV.
- By the end of the year 2007, 82.6% of the estimated number of adults with advanced HIV infection received ART, up from 60.9% in December 2006.
- At the end of 2008 31,999 people were receiving antiretroviral treatment (ART- 28,932 adults and 3,067 children) meaning 95% of all adults living with HIV/AIDS in need were receiving treatment under the continuum of care system. 51 health facilities offered ART services at this time<sup>14</sup>.
- In 2007 99% of brothel based female sex workers (FSW) reported the use of a condom with their most recent client up from 96% in 2003. Condom use among non-brothel based FSW increased from 80% to 94% in the same time period. The rate of condom use among men who have sex with men (MSM) at last sex with a male client was 90% for short hair and 79% for long hair in 2007<sup>15</sup>.
- The rate of condom use by MSM at last sex with non paid and non paying male partners was 94% for long hair and 83% for short hair MSM.
- Knowledge about HIV transmission and prevention among the general population was more than 95% in 2005<sup>16</sup>.
- In the school year 2006-2007, 26% of all schools in the country were involved in efforts aimed at providing life skills-based HIV education.

<sup>10</sup> NAA (2008) National Strategic Plan For a Comprehensive & Multi-Sectoral Response to HIV/AIDS (2006- 2010)(revised).

<sup>11</sup> MoH/NCHADS (2007) Report on Consensus Workshop on HIV Estimates and Projections for Cambodia 2006-2012.

<sup>12</sup> NAA (2008) UNGASS Cambodia Country Progress Report.

<sup>13</sup> MoH/NCHADS (2007/2004) HIV Sentinel Surveillance Survey 2006 and 2003.

<sup>14</sup> MoH/NCHADS (2009) Universal Access Health Sector Reporting Sheet.

<sup>15</sup> MOH/NCHADS (2008) Behavioural Sentinel Surveillance Survey 2007.

<sup>16</sup> NIPH/NIS (2006) Cambodia Demographic and Health Survey 2005.

- In 2007 94% of brothel-based FSW and 91% on the non-brothel based FSW reported in the BSS to have received HIV education in the 6 preceding months as well as 96% of MSM surveyed<sup>17</sup>.

219. Other major achievements include:

- The review of the HIV/AIDS Situation and Response Analysis (SRA)<sup>18</sup>, the National Strategic Plan (NSP II) and its detailed costing<sup>19</sup> in 2007 to reflect new HIV prevalence estimates and forecasts and changes in the epidemic.
- The development or review of costed strategic plans for several line ministries including MoH (NCHADS and NCMCH), MoWA, MoND, MoEYS and MoLVT and for specific high risk populations such as drug users and injecting drug users (DU/IDU), MSM and entertainment workers (brothel based and non-brothel based).
- Importantly, the integration of HIV, reproductive health, TB and ANC through the "Linked Response" initiative was accelerated.
- The national response increasingly focused on key priorities guided by the participatory Universal Access (UA) target setting process which involved all relevant sectors and stakeholders.
- Most UA targets set for 2008 were either met or surpassed, although efforts need to be scaled up with special regard to prevention with high risk populations (particularly MSM and injecting drug users) and prevention of mother-to-child transmission of HIV (PMTCT) and to impact mitigation for orphans and vulnerable children (OVC).
- The cooperation between government agencies; non-governmental, community-based and faith-based organizations; PLHIV networks and development partners was strengthened and proved essential in building effective and sustainable HIV prevention, treatment and care services<sup>20</sup>.
- Leadership and coordination by the NAA<sup>21</sup> based on the Three-Ones Principle<sup>22</sup> grew and resulted in a better enabling environment that facilitated policy development and planning of the multi-sectoral response to HIV and AIDS.
- The civil society continued making a central contribution to the national response in the areas of prevention, impact mitigation, care and support especially among the high-risk and vulnerable groups at the grass-root level.
- The national HIV/AIDS Monitoring and Evaluation (M&E) system was strengthened through endorsement of the multi-sectoral National M&E Guidelines and M&E capacity was developed at different levels including among staff in the NAA, ministries and civil society entities.
- In addition, two National AIDS Spending Assessments (NASA), covering the fiscal years 2006, 2007 and 2008 were completed<sup>23</sup>.

220. The main challenges faced by the MOH in the implementation of the Communicable Diseases program area have included:

- Continuing threat of re-emerging diseases, including those successfully eradicated

<sup>17</sup> MOH/NCHADS (2004/2008) Behavioural Sentinel Surveillance Survey 2003 and 2007.

<sup>18</sup> NAA (2008) A Situation and Response Analysis of HIV and AIDS in Cambodia 2007 Update.

<sup>19</sup> NAA (2008) Cost Estimates for Cambodia's National Strategic Plan II 2008-2010,

<sup>20</sup> FY2008 Country Profile: Cambodia. The U.S. President's Emergency Plan for AIDS Relief.

<sup>21</sup> NAA's mandate is to lead, coordinate and monitor the national, multi-sectoral response to HIV.

<sup>22</sup> The "Three Ones" principle calls for: One single agreed HIV/AIDS Action Framework that provides the basis for coordinating the work of all partners; One national AIDS coordinating authority, with a broad based multi-sectoral mandate; and One single comprehensive multi-sectoral HIV/AIDS M&E System.

<sup>23</sup> NAA (2009) The National AIDS Spending Assessment (NASA) Fiscal Year 2006 and NAA (2008) The National AIDS Spending Assessment (NASA) Fiscal Years 2007 and 2008.

in Cambodia, as well as the ongoing threat of viral mutations.

- Cross-border transmission, regional and global CD threats, including possibility of Pandemic Influenza.
- Maintaining vigilance against reversals in declining incidence, particularly in view of the international evidence of HIV incidence rising again.
- High cost of treatment for chronic effects of communicable diseases.

221. The National HIV/AIDS Authority (NAA) has identified the following challenges in the implementation of its strategic plan:

- The main risk of a second-wave of HIV infections stems from changing sexual behaviours among FSW, their clients and sweethearts, MSM, DU and IDU. HIV prevalence among these high risk populations continues to be high. Also, transactional sex is increasingly sought outside of brothels, and particularly from 'sweethearts'. In these relationships consistent condom use remains alarmingly low<sup>24</sup>.
- Changes in the structure of the commercial sex industry, and the difficulty of sustaining the 100% Condom Use Program in the light of brothel closures, have pushed the national response to find ways to promote consistent condom use among staff of entertainment establishments like karaoke bars, massage parlours and beer gardens where there is a high turnover of sex workers<sup>25</sup>. To address this issue a new Standard Operating Procedure (SOP) was developed targeting HIV prevention specifically at this high risk group.
- The risk of rising HIV epidemics remains high among MSM and especially IDU. The new 2008 drug user survey revealed 24% HIV prevalence among IDU<sup>26</sup>, whereas 9% and 17% HIV prevalence were recorded respectively in 2005 among MSM and transgender groups in Phnom Penh<sup>27</sup>.
- People at particular risk of HIV infection also include female partners of high-risk males, migrants and youth who dropped out of school. More strategic and cost-effective interventions need to be devised to reach these groups.
- PMTCT has been strengthened especially through the Linked Response, but related UA targets could not be attained. This must remain an area of priority.
- In 2007 the PMTCT programme tested 19% of Cambodia's pregnant women for HIV and provided prophylaxis for 11% of the total number of HIV-exposed neonates. This is significantly lower than the 2008 UA targets of 25% (testing) and 30% (ART prophylaxis).
- NAA's operations are not yet sufficiently decentralized to ensure an effective multi-sectoral coordination of HIV interventions at the sub-national levels, especially at the commune council and provincial level.
- The national M&E system needs further strengthening to better capture progress and results achieved by the national response<sup>28</sup>. Special attention needs to be focused on harmonizing output indicator definitions and tools and on improving the collection, analysis, interpretation and use of the data.
- Around 90% of all funds spent on AIDS related interventions in 2006, 2007 and 2008 came from external sources making the national response highly dependent on external aid. While AIDS spending increased from 2006 to 2007, it dropped again in 2008. Greater efforts are needed to mobilize resources for the HIV response,

<sup>24</sup> PSI (2005/2006) HIV Tracking Results Continuously (TraC) Study 2005 and 2006.

<sup>25</sup> NAA (2009) Constraints and bottlenecks to Reaching Cambodia's Universal Access Targets and Mitigation Measures Framework.

<sup>26</sup> MoH/NCHADS (2008) Drug User Survey.

<sup>27</sup> MoH/NCHADS (2006) STI Sentinel Surveillance Survey 2005.

<sup>28</sup> NAA (2009) The Annual Report on The National Comprehensive and Multi-sectoral Response to HIV/AIDS in Cambodia.

especially from the national budget, while working to improve their allocation across strategic priorities and key interventions.

- Efforts to mitigate the impact of HIV/AIDS have been insufficient. More will need to be done to support OVC and HIV affected families and communities.

**TABLE 5: CORE INDICATORS OF PERFORMANCE IN THE AREA OF COMMUNICABLE DISEASES**

Core Indicators	2006	2007	2008
HIV Prevalence		0.6%/<0.9*	
# of PLWH on ART	20,131	26,664	31,999
TB cure rate	>85%	>85%	>85%
Case detection rate of smear (+) pulmonary	60%	65.4%	69%
Dengue case fatality rate at public facility	<0.9%	1%	0.68%
Malaria case fatality rate case per 1,000 pop. at public facility	7.9%	8.3%	6.9%

Source: Annual Health Statistics Report 2008, MoH

\* 0.6/CDHS2005, 0.9/Expert Consensus Meeting, 2007, NCHAD

### **PROGRAM AREA #3: NON COMMUNICABLE DISEASES AND OTHER HEALTH PROBLEMS**

**222.** Mental health services have been expanded gradually. Specialized consultations are available in 10 referral hospitals, while mental in-patient services are provided at two national hospitals. In addition, primary mental health services are currently provided at 40 referral hospitals and 18 HCs.

**223.** Cancer prevention program has been initiated through trainings on self-detection of breast cancer for midwives at HCs and physicians at referral hospitals, and training of trainers on detection of cervix cancer for physicians working at the national hospitals in Phnom Penh. 11 Diabetes clinics have been established.

**224.** Rapid development and changing demographics may be expected to bring about an evolution away from communicable diseases and towards increasing prevalence of non-communicable diseases. There are in particular serious concerns for health burdens related to hypertension, diabetes mellitus, road traffic accidents, environmental pollution, poor sanitation and lack of access to safe drinking water. Substance abuse epidemic is becoming a major challenge due to its effect on mental health, HIV transmission and other social problems, while mental health in general will require increased attention in its own right. Consequently, emerging health issues in the areas of prevention, emergency care and rehabilitation will require more resource allocations for effective interventions.

**225.** The main challenges faced in the implementation of the Non-Communicable Diseases and Other Health Problems program area have included:

- Changing life style factors – smoking, changed nutritional habits, alcohol consumption, illicit drugs – will steadily increase the incidence and prevalence of cardio-vascular disease including hypertension, cancer, diabetes and stroke.
- Road traffic accidents will increase with urbanization and the expansion of road infrastructures, as will diseases caused by pollution. Rapid economic growth and industrialization pose increasing environmental health threats.
- As the population ages, higher levels of neuro-pathological disease are expected. Disability caused by eye disease and arthritis of joints will also increase and become a major burden on individuals and health services.

- Dealing with non-communicable disease needs to be prevention, and to energize and monitor preventive measures across all sectors.
- The increase burden of non-communicable disease will have significant impact on investment in medical technology, clinical guidance and re-training.

#### FURTHER STRENGTHENING OF THE HEALTH SYSTEM

##### IMPROVING HEALTH SERVICES DELIVERY

226. The expansion of public facilities, services offered, and support structures were closely targeted to meet population needs based on the Health Coverage Plan's (HCP) Operational District System Approach. The HCP is a basic planning tool to guide the development of health infrastructures according to population size and geographical accessibility criteria.

227. The Health Centers and health posts are the front line facilities providing Minimum Package of Activity, whereas referral hospitals are second line facilities providing Complementary Package of Activity. The number of HCs and health posts located in remote areas has been increased to 967 and 108, respectively in 2008. The total number of Referral Hospitals is 84. These include 8 National Hospitals in Phnom Penh, 18 Referral Hospitals CPA3, 28 CPA2 and 30 CPA1.

228. There has been a significant expansion of health facilities infrastructure across the country, with appropriate investment in hi-tech medical equipment i.e. Scanner Multibarette 64, MRI Angiographie, Radiocobalt, Mamography, MRI 3 Tesla for specialized hospitals, and basic equipment for other health facilities in order to improve clinic capacity and quality of care. The data presented in Table 5 shows a significant of the health sector infrastructure since 1995 in terms of construction/renovation of hospitals, health centers and health posts since 1995.

**TABLE 6: DEVELOPMENT OF HEALTH SECTOR INFRASTRUCTURE**

	1995-2003	2003-2007	2008
Number of Health Centers newly Constructed	694	134	37
Number of Referral Hospitals newly Constructed		3	3
Number of New Buildings Built in Referral Hospitals	34	3	39

229. Contracting for health services delivery has been scaled up and institutionalized within the Cambodian public sector institutional context through a stronger focus on internal contracting and managerial autonomy through Special Operating Agencies in accordance with the RGC Policy on Service Delivery. 30 Operational Districts including provincial hospital have been established as Special Operating Agencies in 2009.

230. Health service delivery consists of both public health measures against disease as well as a general strengthening of health service delivery through general and disease specific policies and plans. Much emphasis is given the subject of quality improvement. An increase in health demand and empowerment of patients are underlined as important ways forward for improved quality and accountability in health service delivery.

##### IMPROVING HEALTH FINANCING

231. RGC's allocation for the recurrent budget of the Ministry of Health has increased more than what was planned in the NSDP 2006-2010. Over the past 20 years, the health



sector has had a substantial increase not only in RGC's budget allocations but also in funding provided by external development partners. In 2008, the contributions of both RGC and the external development partners to the health sector were about the same, at around 8 US\$ per capita. Overall disbursement levels and disbursement to peripheral level have also improved, contributing to more effective public expenditure management.

**TABLE 7: KEY INDICATORS FOR SECTOR FINANCING (AS OF DECEMBER 2008)**

Government Health Expenditure per capita (\$US)	7.95 US\$
% of GDP for health	1.05%
Health budget as % of current national expenditure	12.54%
Donor fund per capita (US\$)	8.27 US\$

232. A good health financing system is one of the single most important ways to ensure quality health services for all Cambodians. RGC is aware that out-of-pocket expenses to have access to health services, is a serious problem for households with low income and the poor. RGC has and will continue to expand social-protection measures and other social safety nets to address this problem. Currently, this protection is being provided through various systems, mainly fee-exemptions, health equity funds (HEF) and subsidy schemes. Currently, HEF and subsidy schemes are being implemented in 50 ODs (covering 51 referral hospitals and 120 Health center). 6 National Hospitals in Phnom Penh and 9 ODs are subsidized by the RGC under the provisions of Prakas 809 issued in 2008, whereas the rest are funded by health partners. 68% of the poor population is protected by HEF/ Subsidy, providing coverage to 2,832,844 peoples, who are living under the poverty line. A Preliminary analysis of Cambodian Socio-Economic Survey carried out in 2007 shows interesting results in terms of reduction of debt for health care in households benefiting from HEFs. In 2004, 5.17% of households in surveyed had reported incurring debt for health care, in 2007 it is reported to have declined significantly to 3.43%.

233. A number of community-based health insurance (CBHI) schemes have also been introduced in various parts of the country by a range of international and local NGOs. The CBHI schemes are based on the principle of risk pooling and pre-payment for health care. The CBHI schemes is a not-for-profit voluntary insurance mechanism that provide the purchaser and their families with coverage for health services for a stated list of medical benefits delivered at contracted public health facilities (generally health centers and referral hospitals). Currently, 12 CBHI schemes are being implemented in 11 ODs in 7 provinces and Phnom Penh Municipality, covering 81 HCS and 11 Referral Hospitals, and 73,828 beneficiaries.

#### HUMAN RESOURCES FOR HEALTH

234. As of December 2008, the public health sector employed 18,096 health workforces, including 2,173 Doctors, 1,220 Medical Assistants, 172 Dentists, 427 Pharmacists, 5,084 Secondary Nurse, 3,407 primary nurses, 1,806 Secondary Midwives, 1,439 Primary Midwives, and 428 Secondary Laboratory Technicians. Recruitment and distribution of staff has been improved. As of January 2009 73.78% of total health workforce was employed at provincial level (including HC.HP), and the remaining 26.22% at the Central Level including Phnom Penh Municipality. Remarkable progress has been made in the deployment of midwives at health centers. The number of health centers without a midwife has decreased from 229 HCs in 2004 to 79 HCs in 2008. As of July 2009, the Ministry of Health has staffed all HCs (967 in 2008) with at least one midwife.



235. The implementation of the PMG<sup>29</sup> program of the RGC in the MOH started in 2006. Currently, it is being implemented in 7 provinces covering 65 HCs with the total staff of 380. The implementation of MBPI program of the RGC has begun in 2009 in 6 provinces and 2 Central institutions<sup>30</sup> covering 190 posts. The provision of Midwifery Incentives to promote safe delivery at health facilities nation-wide has substantially increased deliveries at HCs and RHs attended by a skilled birth attendant from 39% in 2006 to 58% in 2008.

236. Although a number of actions have been taken to address issues surrounding the recruitment and retention of midwives, the distribution of staff between urban and rural areas remain a problem. A priority of the MOH is to increase recruitment and training capacity over the next five years, as well as to improve quality of the training.

237. The relationship between public and private services delivery needs to be addressed, especially differences in remuneration between public and private sectors. MOH is looking at options to implement performance based pay system to improve management and delivery of health care services, as well as providing special incentives for those working in 'hard to reach' areas, together with improved national human resource planning and a more effective in-service training system. As a first step, the "Fast Track Interventions to Improve Access and Quality of RMNCH" is now being implemented.

#### HEALTH INFORMATION SYSTEM (HIS)

238. A Health Information System (HIS) was developed in 1993 to serve the needs of the country, and then gradually implemented. Complete nationwide coverage was achieved by February 1995. The HIS collects data on routine health service activities and health problems reported from all levels of public health facilities in the health system. Data are disaggregated by age group, geographical location and sex. The development objective of HIS is to provide the Ministry of Health and different levels of the health system with reliable and timely information on health problems and health service activities for better planning and management of health services and decision-making.

239. Since its inception, the HIS has undergone several revisions (1996, 1999, late 2003) and a comprehensive assessment of the health information system was conducted in 2006 to identify strength and weakness. The main strengths of the HIS is an integration of nearly 20 recording and reporting systems into one system to prevent duplication and reduce staff workload, standardization of recording and reporting forms, and computerization (health information system database), currently covering at all provinces and districts.

240. While the MOH has a functioning routine health information system that extends from the lowest public health facility level up through operational district and provincial levels to the central level, *the private sector is largely excluded. Lack of information on private sector and NGO supported health services is a serious issue that needs to be addressed in order to ensure that future expansion of the health services delivery system across the country can be carried out without duplication of services between public, private and NGO's.* HIS data therefore cannot be used to monitor health status in the country as a whole. Although the use of data in planning and monitoring has increased, it is still limited at all levels of the system. While a reasonably effective disease surveillance system exists, case reporting and monitoring of key non communicable diseases is weak. There is an urgent need for further

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<sup>29</sup> Kompot, Takeo, Odormeanchey, Siemreap, Banteaymeanchey, Pailin and Battambang

<sup>30</sup> Koh Kong, Takeo, Prey Veng, Kompong Cham, Prah Vihear, Monduliri, Ratanakiri, National Maternal & Child Health Center, MoH HeadQuarter

improvement in coordination and collaboration among HIS stakeholders within and outside the health system.

241. A focus area for strengthening HIS is the provision of relevant and timely high quality health information for evidence-based policy formulation, decision making, program implementation, performance monitoring and evaluation by using appropriate communications and technology. This will make available quality socio-demographic, economic, morbidity, mortality, and risk factor information, and surveillance data will be more complete and timely for efficient outbreak response and diseases control. Comprehensive coverage will be achieved with improved database management of infrastructure, human resources, and logistics.

#### HEALTH SYSTEM GOVERNANCE AND DECENTRALIZATION & DE-CONCENTRATION

242. To improve governance of the health care delivery system, a number of sub-decrees covering various aspects of the health sector are being implemented by the MOH. These include:

- Sub-decree on the management of the Regional Training Center, on the 30<sup>th</sup>, 2002, on the promulgation for the preparation and functioning of the RTC issued on 27<sup>th</sup> May, 2003.
- Sub-decree on Medical Code of Conduct issued on 28<sup>th</sup> August 2003.
- Royal degree on technical and grade logo and uniform of the government technical high ranking officials and the secondary technical official issued on 29 May 2005.
- Declaration on the implementation of primary-midwife nurse curriculum issued on 09 September, 2005.
- Inter-ministerial declaration allowing health service delivery (consultation and treatment) to charge user fees issued on 11 October, 2005.
- Declaration on the identification of areas facing difficulties of the Ministry of Health issued on 07<sup>th</sup> December, 2005.
- Joint-Declaration of the Ministry of Health and Ministry of Information on the conditions for commercial advertisement on modern and traditional medicines, cosmetics, baby artificial feeding product, tobacco and private sector in the areas of medicine, para clinics, and supportive medicines issued on 21 February, 2006.
- Sub-decree on the establishment of the Department of International Collaboration of the Ministry of Health, issued on 06 April, 2006.
- Sub-decree on the establishment of the Department of Internal Audit of the Ministry of Health, issued on 21<sup>st</sup> February, 2006.
- Sub-decree on the National Midwife Day on 05<sup>th</sup> May, 2008.
- Sub-decree on the transformation of the National Institute of Public Health into Public Administrative Institution issued on 04 September, 2006.
- Sub-decree on the transformation of the Kossamak Hospital into Public Administrative Institution issued on 25<sup>th</sup> July, 2009.
- Sub-decree on the transformation of the Khmer-Soviet Friendship Hospital into Public Administrative Institution issued on 25<sup>th</sup> July, 2009.
- Sub-decree on the transformation of the National Drug Quality Laboratory Control Center into Public Administrative Institution issued on 24<sup>th</sup> January, 2008.

243. The MoH recognizes the importance of strengthening its cooperation with external partners which is reflected in the success of the TWG-H as a consultative body for the sector, as well as through strengthening and expansion of the Sector-Wide Management

through Health Sector Support Program phase 2 and its Joint Partnership Agreement aligning partner investments behind MoH strategic and operational planning.

244. The implementation of RGC's broad reform programs has major opportunities for improving health system governance and health services delivery. Operational Districts and provincial referral hospitals have been established as Special Operating Agencies, thereby re-integrating formerly contracted districts into the public health system and strengthening the responsiveness of the system as a whole. The on-going D&D reforms program will further strengthen this responsiveness. It is, however, important to ensure that changes be consistent with the public health evidence based Health Coverage Plan.

245. MoH recognizes that to deliver high quality health services within budget constraints, managerial and clinical competencies; significant improvements are needed in systems to manage budgets and staff. There is also a general agreement that without the right incentive arrangements, the organizational changes required by D&D reforms will be difficult to implement.

### **III. IMPLEMENTATION OF GENDER POLICY**

246. Remarkable progress has been made toward achieving gender equality and women's empowerment in Cambodia through implementation of RGC's Neary Rattanak II (2004-2008) by the Ministry of Women's Affairs. RGC appreciates the support provided by development cooperation partners and national and international NGOs in the implementation of Neary Rattanak II. The Neary Rattanak II focused on the following priority areas:

- Economic empowerment of women.
- Enhancing women's and girls' education.
- Legal protection of women and girls;
- Promotion of health of women and girls.
- Promotion of women in decision-making.
- Gender mainstreaming in national policies and programs.

#### **ECONOMIC EMPOWERMENT OF WOMEN**

247. With the growth of the industrial sector and new opportunities in the tourism sector, the participation of women in wage employment in the formal sector increased significantly over the last decade. However, the low level of education among adult women limits their livelihood options and remains a serious constraint to participation in higher paying jobs. Women continue to dominate informal sector businesses. Eleven Women's Development Centres are now in place in provinces. These centres are providing vocational training and consultations for entrepreneurship development for women.

248. The current global financial crisis and the economic recession in advanced economies have adversely impacted the textiles and garment sector and the tourism sector in Cambodia. These two sectors are a major source of wage employment for women. Displacement of large numbers of women from paid employment and its potential impact on rural communities is now a serious concern. RGC has taken a variety of measures, discussed earlier, to mitigate the adverse effects of these external developments on vulnerable populations.

#### **ENHANCING WOMEN'S AND GIRLS' EDUCATION**

249. Remarkable progress has been made in closing the gender gap in access to education, especially at primary level and an improvement of gender parity at the higher levels of education. Near gender equity in literacy rates and mean level of education among young people under 20 years of age has been achieved -- a reflection of the significant improvements in the primary education system. Institutions responsible for education continue to consider gender concerns in education sector policy development. There are however, still fewer girls than boys in upper secondary and university levels. In addition, a larger number of women in the age-group 25-44 and a significant number in the age group 15-24 have less than a primary school level education. Addressing the low levels of literacy and education among women of work and child-bearing age remains a concern.

#### **LEGAL PROTECTION OF WOMEN AND GIRLS**

250. Significant progress has been made in strengthening the legal framework to protect women by addressing issues of gender equality and women's rights in the preparation and implementation of laws as well as by enhancing the awareness of the provisions of the laws through training programs for relevant institutions and the public. In August 2005, the Law on Prevention of Domestic Violence and Protection of Victims was adopted by the National Assembly and, recently, the National Action Plan to Combat Violence Against Women was adopted by the Council of Ministers. The Law on Suppression of Human Trafficking and Sexual Exploitation was adopted by the National Assembly in early 2008. A high level inter-ministerial working group has been established under the MOI on human trafficking. Addressing the attitudes and behaviour which underlie gender-based violence and sexual exploitation, and the stigmatization of the victims of violence remains a challenge.

#### **PROMOTION OF HEALTH OF WOMEN AND GIRLS**

251. Excellent progress has been made in promoting women's and girls' health, with increased awareness and access to primary health care and protection and prevention services on HIV/AIDS, STDs and Malaria. Moreover, the prevalence rate of HIV/AIDS has been reduced among pregnant women as well as among direct and indirect sex workers. However, spousal/partner transmission and mother-to-child transmission of HIV are now emerging as the main modes of transmission of new infection and maternal mortality still remains very high, which is a serious concern.

#### **PROMOTION OF WOMEN IN DECISION-MAKING**

252. The participation of women at all levels of decision-making has increased significantly. The proportion of women appointed to Senate seats has increased from 13 percent in 2003 to 14.8 percent in 2007; and the proportion of women elected to the National Assembly increased significantly from 5 percent in the 1993 national election to 11 percent in 1998; 19 percent in the 2003 election; and 22 percent in the 2008 election. The proportion of women as Secretary of State and Under Secretary of State has also increased from 7 percent and 9.6 percent in 2003 to 7.7 percent and 14.6 percent in 2008, and the proportion of women elected to Commune Councils has increased from 8 percent in 2002 to 14.6 percent in the 2007 elections. Women now occupy 30 percent of village chief positions. Women make up 10.1% of municipal and provincial councillors, and 12.6% of district, town and khan councillors.

253. The number of women officials and leaders in local administration has also increased. The Ministry of Interior has appointed women as Provincial vice Governor in 24 provinces/cities and 197 women as District/Khan vice Governor throughout the country. The

Secretariat of State of Civil Service has issued guidelines on affirmative action with a quota ranging from 20% to 50% for women among the new recruits to the civil service. As a result, the proportion of women civil servants has increased from 32 percent in 2007 to 34 percent in mid 2009. However, the number of women at senior level/decision-making levels of the civil service remains low, as do the number of women in the judiciary, both as judges and prosecutors.

#### **GENDER MAINSTREAMING IN NATIONAL POLICIES AND PROGRAMS**

254. The Royal Government has made significant progress in mainstreaming gender equality and incorporating gender equality and women's empowerment considerations into key national policies, including the Cambodian Millennium Development Goal (CMDG), the National Strategic Development Plan 2006-2010 (NSDP), and the second National Governance Action Plan. Gender issues and strategies have also been incorporated into key reform programmes of the government, e.g., Public Financial Management Reform stage 2, Public Administration Reform and the Organic Law on the Management and Administration of the Municipality, Province-City and District-Khan, as well as the draft 10 year national programme for Sub-national Democratic Development.

255. Another notable achievement is the establishment and strengthening of the national mechanisms for gender mainstreaming. These include: establishment of the Technical Working Group on Gender (TWG-G) as part of the Government-Development partner Coordination Committee (GDCC); establishment of Gender Mainstreaming Action Groups (GMAGs) in most line ministries. Sixteen ministries and institutions have already established their Gender Mainstreaming Action Plan for their sector (Ministry of Education, Youth and Sport; Ministry of Health; Ministry of Rural Development; Ministry of Information; Ministry of Water Resources and Meteorology; Ministry of Commerce; Ministry of Industry, Mines and Energy; Ministry of Agriculture, Forestry and Fisheries; Administration of Fisheries of MAFF, State Secretariat of Civil Service; Ministry of Land Management, Urban Planning and Construction; Ministry of Tourism; Department of Local Administration of Ministry of Interior; Ministry of Labour and Vocational Training; Ministry of Planning and Ministry of Economy and Finance). Five other line ministries are in the process of finalising their GMAPs (Ministry of Justice; Ministry of Environment; Ministry of Public Works and Transport; and Ministry of Social Affairs, Veterans and Youth Rehabilitation, and Ministry of Post and Telecommunications). Ten line ministries have been provided resources from the National Budget or are receiving assistance from development partners to implement their GMAPs. These include MLMUC, MRD, MoT, MLVT, MAFF, MoEYS MoH, DOLA/MOI, MOP, and MOC.

256. However, attitude and behavioural change in regard to gender equality and women's rights is a long term effort requiring strong commitment from all relevant stakeholders. The national capacity for gender analysis, research and advocacy needs strengthening. The harmonization of gender mainstreaming plans, sectoral strategic plans and monitoring machinery together with appropriate resource mobilization to implement sectoral GMAPs effectively is still a challenge.

#### **IV. IMPLEMENTATION OF POPULATION POLICY**

257. RGC's pro-active and well-orchestrated Population Policy involves actions in many sectors such as health, education, environment, macro-economy, gender, emigrations, youth, aging people, and others. The National Committee for Population and Development (NCPD) has been working to strengthen its human resources to integrate population-related issues in the development planning processes at all levels for planners and policy makers. It



has developed population reference tools on National Population Policy (NPP), Population datasheet, Urbanization, Migration, Youth, Ageing, and NPP indicators. These reference tools have been used to disseminate NPP and population and development linkage to the parliament, national government, sub-national government, and local government in all 24 provinces and Phnom Penh Municipality. The dissemination of NPP also included students from the Royal School of Administration.

258. Notwithstanding the many achievements, the NCPD also faced many challenges in carrying out its tasks. These include:

- Limited capacity and knowledge of participants in population issues.
- Lack of timely data for updating population indicators and reference tools.
- Lack of in-depth analysis of population related issues that are needed for understanding the root causes and solutions. Such evidence based understanding is crucial for effective plan of action.
- Lack of M&E and follow-up activities.

259. The decennial Population Census was conducted in March 2008 after a great deal of careful and meticulous preparations. The work was done entirely by Cambodians indicating the capacity building attained for such extensive enumeration and analysis work. Involving about 35,000 enumeration staff and covering all the households (2.8 million) and also transient populations, this was a colossal exercise which was conducted very efficiently and successfully. The final results of the 2008 Census show that:

- In 2008, the total population was 13.4 million, less than 13.8 million estimated earlier, forming 2.3% of the total population in Southeast Asia as in 1998.
- The annual growth rate of the population of Cambodia was found to decrease over time from 2.5 percent per annum in 1998 (GPC 1998) to 1.5 percent per annum for 1998-2008. The population growth rate of 1.5% is less than 1.8% estimated earlier, but is still slightly above the average for the region at 1.3%.
- The annual population growth rate in urban areas in 2008 is higher than that in rural areas (2.6 percent versus 1.3 percent, respectively).
- The sex ratio was 94.2% males to 100 females, up from 93 in 1998.
- The average household size declines by about 0.5 in all areas from 1998 to 2008 (5.2 versus 4.7 for Cambodia total, 5.5 versus 5.0 for urban, and 5.1 versus 4.6 for rural, respectively). However, the change in the average household size is a result of increased new households - the number of regular households has increased from 2.2 million households in 1998 to 2.8 million households in 2008.
- Although, the age structure of the population indicates that Cambodian population is young, the proportion of population under 15 years of age declined from 42.8% in 1998 to 39.0% in 2004 and to 33.7% in 2008.
- At the same time, the proportion of the elderly increased, as life expectancy at birth increased from 54 years in 2000 to 60.5 years in 2008 for men and from 58 years in 2000 to 64.3 years in 2008 for women. In 1998, the percent of people aged 65 and over was 3.5% (3% among men and 3.9% among women). By 2008, the figure increased to 4.3% (3.5% among men and 5% among women).
- The decline in the number of children under age 15 is greater than the increase in the number of elderly, resulting in a sharp decline in age dependency ratio from 86.1% (69.1% in urban and 89.7% in rural) in 1998 to 74.0% (59.7% in urban and 76.8% in rural) in 2004 and to 61.2% (40.8% in urban and 67.1% in rural) in 2008.



- The urban population was 19.5%, up from 17.4% in 1998; conversely, the rural population was 80.5%, down from 82.4%.
- The 2008 census data points to the success in implementation of the population policy of the government.

## CHAPTER III

### MACRO-ECONOMIC FRAMEWORK FOR NSDP UPDATE 2009-2013

#### 1. THE ECONOMY AT THE START OF NSDP UPDATE 2009-2013.

260. The Royal Government of Cambodia's concerted efforts to secure political and social stability, internal peace and security, along with sound and progressive management of the economy have enabled it to achieve sustained high rates of economic growth and poverty reduction over the last decade. However, the implementation of NSDP Update 2009-2013 will begin in an uncertain global environment where both developed and developing nations are working hard to minimize the adverse effects of the global financial crisis that started in late 2007 and subsequently caused a severe recession in the advanced economies. The negative effects of these external developments were felt in Cambodia's economy in 2008, when GDP growth rate decelerated to 6.7 percent from 10.2 percent in 2007. The on-going economic recession (as of mid 2009) in advanced countries is now expected to severely impact the Cambodian economy in the very short-term, 2009 and 2010.

261. To respond to these external developments and to maintain the momentum of economic growth and poverty reduction that has been achieved over the last decade, the challenges that RGC faces are indeed formidable. Notwithstanding, the deceleration of economic growth in 2009 and 2010, the RGC is determined to protect the gains in poverty reduction that it has achieved over the last decade. RGC will take whatever measures are necessary to mitigate the adverse effects of the global developments on the vulnerable and poor, in particular those living in rural areas. Since the first election of the Royal Government of Cambodia in 1993, RGC has faced and overcome many formidable challenges before and it is confident that it will overcome the current difficulties with the cooperation of the people of Cambodia and its traditional and non-traditional development cooperation partners. Looking back, economic development in Cambodia since the formation of the first national government can be divided into three distinct phases:

- The rehabilitation phase, 1993-1998;
- The reconstruction phase, 1999-2003;
- The economic take-off phase, 2004-2008.

262. **The rehabilitation phase, 1993-1998:** In the mid 1980's Cambodia had embarked on a series of reforms to transform the central planning system into a market-based system. The rudiments of a market economy were established, with the introduction of private property, privatization of state-owned companies, and de-collectivization of agriculture that paved the way for national reconciliation and the General Elections in 1993. However, the efforts of the RGC of the First Legislature to implement market reforms were undermined by macroeconomic imbalances, caused by following factors:

- Economic liberalization that had begun in late 1980s, acted to hinder revenue mobilization. Privatization of State-Owned Enterprises (SOEs) and enterprise reform combined with price and trade liberalization slashed economic rents formerly captured by the public sector enterprises. This loss of revenue was not made up by revenues from the emerging private sector.
- On the expenditure side, removal of price controls considerably increased the unit cost of goods and services procured for operations and investments. The government's policy to protect wages and defence expenditures crowded out public investment and expenditures on operations and maintenance.

- The elimination of Cambodia's credit facility under the 1986-1990 trade and payments agreement with the Soviet Union. Commodity aid received under this agreement financed 15% of budgetary expenditures in 1989. Humanitarian assistance amounted to only US\$20-30 million a year in 1991-92.
- Under prevailing circumstances, the government had to resort to monetary financing of the budget deficit. Monetary financing covered more than half of the budgetary gap in 1991 and the budget went in arrears for the remaining 20% of expenditures. Wage payments became sporadic. Monetary financing resulted in high inflation. This, in turn, contributed to lack of public confidence in national currency and a high level of dollarization.

263. The formation of the Royal Government of Cambodia (RGC) in 1993 led to the end of the economic embargo imposed on Cambodia in 1979 and resulted in inflows of Foreign Direct Investment (FDI) and Official Development Assistance (ODA) for economic rehabilitation. During 1993-1998, *Cambodia was both at peace and at war*. The RGC of the First Legislature could not give full priority to economic development and poverty reduction, as it was required to combat the Khmer Rouge forces scattered across the country. Defence and security spending amounted to 6.3% of GDP in 1994, while social spending represented only 2.1% of GDP. However, RGC began to implement the first generation of reforms. Inflation was reigned in from 121% in 1991 to -0.7% in 1993. A new French-based budget system was introduced and a legal framework was established for public enterprises. With the implementation of RGC's "win-win" strategy, the military and political organization of the Khmer Rouge was dismantled in 1998 and the foundation for peace, security and economic growth was put in place. Despite many setbacks, economic growth during 1993-1997 averaged 6.6%. *Growth during this period was financed mainly by the overuse of natural resources, Official Development Assistance (ODA) and the FDI inflows into the financial sector*. From 1994 to 1998, much of the ODA was used to rehabilitate power generation capacity and water supply. Electricity, gas and water sub-sector of manufacturing grew at an annual average rate of 14.9%. Public administration grew at the rate of 20.8%. Finance increased at an average annual rate of 38.5%.

264. **The reconstruction phase, 1999-2003:** In the second term, 1998-2003, the RGC vigorously implemented its Triangular Strategy that focused on: (i) restoration of peace and security; (ii) integration of Cambodia into the region and the world; and (iii) promotion of socio-economic development. The successful implementation of this strategy enabled RGC to restore peace and security, political stability, and to begin rebuilding democratic institutions. Cambodia regained international recognition after the end of factional fighting in 1997. It was given a seat at the UN in December 1998 and formally admitted to ASEAN in April 1999. These conditions enabled RGC to further deepen and broaden the implementation of its reforms agenda. The focus of the reform agenda was on sustaining economic growth, reducing poverty, accelerating economic reconstruction, maintaining macroeconomic stability, strengthening the banking and financial institutions, implementing additional fiscal reform measures, ensuring a sound management of public property, and increasing public investment in physical and social infrastructure and human resources development.

265. During 1999-2003, the economy grew at an averaged annual rate of 8.8%. Although ODA continued to finance growth, *FDI especially investments in garment and tourism, were key to promoting growth*. During this period Textile sub-sector grew by 35.1% a year. Construction sector became a pillar of growth, growing at an average annual rate of 20.1%. Recently restored peace contributed to rapid development of tourism, the sector grew at the

average annual rate of 13.6%. Continued rehabilitation of the power and water sector resulted in the electricity, gas and water sub-sector growing at an annual average rate of 10.2%. Although, the share of the agriculture sector in total GDP declined slightly, as other sectors grew, it still accounted for 32.0% of GDP in 2003.

**TABLE 8: MACROECONOMIC INDICATORS, 1994, 1999, 2001-2008**

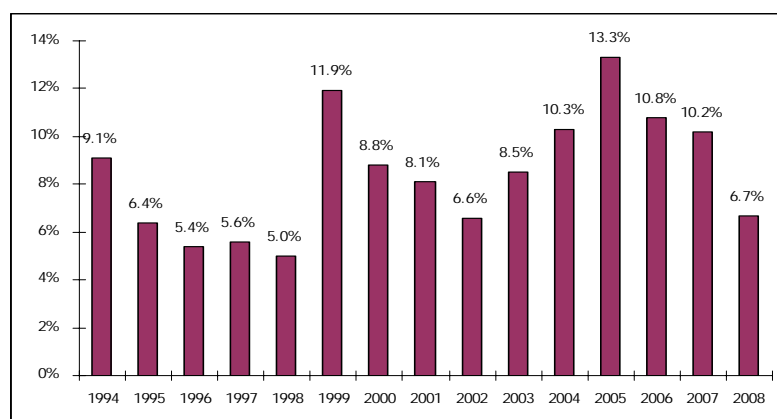
(as a percentage of the GNP)

	1994	1999	2001	2002	2003	2004	2005	2006	2007	2008
Real GDP (% growth)	9.1	11.9	8.1	6.6	8.5	10.3	13.3	10.8	10.2	6.7
- Agriculture	9.7	2.2	3.6	-2.5	10.5	-0.9	15.7	5.5	5.0	5.7
- Industry	14.2	21.2	11.2	17.1	12.0	16.6	12.7	18.3	8.4	4.0
- Services	0.6	14.6	11.1	7.7	5.9	13.2	13.1	10.1	10.1	9.0
GDP per capita	248	281	312	331	356	402	468	534	623	739
Domestic saving (without transfers)			8.2	4.3	1.8	3.6	2.0	2.9	3.7	4.4
National savings	19.4	16.6	20.1	21.3	16.2	16.3	17.2	21.7	22.6	12.7
Central administration savings	-1.0	1.6	1.0	1.0	0.8	1.7	1.8	1.2	3.2	3.5
Private savings	24.4	20.3	20.3	21.5	18.3	16.9	19.6	21.5	23.2	20.9
Domestic investment	12.1	11.8	12.1	11.9	12.2	11.8	11.1	11.2	11.1	11.5
Public investment	4.7	5.4	7.0	8.3	6.4	5.7	5.2	5.7	6.1	6.3
Private investments	18.7	16.5	14.2	14.2	12.8	12.9	16.3	17.0	20.4	18.0

Source: Ministry of the Economy and Finance, National Bank of Cambodia, IMF.

**266. The economic take-off phase, 2004-2008:** During this phase RGC accelerated the pace of implementation of the second generation reforms, in particular the implementation of the Public Financial Management Reform Program (PFMRP). It also increased investments in social sectors and infrastructure development to reduce poverty, in particular in rural areas of the country. The efforts were focused on rehabilitating and building rural irrigations systems, and the provincial and rural roads network. Economic growth during this period, 2004-2008, averaged 10.3% per year, with a record high annual rate of growth of 13.3% in 2005. Economic performance in 2008 though somewhat diminished compared with 2004-2007, as a result of the global financial crisis that caused a global economic down turn in late 2007, was still impressive, the economy grew at an annual rate of 6.7% in 2008.

**FIGURE 1: ANNUAL ECONOMIC GROWTH RATE: 1994 -2008**



**267.** Since 1993, the sectoral composition of the economy has changed significantly. Over the 1993 to 2008 period, the contribution to GDP or share in total GDP of the:

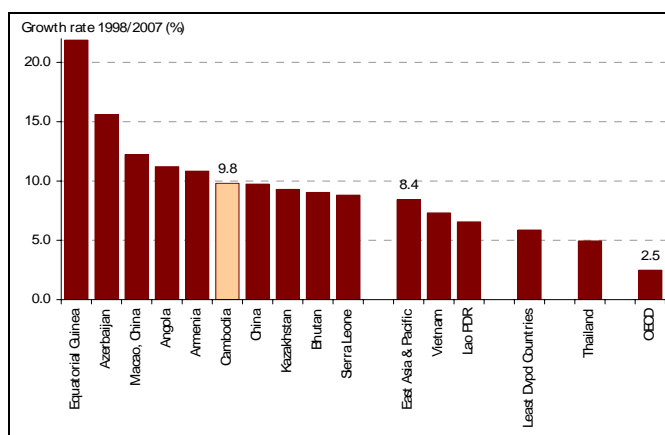
- Agriculture sector has declined from 45.3% in 1993 to 32.4% in 2008.
- Industrial sector has increased from 12.6% in 1993 to 22.4% in 2008. Within industrial sector the share of:

- Textiles and Garments sub-sector has increased from 1.0% in 1993 to 10.3% in 2008.
- Mining Sub-sector has increased from 0.2% in 1993 to 0.4% in 2008.
- Construction sub-sector has increased from 3.5% in 1993 to 6.1% in 2008.
- Services sector has slightly declined from 39.4% in 1993 to 38.8% in 2008 – mainly because of relative high growth in the industrial sector. Within the services sector the share of:
  - Tourism and Hotel sub-sector has increased from 2.3% in 1993 to 4.5% in 2008.
  - Transportation and Communications sub-sector has increased from 5.5% in 1993 to 7.4% in 2008.
  - Financial sub-sector has increased from 0.3% in 1993 to 1.3% in 2008.
  - Real estate sub-sector has declined from 9.1% in 1993 to 6.4% in 2008.

268. Since the first General Elections held in 1993, Gross Domestic Product (GDP) has increased from 6,813 billion CR (US\$ 2.48 billion) in 1993 to 41,977.3 billion CR (US\$10.34 billion) in 2008, and per capita GDP has increased from 629,000 CR (US\$229) in 1993 to around 3 million CR (US\$739) in 2008. During the last five years, 2003-2008, the accelerated economic growth has resulted in the doubling of per capita GDP. Nevertheless, the size of Cambodia's Gross Domestic Product is still relatively modest at 41,977 billion CR (US\$10.3 billion). Per capita GDP is expected to reach over 4 million CR (US\$1,000) by 2015, possibly even earlier when oil and gas production comes on stream.

269. According to a study by the World Bank, Cambodia was among the 15 fastest growing economies in the world during 1998-2007, positioned slightly ahead of China and exceeding the Asia-Pacific average of 8.4%.

**FIGURE 2: FASTEST GROWING ECONOMIES: 1998-2007**



Source: The World Bank

270. As noted earlier, one of the highest priorities of the RGC has been and will continue to be its highest priority is the reduction of poverty, especially in rural areas. The impressive economic growth over the last decade, averaging around 10 percent per year has raised living standards and reduced poverty headcounts across the country. The results of the most recently completed Cambodia Socio-Economic Survey carried out in 2007, show that poverty headcount index for the whole country relative to the overall poverty line fell from 34.8 percent in 2004 to 30.1 percent in 2007, a significant decline of 4.7 percentage points from 2004 to 2007 representing a reduction of more than 1 percentage point per year. These

data also show that, “the picture of welfare improvements amongst the bottom two quintiles is reinforced by improvements in a wide range of variables related to service delivery and human development outcomes. Gains are most notable in education, health and nutrition. Physical access to public services has improved, as measured in terms of average distances to the nearest health centre or school; this, combined with an improved road network and rising real incomes, helps explain improving rates of school enrolment and health-seeking behaviour. As a result, there is continued improvement in outcomes such as average level of educational attainment and self-reported health status”<sup>31</sup>.

271. Protecting the hard earned gains made so far and staying on the path to ensure future gains in reducing poverty has now added risks due to the global financial crisis, indeed, if the current situation persists for an extended period then people who are just over the poverty line at present could fall below the poverty line. The RGC is therefore taking urgent measures to put in place safety nets through subsidies and targeted labour intensive work programs, like food for work program, to protect the most vulnerable and the poor from the negative impact of external developments on the Cambodian economy.

## **2. MACRO-ECONOMIC MANAGEMENT: 2009-2013**

272. Notwithstanding, the uncertainties because of the global financial and economic crisis, the Royal Government of Cambodia remains determined to maintain a stable macroeconomic environment, while taking all possible actions to mitigate the adverse effects of this crisis on the vulnerable and poor, in particular those living in rural areas, to safe guard gains made in reducing poverty in recent years. The medium-term goals of the RGC’s macroeconomic framework is to continue to work towards achieving an annual economic growth rate of 6% to 7% over the medium term, maintaining a rate of inflation below 5%, limiting foreign debt to a level compatible with flows of concessional financing and direct foreign investment, and maintaining gross foreign exchange reserves required to finance approximately 3 months of imports. The Royal Government will continue to pursue prudent fiscal and monetary policies, with a focus on broadening the fiscal base to generate additional revenues, in order to consolidate macroeconomic and financial stability.

273. To mitigate the impact of current global economic and financial crisis, the Royal Government has taken immediate steps that have included: a sizeable fiscal stimulus and a sharper focus on support for social safe net programs delivered by ministries and agencies to mitigate the adverse effects of the crisis on the vulnerable and poor segments of the population. On the monetary policy side, the National Bank of Cambodia’s rapid response has included a dramatic easing of and accommodative monetary policy and implementing wide-ranging measures to support and strengthen the financial and banking system. The Royal Government is confident that through a vigorous implementation of its socio-economic policy agenda for the Fourth Legislature articulated in Rectangular Strategy Phase II, in particular the implementation of policies to diversify and broaden the economic base and to improve competitiveness in the regional and international markets economic growth will rebound towards its historical growth trend in the medium-term.

274. In the short to medium-term, RGC will continue to take actions required:

- to further strengthen the financial sector in order to rebuild market confidence and to attract new private capital. To lay a foundation for revival of bank credit growth, the near-term focus of policies will continue to be on restructuring weakened financial institutions by cleansing banks’ balance sheets of impaired/damaged assets, assessing bank viability, and ensuring bank recapitalization where needed;

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<sup>31</sup> “Poverty Profile and Trend in Cambodia: Findings from the 2007 Cambodia Socio-Economic Survey (CSES)”, World Bank Report No. 48618-KH, page viii, June 2009.



- to continue to follow macroeconomic policies to support demand;
- to maintain a balance between efforts aimed at supporting demand against the risk of exacerbating capital outflows or deteriorating credit quality through monetary policy;
- on the fiscal side, the deficits in the medium-term will be consolidated in order to bring public finances back to a sustainable path. However, in the short-term, fiscal policy will remain expansionary, at least through 2010. The fiscal deficits is expected to be high in 2009 (at around 6.75% of GDP) and 2010 to provide fiscal support needed to sustain and stimulate economic activities. The exit strategy or unwinding of the fiscal stimulus activities will be closely linked with the timing of economic recovery. As economic growth begins to recover to its trend level, the phasing out of the fiscal stimulus activities will begin. It is expected that during 2011-2013 the level of fiscal deficit will return to its pre-crisis level of around 2% - 2.8% of GDP.

## FISCAL POLICY

275. During the Fourth Legislature, the Royal Government will continue to focus on:

- *Mobilizing domestic revenues, ensuring effective allocation of budget resources among competing priorities and promoting healthy public financial practices in general.* The financing of growing public expenditures will require continued efforts to raise more revenues, currently at around 12% of GDP. The revenue mobilization policy will be implemented within the framework of the Public Financial Management (PFM) reform program.
- *Minimizing exchange rate fluctuations.* In a small and open economy like Cambodia, exchange rate fluctuations can be reduced by ensuring orderly budget disbursements that would not drastically increase the volume of riel-denominated money supply in the economy at any given time. This fiscal policy instrument will continue to be used along with appropriate monetary policy interventions to maintain a stable exchange rate.
- *Counteracting inflationary pressures.* In addition to maintaining a stable exchange rate, the Royal Government will closely monitor factors that may cause inflationary pressures in domestic markets, in particular agriculture products. Fiscal measures combined with other policy instruments, such as increased investment in processing facilities and ensuring fair competition among traders and middlemen by improving road conditions and enhancing trade facilitation will be used to stabilize agricultural prices.
- *Pursuing sound debt management.* The impact of the global financial crisis and the economic downturn on the real economy and the vulnerable and the poor in Cambodia has been discussed earlier. The financing of the measures to mitigate the adverse effects of these external developments will require the Royal Government to finance these activities through a significant increase in deficits in the short-term. The Royal Government will pursue prudent policies to ensure a sound macroeconomic and fiscal management of the economy.
- *Supporting the RGC Strategic Framework for Decentralization and De-concentration.* Within the framework of the Public Financial Management Reform program, concrete steps will be taken to support the implementation of decentralization initiative to devolve some revenue and as well as expenditure responsibilities to the provinces, districts and communes.

276. The Royal Government will follow a prudent fiscal policy and will ensure that budget deficit decline as economy recuperates, at the same time putting in place measures to consolidate the recovery. The RGC will adopt various fiscal and adjustment measures to maintain fiscal discipline and long-term fiscal stability. These will include:

- Rationalizing less productive spending and protect budget allocation to priority sectors. The government will closely monitor wage bill allowing for the steady (according to the government planned policy reform on salary increase for civil servants) base salary increase and will temporary capping the increase in functional allowance. The RGC will aim at containing the spending growth in the 2010/2011 budget, as the economy start on the path of recovery. The government will monitor the size and composition of the recurrent spending which has dramatically increased in 2009 and will be cautious against allowing significant increase in non-reversible current spending, such as the wage bill, to become entrenched, as this could risk crowding out spending on priority sectors such as health, education, and operations and maintenance, and further increase domestic financing needs if not accompanied by significant revenue gains.
- Increasing revenue collection through broadening the tax base and strengthening administrative compliance. Revenue mobilization measures may include the followings: (i) broaden tax base and increase tax rates; (ii) strengthen the enforcement of property tax and unused land tax, including the implementation of the capital gain tax; (iii) introducing VAT for electricity and water; (iv) replacing current tax incentives with investment allowances, tax credits, and accelerated depreciation.
- The Ministry of Economy and Finance will review the current national budget by rationalizing current spending (compulsory versus non-compulsory expenditures) and reallocating them into funds used for direct support of growth or for specific government's allocations for social safety net as well as spending needed to mitigate unexpected impacts resulting from the global financial and economic crisis.
- Adopt policies to foster investment in the oil sector and in energy resources more generally and to ensure that investment regimes are stable and predictable, encourage greater cooperation and synergies between national and international concerned agencies through well designed partnerships.
- Proactive policy to mobilize and increase disbursement of ODA for capital/development spending. The Government will make it utmost to mobilize and use official development assistance effectively, efficiently and on target. The Ministry of Economy and Finance will lead and coordinate with all relevant Ministries/agencies in order to speed up the implementation of necessary reform measures, which are the conditionalities for providing budget support in order to mobilize and disburse the resource quickly and efficiently to meet development needs.

277. The Ministry of Economy and Finance is now implementing Platform II of RGC's Public Financial Management Reform Program that is focussed on "*Building on Improved Budget Credibility towards Achieving Financial Accountability*". The main theme of Platform 2 is increased accountability of those who are responsible for the safe, efficient and effective management of public resources. Platform 1 had sought to address the overall resource management framework and to tackle fundamental problems in the system as a whole. Platform 2 seeks the engagement of all budget entities and their managers in improving their own internal financial management within the overall framework. Activity plans that have been developed aim to bring this about through a combination of regulatory, process and capacity development initiatives with an appropriate balance of incentives for good PFM performance and sanctions for poor performance.

278. It is envisaged that work that will be done under Platform 2 will increase the empowerment of budget entities/managers. However, given the fragility of financial control systems from which reforms have started, progress will be closely monitored and will be rolled out as lessons are learned, as confidence is built and trust is earned.

279. Both enhanced accountability and empowerment will be supported by measures to further improve information systems and transparency about how financial management obligations are being exercised in practice by budget entities/managers. The focus of implementation of Platform 2 activities in 2009 has been on:

- For MEF, to develop proposals for the detailed implementation of some of the key technical changes envisaged in Platform 2 such as the way that funds will reach service deliverers and be utilized, the implementation of improved financial information systems and methods for holding budget implementation agencies more accountable.
- Seeking the engagement of line ministries and other budget implementation agencies in the implementation of Platform 2.
- Building capacity development programs that are so important to achieving Platform 2 objectives.

280. Significant progress has been made in all these areas during 2009 although work on each will continue into 2010 as well as other more detailed activity development. In particular, work on procuring the computer systems that will sit at the heart of the financial information system is now well advanced. The development of a more strategic approach to resource management is being developed, a framework for internal audit activity has been designed and all line ministries have participated in briefing seminars and the design of capacity development programs. They have formed their own reform cells and most line ministries have already developed their plans for contributing to the overall reform strategy.

281. The implementation of Platform 2 as planned will help to establish a climate of responsibility for the management of public resources at all levels in the administration. Strong and weak management of those resources will be recognised and differentiated. As a result of this step change, a foundation will be laid for the following developments in later Platforms:

- To build on initial steps towards greater empowerment of budget entities managers to achieve improved results because there will be an improved control framework within which to exercise that empowerment and lessons will have been learned.
- To challenge the efficiency of expenditure deployment and the continuing relevance of on-going expenditures because there will be an improved basis for engaging budget entities/managers in examining such questions based on improved information flows and visibility of what is happening with resources in practice.
- To begin to identify an alignment between the implementation of policies and the delivery of service improvements with the resources required to achieve those improvements because a foundation of information and analysis about how resources are being used in practice will be in place.
- To move on towards accountability for the management of results because the improved accountability for resource management can be built upon.

282. The implementation of Platform 2 presents new challenges that will require taking active steps to initiate necessary action and the engagement of others in this vital task. For example:

- The programme now needs to engage a much wider range of players within the public service and careful coordination and monitoring will be vital. New steering mechanisms have been established under the authority of the Prime Minister and led by the Deputy Prime Minister.
- As the implementation process moves forward, the linkages between public financial management reform and broader reform of the public service become both more obvious and important to manage. In particular, there is a need to align PFM reforms with other reform programs for civil service management and D&D reforms. Discussions have commenced in 2009 with key personnel responsible for the implementation of other reform programs.
- The active participation of line ministries and other budget implementation agencies will be vital. As well as improved steering mechanisms, the development of reform cells in each line ministry and their participation in developing detailed activity proposals is vital.
- There is a need to review the organisational structures that deal with financial management (both within and outside MEF) in order to ensure that financial management mechanisms that are put in place are consistent across the ministries. Functional reviews will be carried out and restructuring undertaken as necessary. For example, the introduction of computerised financial information systems will have significant organisational and process implications that will need to be allowed for if those systems are to be sustainable.

## MONETARY POLICY

283. The National Bank of Cambodia (NBC), the monetary authority, will continue to vigorously implement RGC's "Financial Sector Development Strategy 2006-2015" to: (i) maintain price stability with an inflation target of under 5%; (ii) ensure the continued soundness of the financial sector by responding in a proactive manner to emerging internal and external developments; (iii) continue to manage a floating exchange rate regime with a target of around 4,100 CR per US dollar; and (iv) maintain foreign reserves to finance at least three months of imports. The National Bank of Cambodia will continue to aggressively pursue policies needed to mitigate the potential adverse effects of the global financial crisis and the economic downturn on the Cambodian economy, the financial sector, and the vulnerable and poor segments of the population.

284. The NBC will continue to *enhance its monetary tools kit and to further develop a market-based monetary framework* by:

- Continuing to further reform public financial management to enhance public confidence in the use of Riel.
- Developing a gross domestic payment and settlement system, monetary and inter-bank markets, including short-term government bonds.
- Implementing a fiscal incentives framework, including government payroll and other Riel expenses, via bank accounts and the payment system. It will examine options to transfer inter-bank credit information system to the private sector.
- Widening the payment and credit information systems to include licensed microfinance institutions.
- Providing collateral against risks related to the payment system by using short-term government bonds.

- Encouraging a money supply and liquidity monitoring mechanism, strengthening the reserve requirement system, setting up an efficient overdraft system, preparing to issue central bank paper, and enhancing the lender of last resource mechanism.

285. In the **Banking Sector**, the NBC will continue to focus on the following four key aspects:

- Strengthening the basics of the financial sector.
- Improving the microfinance and banking sectors.
- Encouraging non-banking financial institutions.
- Finding ways to solve problems related to other sectors.

286. In terms of specific actions, the NBC will implement measures to:

- Enhance the legal infrastructure: to continue to improve the legal framework, regulations and banking supervision entities, in particular, prepare a draft to amend the Law on Banking and Financial Institutions to govern uniformly the economic and financial sector.
- Develop human resource: to further improve the implementation of laws and regulations, and strengthen banking supervision capacity and NBC's internal audit functions.
- Liberalize and promote competition: by strengthening the licensing regulations and putting in place infrastructure required to support new innovations in the financial sector and the diversification of the financial sector.
- Upgrade reliability and validity: of the problem solving system and insolvency of banks in order to formulate and implement an exit strategy to systematically withdraw the special measures put in place to deal with the effects of the global financial crisis and the economic downturn.

287. The NBC will take action required to **expand the scope of the microfinance services** that are urgently needed to meet the requirements of small businesses and rural communities, in particular small land holder farmers. The main objective is to put in place a comprehensive and efficient microfinance system that covers all parts of the country. The NBC will take actions to:

- Enhance the regulatory framework: by continuing to build NBC's capacity to strengthen the regulatory framework and the effectiveness of microfinance supervision, including any prudential regulations to build public confidence in using microfinance services.
- Strengthen microfinance institutions: encouraging unregistered NGOs to become licensed, law-abiding microfinance institutions enjoying the right to collect deposits.
- Expand microfinance network: by fostering growth through the granting of licenses to microfinance institutions to reinforce management, expand operational networks, increase capacity and efficiency, and produce more profits in order to satisfy the borrowing requirements of people living in remote areas.
- Build Capacity: by providing basic training to people, in particular, poor people, to understand microfinance services such as savings and the proper use of loans to generate income and improve their living standards.
- Strengthen Information infrastructure: by enhancing the expansion of the credit information system to microfinance institutions and reinforce the financial linkages between microfinance institutions and commercial banks.

288. The National Bank of Cambodia will continue to **develop non-bank financial institutions**, in order to deepen the financial sector by:



- *Reviewing the laws and regulations that govern the non-bank financial sector:* the NBC will examine options to delegate responsibility from the monetary authority to other authorities in supervising the non-bank financial sector.
- *Promoting the Development of leasing businesses:* by encouraging leasing credit activity as an alternative source to small and medium enterprises through establishing a financial leasing law which emphasizes the rights and obligations of contract parties.
- *Developing a credit information exchange system:* to improve the credit information sharing system and establish a framework for a credit information system with a larger scope.
- *Enhancing the monitoring of exchange market:* by upgrading and regulating the foreign exchange market business.
- *Developing a national payment system:* by continuing to develop its safety, effectiveness and capability by automating the check clearing system and initiating the development of electronic payments (e-payments) at the national level to support the inter-bank market.

289. The NBC will develop and implement an information technology management system that is needed to carry out its critical functions and to increase staff efficiency and productivity.

### **3. ECONOMIC OUTLOOK: 2009-2013.**

290. The economic outlook in the very short-term (2009 and 2010) faces two important down side risks. First, the uncertainties about the severity and duration of the global financial crisis and the on-going economic recession (as of mid 2009) in developed economies, as well as the potential impact of the swine flu epidemic on the tourism sector. The second risk is a very slow pace of economic recovery in developed economies. The decline in worldwide demand for Cambodia's export products, a decline in FDI inflows, a decline in tourism activities, and slowdown in the construction sector are likely to cause a contraction in economic activities in the very short term. As a result, industrial production, capacity utilization and employment are expected to contract in the very short-term. Based on the uncertainties in the global environment and emerging signs of the impact of these external developments on the Cambodian economy, overall economic growth is projected to slowdown considerably to 2.1% in 2009. While some sectors that are dependent on external markets are expected to experience a decline, the agriculture, mining, food and beverages, financial services and the government sectors are projected to grow at robust growth rates. In the year 2009, agriculture sector is projected to grow by 4.3%, mining sector by 10.1%, food and beverage sector by 8.6%, the financial services sector by 13.1%, and the government sector by 4.4%. However, the garment sector is projected to contract by 3.9%, tourism receipts are estimated to decrease by 7.8%, and construction activities are projected to contract by 2.6%.

291. In the global markets some signs are now emerging to indicate that the unprecedented global economic contraction that began in late 2007 and continued into 2009, is now beginning to moderate. Global financial conditions have slightly improved, international investor confidence is recovering gradually, indicators of future production and demand have firmed, consumer confidence is improving, the earlier declines in manufacturing and employment have begun to be reversed, and lending to the private sector has gained positive momentum. While the latest data point to a slowing of the global contraction, the timing and pace of the global economic recovery remains uncertain. The narrowness of the production base, the exposure of the garment sector to the U.S, and the dependence of the economy on foreign inflows would continue to keep Cambodia vulnerable



to developments in the global markets. The recent strong growth performance of China of 7.9% in the second quarter of 2009 is one indication of future recovery that could have positive spill over effect on Cambodia's economy.

292. At present, the general consensus on prospects for global economic recovery is that activity in the advanced economies will likely revive only gradually over the course of 2010 and in the medium term, weighed down by financial deleveraging, limited credit growth, weak household income growth and declining household net worth. Despite the fact that the Cambodian economy has weathered this crisis well owing to a strong policy framework put in place by RGC over the preceding decade and its prompt implementation of policy measures; output gaps and unemployment rate is likely to continue to rise in the very short-term. Taking these developments into account, the level of economic activity is projected to slowly pick up in 2010 and the economic growth rate is projected to increase modestly by around 3%.

293. The Royal Government recognizes that the growth in advanced countries (mainly US and EU) consumer spending will not provide the same degree of support to growth in the Cambodian economy as had been the case in the past. The Royal Government is confident that through a vigorous implementation of its policies to diversify and broaden its economic base and improved competitiveness in the regional and international markets, economic growth will rebound towards its historical growth trend line over the years 2011-2013. Projections of key macroeconomic variables for 2009-2013 are presented in Table 8 on the next page.

294. In the past five years, RGC's sustained efforts to strengthen fiscal discipline, to put in place an increasingly credible monetary policy framework, and the implementation of structural reforms have helped to produce the best economic performance in Cambodia's modern history since 1993. Structural changes have enabled a well-performing economy in modern history of Cambodia since 2003. During the current crisis, the Cambodia economy has shown a strong degree of resilience and flexibility. The Royal Government is confident that continuing to vigorously pursue the implementation of its policies will unleash the economy's potential.

**TABLE 9: PROJECTIONS OF KEY MACROECONOMIC INDICATORS: 2009 – 2013**

Economic Indicator	2008	2009e	2010p	2011p	2012p	2013p
GDP at current price (Billion Riels)	41,977	45,444	48,275	52,925	58,040	63,431
GDP at current price (Million US\$)	10,339	10,937	11,480	12,438	13,482	14,565
GDP per capita Revised Population (US\$)	739	769	795	849	906	964
<b>Real GDP (% increase)</b>	<b>6.7%</b>	<b>2.1%</b>	<b>3.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.2%</b>
GDP deflator in Riel (% increase)	12.3%	6.0%	3.1%	2.5%	2.5%	1.9%
Inflation in Riel (% increase, year average)	19.7%	4.5%	4.0%	3.5%	3.5%	3.0%
Inflation in Riel (% increase, Q4/Q4)	15.8%	4.5%	4.0%	3.5%	3.5%	3.0%
<b>Inflation in Riel (% increase, Y o Y)</b>	<b>12.5%</b>	<b>7.5%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.0%</b>
Riel/US\$ parity (year average)	4,060	4,155	4,205	4,255	4,305	4,355
Riel/US\$ parity (end of period)	4,130	4,180	4,230	4,280	4,320	4,370
<b>Total investment (% GDP)</b>	<b>24.4%</b>	<b>21.4%</b>	<b>21.9%</b>	<b>21.9%</b>	<b>22.1%</b>	<b>22.4%</b>
Public investment (% GDP)	6.3%	6.2%	5.9%	5.9%	5.9%	5.8%
Private investment (% GDP)	18.0%	15.2%	16.0%	16.0%	16.2%	16.5%
National saving (% GDP)	12.7%	14.3%	14.2%	15.3%	16.5%	18.1%
Foreign saving (% GDP)	11.7%	7.1%	7.7%	6.6%	5.6%	4.2%
<b>Budget revenue (% GDP)</b>	<b>13.3%</b>	<b>12.3%</b>	<b>12.7%</b>	<b>12.9%</b>	<b>13.1%</b>	<b>13.3%</b>
<b>Budget expenditure (% GDP)</b>	<b>15.7%</b>	<b>16.2%</b>	<b>15.4%</b>	<b>15.6%</b>	<b>15.7%</b>	<b>15.7%</b>
Current deficit/surplus (% GDP)	3.5%	2.0%	2.9%	2.9%	3.1%	3.2%
Overall deficit/surplus (% GDP)	-2.7%	-3.9%	-2.8%	-2.7%	-2.6%	-2.4%
<b>Exports of goods (% GDP)</b>	<b>42.9%</b>	<b>36.3%</b>	<b>38.3%</b>	<b>40.8%</b>	<b>43.5%</b>	<b>46.7%</b>
<b>Imports of goods (% GDP)</b>	<b>64.4%</b>	<b>49.9%</b>	<b>53.0%</b>	<b>54.7%</b>	<b>56.4%</b>	<b>58.4%</b>
Trade balance (% GDP)	-21.6%	-13.5%	-14.7%	-13.9%	-12.9%	-11.7%
Current account balance (% GDP)	-16.5%	-11.8%	-12.4%	-11.2%	-10.0%	-8.5%
Total liquidity (Billion riel)	11,858	15,564	19,084	22,676	27,502	33,591
Total liquidity (% increase)	4.8%	31.2%	22.6%	18.8%	21.3%	22.1%
Total liquidity (% GDP)	28.2%	34.2%	39.5%	42.8%	47.4%	53.0%
<b>Gross foreign reserves (Millions of US\$)</b>	<b>2,104</b>	<b>1,758</b>	<b>1,959</b>	<b>2,168</b>	<b>2,415</b>	<b>2,689</b>
Gross foreign reserves (Months of imports G&S)	3.5	3.5	3.5	3.5	3.5	3.5
<b>Population (revised) (Million)</b>	<b>14.0</b>	<b>14.2</b>	<b>14.4</b>	<b>14.7</b>	<b>14.9</b>	<b>15.1</b>

Source: Ministry of Economy and Finance

295. Projections of real GDP growth rates by economic activity for the years 2008 – 2013 are presented in Table 9. These projections show that growth in 2009 will be below the rate of growth experienced in 2008 in all sectors and sub-sector, except the Livestock and Poultry sub-sector, Food, Beverages and tobacco sub-sector, wood, Paper & Publishing sub-sector, Other Manufacturing sub-sector, and the Electricity, Gas & Water sub-sector. These data show a slight recovery in 2010 from the 2009 level that accelerates over the 2011-2013 period.

**TABLE 10: REAL GDP (CONSTANT 2000 PRICES) GROWTH RATES  
BY ECONOMIC ACTIVITY: 2008-2013**

	2008	2009	2010	2011	2012	2013
<b>Agriculture, Fishery &amp; Forestry</b>	<b>5.7%</b>	<b>4.3%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.4%</b>
Crops	6.6%	5.3%	4.7%	4.5%	4.5%	3.5%
Livestock & Poultry	3.8%	5.4%	6.0%	5.3%	5.1%	5.2%
Fisheries	6.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Forestry & Logging	0.9%	1.1%	1.1%	1.1%	1.1%	1.1%
<b>Industry</b>	<b>4.0%</b>	<b>-1.0%</b>	<b>2.0%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>9.1%</b>
Mining	15.8%	10.1%	3.2%	8.2%	8.2%	8.8%
Manufacturing	3.1%	-1.0%	2.7%	9.1%	9.1%	9.2%
Food, Beverages & Tobacco	5.9%	8.6%	2.7%	8.0%	8.0%	8.6%
Textile, Wearing Apparel & Footwear	2.2%	-3.9%	2.5%	9.2%	9.2%	9.2%
Wood, Paper & Publishing	5.0%	8.7%	3.3%	8.2%	8.2%	8.9%
Rubber Manufacturing	9.2%	7.4%	2.0%	6.9%	6.9%	7.5%
Other Manufacturing	6.5%	9.0%	3.9%	9.8%	9.8%	10.4%
Electricity, Gas & Water	8.5%	9.2%	3.8%	8.7%	8.7%	9.4%
Construction	5.8%	-2.6%	-0.4%	7.9%	7.9%	8.5%
<b>Services</b>	<b>9.0%</b>	<b>3.2%</b>	<b>3.0%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>9.0%</b>
Trade	9.4%	4.7%	3.6%	7.0%	7.0%	7.7%
Hotel & Restaurants	9.8%	-7.8%	1.8%	7.6%	6.5%	6.5%
Transport & Communications	7.1%	4.6%	2.2%	7.1%	7.1%	7.7%
Finance	19.2%	13.1%	5.9%	18.1%	18.1%	18.8%
Public Administration	4.5%	4.4%	4.1%	3.7%	3.7%	4.3%
Real Estate & Business	5.0%	3.7%	1.9%	7.6%	8.1%	8.8%
Other services	12.0%	4.0%	3.5%	9.7%	9.7%	10.3%
Taxes on Products less Subsidies	9.1%	4.1%	3.5%	7.0%	6.6%	7.1%
Less: Subsidies	1.6%	34.6%	3.5%	7.0%	6.6%	7.1%
Less: Finance Service Charge	14.0%	27.7%	5.9%	18.1%	18.1%	18.8%
<b>Total GDP</b>	<b>6.7%</b>	<b>2.1%</b>	<b>3.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.2%</b>

#### 4. CAPITAL INVESTMENT REQUIRED TO ACHIEVE PROJECTED GDP GROWTH

296. The econometric models used to project the economic outlook for the next five years, 2009-2013, can also be used to provide projections of total investment required to achieve the projected GDP growth and the breakdown of the total investment by economic sector. Notwithstanding any limitations of the econometric models, the results of this analysis show that a total capital investment of 56,674.3 billion CR (US\$ 13.823 billion) will be required to achieve the projected GDP growth rates over the period covered by the NSDP Update 2009-2013. In terms of sources of total capital investments, private sector investments are projected to be 41,336.2 billion CR (US\$ 10.082 billion) – accounting for 72.9% of total investment. The public sector investment is projected to be 15,338.1 billion CR (US\$ 3.741 billion US\$). In terms of domestic and foreign sources of financing of total investment, 31,901.3 billion CR (US\$ 7.781 billion) or 56.3% of total investment is projected to be financed from domestic sources. Financing from foreign sources is projected to be 24,773.0 billion CR (6,042.2 million US dollars) or 43.7% of total capital investments.

**TABLE 11: CAPITAL INVESTMENT REQUIRED TO ACHIEVE GDP GROWTH TARGETS AND POTENTIAL SOURCES OF FINANCING THE NEEDED INVESTMENT: 2009 - 2013**  
(in billions of CR<sup>1</sup>)

SOURCE OF FUNDING	2009	2010	2011	2012	2013	TOTAL 2009 - 2013
<b>TOTAL INVESTMENT</b>	<b>9,615.7</b>	<b>10,309.0</b>	<b>11,192.2</b>	<b>12,202.8</b>	<b>13,354.5</b>	<b>56,674.3</b>
• <b>Public Investment</b>	<b>2,797.0</b>	<b>2,788.8</b>	<b>3,013.5</b>	<b>3,255.8</b>	<b>3,483.0</b>	<b>15,338.1</b>
• Domestic Financed	364.1	540.8	596.1	679.4	769.6	2,950.0
• Foreign Financed <sup>1</sup>	2,432.9	2,248.0	2,417.4	2,576.4	2,713.4	12,388.2
• <b>Private Investment</b>	<b>6,818.7</b>	<b>7,520.2</b>	<b>8,178.7</b>	<b>8,947.0</b>	<b>9,871.6</b>	<b>41,336.2</b>
• Domestic Financed	4,981.9	5,407.9	5,749.4	6,153.3	6,658.8	28,951.3
• Foreign Finance	1,836.8	2,112.3	2,429.3	2,793.7	3,212.8	12,384.9
<b>TOTAL INVESTMENT</b>	<b>9,615.7</b>	<b>10,309.0</b>	<b>11,192.2</b>	<b>12,202.8</b>	<b>13,354.5</b>	<b>56,674.3</b>
• Public Investment	2,797.0	2,788.8	3,013.5	3,255.8	3,483.0	15,338.1
• Private Investment	6,818.7	7,520.2	8,178.7	8,947.0	9,871.6	41,336.2
<b>TOTAL INVESTMENT</b>	<b>9,615.7</b>	<b>10,308.0</b>	<b>11,192.2</b>	<b>12,202.8</b>	<b>13,354.5</b>	<b>56,674.3</b>
• Domestic Financed	5,346.0	5,948.7	6,345.6	6,832.7	7,428.4	31,901.3
• Foreign Financed	4,269.7	4,360.4	4,846.6	5,370.2	5,926.1	24,773.0
<b>PUBLIC INVESTMENT</b>	<b>2,797.0</b>	<b>2,788.8</b>	<b>3,013.5</b>	<b>3,255.8</b>	<b>3,483.0</b>	<b>15,338.1</b>
• National Budget	364.1	540.8	596.1	679.4	769.6	2,950.0
• Foreign Financed <sup>2</sup>	2,432.9	2,248.0	2,417.4	2,576.4	2,713.4	12,388.2

<sup>1</sup> Based on an average exchange rate of 4,100 CR = 1 US\$

<sup>2</sup> Capital investment component only, excludes TA component.

Source: Ministry of Economy and Finance

297. Detailed breakdown of the investment required to achieve the target growth rate by economic sector is presented in Table 11. To achieve the projected sectoral GDP growth rate, in terms of major sectoral groups:

- Agriculture, Fisheries and Forestry sector will require investment of 10,158.6 billion CR (US\$ 2.478 billion) over the next five years (2009-2013).
- The broad Industry sector (that includes mining, manufacturing, electricity, gas & water, as well as construction) will require investment of 24,967.0 billion CR (US\$ 6.090 billion) over the next five years. Within this group, the manufacturing sector (that includes the Textile, apparel and Footwear sub-sector) will require the largest share of the investment, 11,057.3 billion CR (US\$ 2.670 billion), followed by Construction sub-sector that will require 8,933.5 billion CR (US\$ 2.179 billion), and the Electricity, Gas & water sub-sector that will require an investment of 3,480.5 billion CR (US\$ 1.108 billion).
- The broad Services sector (that includes Trade, Hotels & Restaurants (tourism), Transport and Communications, Finance, Public Administration, and Real Estate) will require an investment of 21,548.8 billion CR (US\$ 5.256 billion).

**TABLE 12: CAPITAL INVESTMENT REQUIRED TO ACHIEVE GDP GROWTH TARGET  
BY ECONOMIC SECTOR**  
(in billions of CR<sup>1</sup>)

	2009	2010	2011	2012	2013	TOTAL
<b>Agriculture, Fishery &amp; Forestry</b>	<b>1,783.5</b>	<b>1,908.6</b>	<b>2,031.6</b>	<b>2,163.2</b>	<b>2,272.2</b>	<b>10,158.6</b>
Crops	1,513.3	1,623.2	1,731.8	1,847.9	1,942.6	8,659.2
Livestock & Poultry	86.5	93.9	101.3	108.2	115.6	505.9
Fisheries	105.0	110.3	115.2	120.5	125.5	576.1
Forestry & Logging	78.3	80.8	83.6	86.1	88.6	417.4
<b>Industry</b>	<b>4,148.0</b>	<b>4,420.2</b>	<b>4,888.8</b>	<b>5,437.8</b>	<b>6,072.1</b>	<b>24,967.0</b>
Mining	221.8	255.0	293.6	337.4	387.9	1,496.1
Manufacturing	1,770.4	1,955.3	2,164.4	2,426.0	2,741.3	11,057.3
Food, Beverages & Tobacco	186.6	212.8	236.6	262.0	291.9	1,189.8
Textile, Wearing Apparel & Footwear	777.0	826.6	888.5	980.3	1,100.0	4,572.3
Wood, Paper & Publishing	57.0	64.8	71.8	79.5	88.2	361.6
Rubber Manufacturing	62.7	68.1	76.3	86.1	97.2	389.9
Other Manufacturing	686.8	783.5	891.8	1,018.0	1,164.0	4,544.0
Electricity, Gas & water	585.1	618.3	683.9	756.5	836.8	3,480.5
Construction	1,570.7	1,591.6	1,747.0	1,918.0	2,105.8	8,933.5
<b>Services</b>	<b>3,684.7</b>	<b>3,980.3</b>	<b>4,271.8</b>	<b>4,601.8</b>	<b>5,010.6</b>	<b>21,548.8</b>
Trade	690.0	765.1	824.5	886.4	960.6	4,126.7
Hotel & Restaurants	481.3	508.8	533.8	564.6	616.6	2,705.6
Transport & Communications	656.4	683.1	744.2	811.0	883.6	3,778.2
Finance	109.9	127.1	141.0	164.0	193.9	736.4
Public Administration	777.4	823.3	868.4	915.9	966.4	4,351.3
Real Estate & Business	594.9	660.9	714.6	772.0	846.7	3,589.6
Other services	373.9	412.1	445.3	487.9	542.4	2,261.6
<b>Total</b>	<b>9,615.7</b>	<b>10,309.0</b>	<b>11,192.2</b>	<b>12,202.4</b>	<b>13,354.5</b>	<b>56,674.3</b>

<sup>1</sup> Based on an average exchange rate of 4,100 CR = 1 US\$

Source: Ministry of Economy and Finance

## 5. BUDGET REVENUES AND EXPENDITURES: 2009-2013

298. Because of the adverse impact of the global financial crisis and the economic recession in the developed countries on the Cambodian economy, revenues are projected to decline from 13.3% of GDP in 2008 to 12.3% of GDP in 2009 (see Table 8 on page 88). Revenues are projected to steady recover to the 2008 level of 13.3% of GDP by 2013. The implementation of RGC's targeted measures to protect the vulnerable and the poor from the adverse impact of the downturn in the economy, as well as measures to promote demand through the stimulus package will increase budget expenditures in 2009 to 16.2% of GDP from 15.7% in 2008. From 2010 onwards the budget expenditures are planned to be maintained around the 2008 level, i.e., at around 15.7% of GDP.

299. As part of the RGC's Public Finance Management Reform Program (PFMRP), the Ministry of Economy and Finance (MEF) has established two processes that provide important inputs in the preparation of Annual National Budget. The "Medium-term Expenditure Framework (MTEF)" provides projections of the "recurrent expenditures" of RGC institutions for the next three years. These projections are updated annually. The projections are based on a top-down macroeconomic analysis on the performance of the economy, RGC's priority policies, as well as bottom-up information on expenditures by RGC institutions. The Policy department of the MEF is responsible for this analysis. The second process is a three-year rolling "Budget Strategic Framework" that follows a bottom-up approach and is prepared by the Budget Department of the MEF. The main inputs for this

analysis are the information collected during the on-going dialogue between MEF and RGC institutions, and inputs provided by RGC institutions to MEF on their expenditures and indicative future requirements for the next two years. In the implementation of the PFMRP, the MEF will continue to further strengthen linkages between these two processes to further refine and streamline the process of Annual Budget formulation.

300. At this stage of socio-economic development of Cambodia, there is still a massive task ahead to rehabilitate and construct much needed physical infrastructure to achieve RGC's macroeconomic goal of maintaining a high level of economic growth in order to further reduce poverty. Although more than one-third of public expenditure is allocated to finance capital expenditures, it is still a relatively small proportion of the total capital expenditures required to rehabilitate and construct the urgently needed physical infrastructure in order to continue to make further progress in reducing poverty (Table 12). Dependence on the availability of external financing to rehabilitate and construct physical infrastructure has limited RGC's options to aggressively move forward on meeting its urgent needs. So far, RGC has been leveraging its capital expenditure budget portion of the National Budget to attract external financing to meet its high priority capital expenditure needs.

**TABLE 13: CAPITAL AND RECURRENT EXPENDITURES: 2008 - 2013**

(in billions of CR)

	2008	2009e	2010p	2011p	2012p	2013p
Total Expenditures	6,597.0	7,344.7	7,446.4	8,261.3	9,106.7	9,979.4
Capital Expenditures	2,654.5	2,758.5	2,860.3	3,127.6	3,418.7	3,699.7
Recurrent Expenditures	3,774.1	4,359.1	4,339.3	4,865.7	5,508.5	6,085.7
Provincial Expenditures ( net of subsidy)	168.4	227.1	246.9	268.0	179.5	194.0

Source: Ministry of Economy and Finance

301. As part of the implementation of the Public Finance Management Reform Program, the Royal Government is now in the process of strengthening linkages between the processes that: (i) identify high priority public investment requirements, which include the five-year National Strategic Development Plans (NSDP) and the three-year rolling Public Investment Program PIP; (ii) the mobilization of external resources from traditional and non-traditional development partners; and (iii) the preparation of the Budget Strategic Framework. The RGC is aware that the three-year rolling PIP requires improvements to ensure that: (i) the recurrent expenditure requirements that have implications for the Annual Budget are an integral part of information collected in the formulation of the PIP; (ii) projects included in PIP need to be prioritized, this will require RGC institutions to assign sequenced priority ranking of the proposed projects planned for implementation during the next three years, taking into account the overall macroeconomic environment and an awareness of the scope to mobilize external resources based on recent trends.

302. It is a high priority of the RGC to further strengthen the PIP formulation process. As the quality of PIP information improves, MEF will ensure that only those programs and projects that are part of the PIP are included in a consideration for funding during the formulation of the Budget Strategic Framework. The CRDB/CDC will ensure that in its resource mobilization activities it will actively promote the funding of projects included in PIP, and prepare regular reports on PIP projects that are supported by external development cooperation partners (EDPs) as well as projects supported by EDPs that are not part of the PIP.

303. As an effort to promote transparency of the budget formulation process, the MEF has prepared a preliminary/indicative projection of recurrent expenditure allocation for RGC institutions for the NSDP Update 2009-2013 period. The indicative projections are presented in Table 13.



**TABLE 14: INDICATIVE RECURRENT BUDGET EXPENDITURE BY MINISTRY/AGENCY: 2008 - 2013**  
(in millions of CR)

Ministry/Agency	2008	2009e	2010p	2011p	2012p	2013p
<b>I. General Administration</b>	<b>671,490</b>	<b>662,304</b>	<b>549,906</b>	<b>565,175</b>	<b>588,667</b>	<b>561,984</b>
05.1 Council of Minister	160,000	161,970	132,380	134,922	139,323	130,702
05.2 Civil Service Secretariat	2,420	3,177	2,597	2,646	2,733	2,564
05.4 CDC	3,235	5,769	4,715	4,806	4,962	4,655
07.2 Interior-Administration	46,300	35,098	28,686	29,237	30,191	28,322
08. Relations Assembly and Inspections	8,798	12,232	9,997	10,189	10,522	9,871
09. Foreign Affairs and Int'l Cooperation	77,948	72,798	59,498	60,641	62,619	58,744
10. Economy and Finance	72,000	74,758	61,100	62,274	64,305	60,326
14. Planning	12,032	16,497	13,483	13,742	14,190	13,312
26. Justice	17,655	26,926	30,606	35,903	42,129	49,265
30. National Election Committee	30,304	8,473	6,925	7,058	7,288	6,837
31. National Audit Authority	5,304	6,456	5,277	5,378	5,553	5,210
32. Affaire and Vocational Training	75,552	52,212	42,673	43,493	44,912	42,133
<b>II. Defense and Security</b>	<b>789,915</b>	<b>895,894</b>	<b>999,305</b>	<b>1,150,327</b>	<b>1,324,593</b>	<b>1,520,001</b>
06. National Defense	501,127	565,390	630,652	725,960	835,938	959,258
07.1 Interior - Security	288,788	330,504	368,653	424,367	488,655	560,743
<b>III. Social Administrative</b>	<b>1,100,957</b>	<b>1,547,353</b>	<b>1,710,616</b>	<b>2,019,920</b>	<b>2,395,713</b>	<b>2,816,192</b>
11. Information	20,472	34,938	28,555	29,103	30,053	28,193
12. Public Health	372,939	503,846	588,766	710,018	856,512	1,029,671
16. Education, Youth and Sport	506,097	742,546	867,697	1,046,393	1,262,290	1,517,484
18. Culture and Fine-Arts	20,811	26,219	21,429	21,841	22,553	21,157
19. Environment	14,552	19,540	15,970	16,277	16,808	15,768
21. Social Affairs, Labor & Vocat'l Training	138,642	181,477	148,323	151,171	156,103	146,443
23. Public Worship and Religion	8,717	13,192	10,782	10,989	11,347	10,645
24. Woman Affairs and Veterans	18,727	25,595	29,093	34,128	40,046	46,830
<b>IV. Economy Administrative</b>	<b>260,557</b>	<b>358,931</b>	<b>348,319</b>	<b>385,104</b>	<b>429,977</b>	<b>465,641</b>
05.3 Civil Aviation Secretariat	9,714	11,778	9,626	9,811	10,131	9,504
13. Industry, Mines and Energy	13,000	15,898	12,994	13,243	13,675	12,829
15. Commerce	27,735	36,008	29,430	29,995	30,973	29,057
17. Agriculture, Forestry and Fishery	63,179	76,987	87,509	102,653	120,455	140,858
20. Rural Development	32,200	63,758	72,472	85,014	99,757	116,654
22. Posts and Telecommunications	34,306	38,887	31,783	32,393	33,450	31,380
25. Public Works and Transport	23,334	31,672	25,886	26,383	27,244	25,558
27. Tourism	19,166	28,498	23,292	23,739	24,513	22,996
28. Urbanization and Construction	16,430	24,093	19,691	20,070	20,724	19,442
29. Water Resources and Meteorology	21,493	31,352	35,637	41,804	49,054	57,363
V. Miscellaneous	812,913	894,585	31,153	745,192	769,503	721,886
<b>Total</b>	<b>3,635,832</b>	<b>4,359,067</b>	<b>4,339,299</b>	<b>4,865,717</b>	<b>5,508,453</b>	<b>6,085,704</b>

Source: Ministry of Economy and Finance

## CHAPTER IV

### KEY POLICY PRIORITIES AND ACTIONS: 2009-2013

304. The over-riding goal of the Royal Government of Cambodia is to firmly and steadily build a Cambodian society which enjoys peace, political stability, security and social order, and sustainable and equitable development, with strict adherence to the principles of liberal multi-party democracy, respect for human rights and dignity; and a society in which social fabric will be strengthened to ensure that the Cambodian people are well-educated, culturally advanced, engaged in dignified livelihood and living in harmony both within family and society.

305. The Royal Government is strongly committed to achieve its prioritized goals in the Fourth Legislature of the National Assembly by ensuring:

- Sustainability, peace, political stability, security and social order to promote rule of law and protect human rights and dignity and multi-party democracy.
- Sustainable long-term economic growth at a rate of 7% per annum on a broader basis and more competitive capacity in the context of one-digit inflation.
- Poverty reduction at a rate of over 1% per annum, and improvement of main social indicators, especially in education, health and gender equity.
- Increased outreach, effectiveness, quality and credibility of public services.

306. For the Royal Government the most formidable development challenge is the reduction of poverty and improving the livelihoods and quality of life of the rapidly growing population. The Royal Government consider poverty to be a waste of a valuable economic resource which is not only morally unacceptable but can also result in social polarization and instability. Significant progress has been made since March 2003, when the Royal Government launched its first National Poverty Reduction Strategy. As mentioned earlier in Chapter II, the results of the most recent Cambodia Socio-Economic Survey: 2007 show that overall poverty headcount index for the whole country has decreased from 34.7% in 2004 to 30.1% in 2007 -- a significant reduction of 4.7 percentage points representing a reduction of more than 1 percentage point per year. The survey results also show that poverty levels have declined at all sub-national levels: in Phnom Penh from 4.6% in 2004 to 0.8% in 2007, in other urban areas from 25.8% to 21.9%, and in rural areas from 39.1% to 34.7%. The decline in poverty during the period 2004-2007 reflects substantial and statistically significant growth in real per capita household consumption – the measure of living standard commonly used. The rise in consumption is reported to be both apparent and statistically significant in the two poorest quintiles. Among the poorest and next poorest quintiles consumption increased in real terms by 10.7 and 11.5 percent respectively.

307. *Protecting the hard earned gains made so far and staying on the path to ensure future gains in reducing poverty has now added risks due to the global financial crisis and the on-going economic recession in advanced economies.* Although RGC was taken by surprise by these rapid external developments, it responded quickly by putting in place a response mechanism. The RGC response mechanism has adopted a two pronged approach, focusing on short-term and long-term actions. The short-term actions have focussed on broadening the scope of social protection and safety net programs that are being implemented by various RGC institutions to mitigate the adverse effect of the global crisis on the vulnerable and the poor; implementing fiscal measures to incentivise producers

and consumers alike to resuscitate the sluggish real economy; and following a monetary policy that has responded rapidly to changing conditions. As long-term measures, the RGC priority is to continue to address long term issues through improved competitiveness. In order to build resiliency against the current economic recession in advanced economies and to sustain economic growth, RGC will be looking at ways to improve its competitiveness in the regional and international arena, as well as actively look for opportunities to diversify and expand the economic base.

<b>Box 3</b> <b>RGC's Highest Priority is to Continue to Reduce Poverty</b> <b>Priorities to Mitigate the Adverse Effects of the Global Financial Crisis and Economic Downturn</b>	
<p>1. To mitigate the impact of current global and financial crisis, the RGC is implementing a sizeable fiscal stimulus package and a sharper focus on support for social safe net programs delivered by ministries and agencies to mitigate the adverse effects of the crisis on the vulnerable and poor segments of the population. On the monetary policy side, the National Bank of Cambodia's has responded rapidly by adopting a easing and accommodative monetary policy and implementing wide-ranging measures to support and strengthen the financial and banking system.</p> <p>2. RGC will continue to strengthen coordination and scope of social protection and safety net programs: Protecting the hard earned gains made so far and staying on the path to ensure future gains in reducing poverty is a high priority of RGC. The Council for Agriculture and Rural Development (CARD) has been tasked to ensure that effective inter-ministerial coordination mechanisms are in place involving RGC ministries and agencies that are responsible for delivering social safety net programs to the vulnerable and the poor. CARD is also tasked to prepare comprehensive strategies covering all aspects of development of rural economies and to coordinate, monitor and evaluate the implementation of these strategies in a coordinated and time sequenced manner by implementing RGC institutions to achieve a sustainable development of the rural economies.</p> <p>3. In the short-term, RGC strongly encourages all development partners, the private sector, external development cooperation partners, NGOs, civil society organizations, and citizens who are able to provide financial support to communities that are adversely effected by the current crisis. There is a long history of distinguished Cambodian's from both public and private sectors engaging in personal and private efforts to uplift people in rural areas. Such private efforts now need to be expanded to remote areas that may not have many patrons but have a high incidence of poverty.</p>	<p>4. In order to build resiliency against the current economic recession in advanced economies and to sustain economic growth, RGC will be looking at ways to improve its competitiveness in the regional and international arena, as well as actively look for opportunities to diversify and expand the economic base.</p> <p>5. RGC will strengthen integration of the Cambodian economy in the dynamic regional markets.</p> <p>6. To prepare the work force for the next stage of development, RGC will pursue a pro-active human resources policy that will encourage the participation of the private sector in expanding the needed education services and will ensure that students in the secondary and university education institutions are being trained to meet the needs of a changing economy.</p> <p>7. RGC will aggressively pursue a strategy to ensure a broad-based development of rural economies to create new jobs and increase incomes to uplift the economic status of rural communities and to enable them to make a greater contribution to the national economy.</p> <p>8. RGC will work with development cooperation partners to ensure that there is a greater net transfer of development cooperation grant resources targeted at poverty reduction to the vulnerable and the poor in rural communities, especially remote rural communities. In particular, significantly increasing the proportion of development cooperation grant resources that are allocated and delivered to the vulnerable and the poor through program delivery methodologies that are based on an active participation of the poor in the utilization of these resources to improve their quality of life, incomes, and their contribution to the national economy.</p>

308. Over the last decade some important conditions for maintaining sustained high economic growth have been achieved. The benefits of maintaining macroeconomic stability have been demonstrated. The growth of the garment sector has demonstrated that improved governance arrangements can deliver growth. The usefulness of independent third-party monitors (BFC/ILO) in the case of garment sector has been proven. The efficiency of partnership between RGC and private sector (Government-Private Sector Forum) has been tested and the benefits of implementing an industrial policy have been proven.

309. Over the last two years, the Supreme National economic Council (SNEC) has commissioned a number of studies to examine: (i) the impact of the global financial and

economic on the Cambodian economy; (ii) how to improve competitiveness of Cambodian exports in the regional and international markets; (iii) how to broaden and diversify the economic base in order to sustain the high economic growth level achieved over the last decade and sustain progress in reducing poverty. The findings of these studies highlight a number of options that require concrete coordinated actions by implementing RGC institutions. Within the framework of the RGC priorities outlined in the Rectangular Strategy Phase II for the Fourth legislature, RGC institutions will give a high priority to developing and implementing programs and activities to address the identified issues.

310. Maintaining a high economic growth rate and ensuring future gains in poverty reduction is a high priority for all RGC institutions. Making further progress in the current global environment now requires coordinated actions by all concerned RGC institutions, as emphasized by **Samdech Akka Moha Sena Padei Techo HUN SEN** the Prime Minister of the Kingdom of Cambodia in his address at the 2009 Cambodia Outlook Conference on “Cambodia and the Global Economic Crisis: Impact, Policy Responses and Actions”. Samdech Prime Minister highlighted that “these challenges will require not only a more effective and dynamic cooperation between the government, its development partners and the private sector but also more effective coordination and collaboration within and across government ministries, and the development community. In key areas such as agriculture and rural development, and associated infrastructure development, irrigation and water resource management, and trade facilitation, I will be requiring much greater communication, coordination and cooperation between relevant ministries/institutions, especially their leaders and senior officials to ensure that development programmes are more speedily and effectively designed and implemented, and that the supporting resources provided by our development partners can be more speedily and effectively disbursed for implementation. This is no easy task but the nature of this crisis means that there has never been a greater need for us all to work together to improve our performance on this issue”.

311. Effective implementation of a strategy to ensure a broad-based development of rural economies to create new jobs and increase incomes to uplift the economic status of rural communities and to enable them to make a greater contribution to the national economy will require coordinated planning and implementation of programs by a number of RGC institutions. This broad-based development will be focused on enhancing the productivity and diversity of the agriculture sector, development of agro-industries, rehabilitation and construction of rural roads network to ensure that rural communities have access to market their products in the national and regional markets, and expansion of the education, technical and vocational training, and health services in the rural areas. As a high priority, the Council for Agriculture and Rural Development (CARD) has been tasked by RGC to develop strategies and policies to develop rural economies, and to coordinate, monitor and evaluate the implementation of planned strategies and policies by RGC implementing institutions. Putting in place effective inter-ministerial coordination mechanisms that will ensure that development programs and projects are carried out in a coordinated and strategically sequenced manner by implementing RGC institutions to achieve a sustainable development of rural economies is a high priority of CARD.

312. Further strengthening trade facilitation and integration of the Cambodian economy in the dynamic regional markets, in particular with the ASEAN, Greater Mekong sub-region (GMS) groups, and “CLV” discussions (Cambodia- Lao PDR-Viet Nam), will require RGC institutions with responsibilities for areas -- such as transportation infrastructure (roads, railways, ports, and airports), private sector development (especially the planning and development of Special Economic Zones), trade facilitation, and industrial development (in

particular creating the enabling conditions to integrate the informal sector small and medium size enterprises in the formal economy) -- to more closely coordinate their strategies and development programs.

313. Strengthening the capacity of the RGC institutions to deliver their services efficiently and to foster a culture of transparency and accountability. The development and implementation of a comprehensive capacity development strategy covering all public sector institutions in close collaboration with these institutions is a high priority of the Council for Administrative Reform (CAR). To address the question, "What are we building capacity for?", CAR will examine issues related to: mandate of each institution and identify if there are any overlaps in the mandate of institutions; the functional organization of each institution to deliver mandated functions and the minimum staffing levels and skills required to carry out these functions.

314. Strengthening RGC institutions capacity to identify the implications of climate change, developing a strategy to deal with the anticipated impact of the climate change, and strengthening disaster management capabilities.

315. Ensuring that there is a greater net transfer of development cooperation grant resources targeted at poverty reduction to the vulnerable and the poor in rural communities, especially remote rural communities. In particular, significantly increasing the proportion of development cooperation grant resources that are allocated and delivered to the vulnerable and the poor through program delivery methodologies that are based on an active participation of the poor in the utilization of these resources to improve their quality of life, incomes, and their contribution to the national economy. As well as, strengthening coordination in the planning, budgeting, and allocation of resources available for development from all sources by the four central agencies, MOP, MEF, CRDB/CDC, and SNEC.

316. The "Rectangular Strategy-Phase II", that is, the socio-economic development policy agenda of the Royal Government of the Fourth Legislature, maintains the structure of the "Rectangular Strategy" and outlines the fine-tuned and sharpened prioritized policies to respond to current conditions. To achieve RGC's socio-economic development goals, the Rectangular Strategy laid out four objectives that are illustrated by its motto: Growth, Employment, Equity and Efficiency. It is RGC's long-term strategy that is based on the following fundamentals:

*First:* Ensuring sustainability of peace, political stability, security and social order through specific measures aiming at promoting the rule of law, respect for human rights and dignity, liberal multi-party democracy in order to create a favorable security and political environment for long-term sustainable development.

*Second:* Ensuring sustainable long-term economic growth at around 7% per year on a broader and more competitive economic base in the context of low, single-digit inflation, stable exchange rate and steady increase in international reserves.

*Third:* Ensuring equitable distribution of opportunities and the fruits of the economic growth.

*Fourth:* Ensuring environmental sustainability, especially through sustainable management and use of natural resources.

317. In addition, there are other important considerations which necessitate continued implementation of the "**Rectangular Strategy**"; such as:



- First:* The need to continue strengthening and expanding the achievements made by the Royal Government in implementing the “**Rectangular Strategy**” during the third legislature.
- Second:* As emphasized earlier, the implementation of the “**Rectangular Strategy**” during the third legislature has brought up numerous challenges requiring the Royal Government to improve and refine, its prioritized policies and to accelerate the implementation of this policy agenda during this legislature.
- Third:* Continued implementation of the “**Rectangular Strategy-Phase II**” is a further step to achieve the “**Cambodian Millennium Development Goals**”.
- Fourth:* The will and aspirations of the Cambodian people coupled with changes in the world and domestic situation in Cambodia need to be addressed by the improved and refined “**Rectangular Strategy**” and its implementation in the second phase.

318. This NSDP Update 2009-2013 outlines the actions, programs and projects that Ministries and Agencies will carry out during the Fourth Legislature (2008-2013) of the National assembly to implement the key policy priorities of the Royal Government that are laid out in **Rectangular Strategy Phase II**. The information presented below follows the structure of the Rectangular Strategy. For each component and sub-component of the Strategy, it is organized by presenting: first, the key policy priorities for the specific area; and second, the actions, programs and projects that concerned Ministries and/or Agencies will carry out to implement these policies.

## **1. GOOD GOVERNANCE: THE CORE OF THE RECTANGULAR STRATEGY**

319. *In the Fourth Legislature, the continued governance reforms by the Royal Government will place importance on the enhanced effectiveness in implementation of policy and delivery and management of public goods, especially a better public services delivery in order to respond to the aspirations of the people.* The four sides or sub-components of this component of the Rectangular Strategy deal with: (i) fighting corruption; (ii) legal and judicial reforms; (iii) public administration reforms; and (iv) reforms of the Cambodian Armed Forces.

### **I. FIGHTING CORRUPTION**

#### **A. Policy Priorities for the Fourth Legislature**

320. Fighting corruption will continue to be a high priority for the Royal Government of the Fourth Legislature. The Royal Government is strongly committed to develop and adopt the anti-corruption law that is consistent with other fundamental laws to ensure coherence and consistency among different laws and their effective implementation, as soon as possible, in close consultation with all concerned parties. The development and adoption of all fundamental laws has been and will continue to be a high priority of the Royal Government.

321. While work on the preparation of these laws is underway, the Royal Government will continue to pursue strict strategic measures to eliminate the root causes of corruption through the following interrelated actions:

- *Preventative Measures:* The Royal Government will continue to raise awareness about all aspects of corruption, including its causes, impacts and consequences to encourage public participation in preventing and fighting corruption. Concrete



measures will be pursued to encourage all levels of government officials to adhere to dignity, morality, professionalism and responsibility in fulfilling their duties.

- *Strengthening accountability and institutional capacity:* The Royal Government will focus on improving its effectiveness in avoiding conflict between the public and private interests by adhering to the principle of incompatibility between functions, especially incompatibility between political and public servant positions; and between political or public servant positions and private activities. The Royal Government will also reduce and eliminate the use of public positions, influence and power which blur or bias the decision-making process.
- *Public support and participation:* Public support and participation is sine qua non for effectively preventing, reducing and fighting corruption. For this, the Government will continue to further promote and protect the freedom to seek to obtain and to disseminate information on corrupt cases in the media. However, this should be done in a credible and responsible manner by respecting the rights, honour and dignity of people involved while protecting national security and public order.
- *Private sector participation:* The Royal Government will continue to develop and pursue implementation of policies, legal and regulatory framework and procedures to protect the integrity of the private sector in order to prevent collusion and to ensure fair competition between private companies/enterprises by ensuring proper behaviour, honourable conduct and dignity in all business transactions. The Royal Government will safeguard the balance between the rights and interests in the contracts made between the public and private sector.
- *Strengthening of law enforcement:* The Royal Government will take strict legal measures against culprits in order to eliminate the culture of impunity, reduce corruption, and increase public confidence.

## **B. Planned Actions to Implement the Prioritized Policies**

322. To implement RGC's prioritized policies, the objectives of the Anti-Corruption Unit to fight corruption are to:

- *Strengthen and speed up the work of education, dissemination of corruption-related regulations*
- *Minimize opportunities for corruption.*
- *Enforce the law against the offenders.*

323. To achieve the above objectives, the Anti-Corruption Unit will implement the following interwoven strategies during the Fourth Legislature.

### *i. Prevention*

- Continue to raise awareness about all aspects of corruption, including its causes, impacts and consequences to encourage public participation in preventing and fighting corruption.
- Concrete measures will be pursued to encourage all levels of government officials to adhere to dignity, morality, professionalism and responsibility in fulfilling their duties.

### *ii. Strengthening accountability and institutional capacity*

- Strengthen the effective implementation of principles in order to avoid conflict between the public and private interests.

- Continue to build and strengthen the institutional capacity, including inspection tasks for management and enforce the effective implementation of the Anti-Corruption Law.
- iii. *Public support and participation*
- Continue to further promote and protect the freedom to seek to obtain and to disseminate information on corrupt cases in the media.
  - Continue and expand the organizing of national and international seminars on corruption.
  - Continue international cooperation and partnership in order to prevent and combat corruption.
- iv. *Private sector participation*
- Continue to develop and pursue implementation of policies, legal and regulatory framework and procedures to protect the integrity of the private sector in order to prevent collusion and to ensure fair competition between private companies/enterprises by ensuring proper behaviour, honourable conduct and dignity in all business transactions.
  - Safeguard the balance between the rights and interests in the contracts made between the public and private sector.
- v. *Strengthening of law enforcement*
- Continue to take strict and severe legal actions against corrupt people in order to reduce corruption and to build confidence among people.

324. The Ministry of National Assembly-Senate Relations and Inspection (MONASRI) will continue to focus on fighting corruption through its five key priority programs, in particular its inspection program. MONASRI's five key programs are: (i) the program of law dissemination, (ii) Inspection, (iii) monitoring of Law Enforcement, (iv) Complaint Handling and (v) Institutional strengthening and capacity development including promotion of gender into the five key priority programs.

325. *To implement RGC's priority policies, MONASRI will focus on:*

- i. *Strengthening law dissemination sector* for raising public awareness of the laws, their rights and responsibilities to maintain stability, social order, and rule of law to reduce social poverty and crimes. MONASRI has selected 9 priority laws (Land Law, Forestry Law, Fishery Law, Law on Domestic Violence and Protection of Victims, Law on Management of Private Medical, Paramedical, and Medical Aide Practice, Law on Pharmaceutical Management, Traffic Law, Law on Drug Control and Law on preventing the spread of HIV/AIDS), to disseminate to citizens in 24 municipalities and provinces.
- ii. *Strengthening inspection sector and complaints handling in order to fight against corruption*, abuses of power and misconducts, ensuring the enforcement of laws and the reduction of corruption, abuse of the law, and misconduct. The Inspection sector covers three key priorities - inspection, monitoring of law enforcement and complaint handling. The inspection sector is not only a mechanism to prevent, suppress and combat corruption, abuse of power or misconduct, but it is also a mechanism to strengthen good governance which is the core of rectangular strategy. MONASRI has identified three priority activities

for its inspection program: (1). to conduct inspection on the inventory management of the state properties, state income-expense generations and foreign aids, and general management within the line ministries and public institutions; (2). to monitor the law enforcement in the field of agriculture, public works, education, health care, land management, urbanization, and construction, commerce, industry and social affairs; and (3) to receive and handle public complaints.

- iii. *Strengthening institutions and human resources development* in order to increase its institutional capacity at the headquarters, and provincial and municipal department to: (1) to continue drafting the laws on inspection, procedure on inspection, and policy on access to information; (2) to conduct training courses on: training of trainer on law dissemination, investigation skill, forensic accounting, human resource management skill, general administration skill, protocol skill, and planning skill; (3) establish Priority Mission Group Projects, and (4) to construct office buildings for municipal and provincial departments.

326. The Ministry of Justice will continue to provide the support needed to have the draft Anti-Corruption Law, which was endorsed by the Council of Minister on 11 December 2009, approved by the Legislature.

## II. LEGAL AND JUDICIAL REFORM

### A. Policy Priorities for the Fourth Legislature

327. The Royal Government has improved legal and judicial systems by focusing on the development of a sound legal framework and modernization of the laws, as well as by laying out necessary strategies and measures to enhance the competence, independence and impartiality of the judiciary, which are crucial to strengthening the rule of law. In the third legislature, a total of 140 laws were promulgated including three major codes– the Criminal Procedure Code, the Civil Procedure Code and the Civil Code. The Royal Government will continue implementing the legal and judicial reform strategy in order to achieve its seven strategic objectives. *It will also focus more on the early adoption of major fundamental laws such as the Penal Code, the Anti-Corruption Law, the Law on the Statutes of Judges and Prosecutors, the Law on the Organization and Functioning of the Courts and the Law on the Amendment of the Law on the Organization and Functioning of the Supreme Council of the Magistracy.* At the same time, the Royal Government will continue to organize programs to disseminate knowledge of laws and procedures to the public and provide legal training to law-enforcement officials with the aim of improving awareness and proper enforcement of the laws.

328. *In the Fourth Legislature, the Royal Government will continue to address the following priorities : (1) enhancement of the competency of Judges and Prosecutors* through continued high quality training and initial professional training, and enhancing the accountability of judges and prosecutors by promulgating the statutes for Judges and Prosecutors, and by taking strict disciplinary actions in close cooperation with the Supreme Council of the Magistracy; (2) *development of the support mechanisms to serve the judicial sector-* including the introduction of the statutes for the court clerks, the notaries and the bailiffs; and the operational functioning of professional training schools for the above officials in order to ensure their proper qualifications and professionalism; (3) *provision of legal aid-* especially through provision of lawyers to poor citizens to help protect their rights and interests at court; and, (4) *further promotion of the mechanisms for dispute resolution outside of the court system* in order to improve and strengthen the culture of harmonious co-existence of people in peace and solidarity.

## **B. Planned Actions to Implement the Prioritized Policies**

329. The Council for Legal and Judicial Reform (CLJR) and the Ministry of Justice have planned the following actions to implement the prioritized policies for the Fourth Legislature:

### **I. Legal Reforms**

- *Continue to promote the adoption of the major fundamental laws* namely the Penal Code, the Anti-corruption Law, the Law on the Organization and Functioning of the Court, the Law on the Amendment to the Law on the Organization and Functioning of the Supreme Council of the Magistracy.
- *Training and Law Dissemination*
  - The Council for Legal and Judicial Reform, the Ministry of Justice, the Royal Academy for Judicial Professions, Lawyer Training Centre, the National Police Academy and other specialized institutions will actively engage in disseminating information on Laws and rights of citizens under the Laws in order to enhance their awareness of and ability to defend their rights in order to reduce offences against them.
  - Establish information services booth for citizens at the municipal and provincial courts.
- *Continue to monitor progress and provide support to obtain approval the National Assembly and the Senate on the following draft laws:*
  - Draft of Criminal Code adopted by the Council of Ministers on 19 June 2009
  - Draft Law on Court Organization and Prosecution
  - Draft Law on the Statute of Judges and Prosecutors
  - Draft Law on Civil Litigation related to Personal Statute
  - Draft law on non-Suit Civil Case Procedure
- *Continue work on drafting the following Laws:*
  - Law on amendment of the Law on Organization and Functioning of the Supreme Council of Magistracy
  - The Provision to guaranty the Independence of Prosecutorial Institution
  - Law on Statute of Court Clerks
  - Law on Statute of Notary Public
  - Law on Application of the Civil Code
  - Law on Bailiff
  - Law on Juvenile Protection
  - Law on International Cooperation
  - Law on Immovable Registration
  - Law on Deposit

### **II. Judicial Reforms**

- *Strengthen the capacity of judges, prosecutors, court clerks and law enforcement officials through:*
  - Initial and Continuous trainings.
  - Strengthening the Disciplinary Council of the SCM.
  - Model Court implementation: Strengthening management and administration of courts, expansion to other courts and increasing funding support for court reform.

- Collecting, commenting, printing and publishing court decisions.
- *Building mechanism to assist the Justice Sector Institutions*
  - Enact and implement statutes for court clerks, notaries, bailiffs, police and corrections;
  - Strengthen the Training Schools for Court Clerks, Notaries and Bailiffs.
- *Provision of Legal Aid*
  - Prepare a Strategic Plan to implement key recommendations set forth by “Legal aid national survey: December 2006”.
  - Implement the Activity Plan for the provision of legal aid.
- *Continue to promote ADR Mechanism*
  - Strengthen the Maison de la justice project;
  - Expand the implementation of the Alternate Dispute Resolution (ADR) mechanism outside the court system by establishing Centres for Legal Services in 20 districts, and expand these services in all districts and the capital in order to reduce the backlog of cases at the provincial court and facilitate the dispute resolution for the citizens, in particular the poor at the commune level.
  - Study and prepare legal framework for the integration of ADR.
- *Expand the Judiciary services by establishing:*
  - Special Courts as needed such as the Commercial Tribunal, the Labour Tribunal, the Juvenile Tribunal and the Administrative Tribunal.
  - The Court of Appeal at sub-national levels to facilitate access to the judicial system for citizens, in particular those living in remote area citizen and to reduce the backlog at Phnom Penh court of Appeal.
  - Court at Pailin and Odormeanchey provinces.
  - Strengthening international cooperation in the law and judicial field especially with Asean countries.

### **III. Accelerate the legal and judicial reforms by:**

- *Continuing skill training for GS-CLJR staff;*
- *Continuing delivery of training on the Planning Guide for the Justice Sector Institutions and prepare necessary mechanism for strengthening the implementation of the reform;*
- *Preparing indicators and monitor the implementation of the legal and judicial reform;*
- *Continuing informing courts and local authorities of the legal and judicial reform programme.*

### **III. PUBLIC ADMINISTRATION REFORM**

#### **A. Policy Priorities for the Fourth Legislature**

330. The Royal Government has launched Priority Mission Groups (PMGs) in a number of ministries and agencies in order to strengthen institutional and professional capacity, introduced selection criteria and competitive examinations for the recruitment of government officials, increased social security and functional allowances, and piloted the Merit-based Payment Initiative (MBPI) aiming at improving the efficiency, transparency and the

responsibility of the public services. The “**Single Window**” mechanism has been launched to facilitate the public service users while the decentralized public services at commune/sangkat level and public service provision through information technology are also offered. The Public Financial Management reform has enabled the Royal Government to achieve budget credibility through improved revenue management and expenditure rationalization. This has facilitated increase in the average monthly salary from 30 USD in 2004 to 62.4 USD in 2008, a more than two fold increase.

331. *In the Fourth Legislature*, the Royal Government will continue to expand the coverage of the PMGs and MBPI to a number of priority ministries and agencies, in order to deepen nationwide sectoral reform programs. The Royal Government will pursue the increase in base salary of 20% per annum, compared to 10-15% in the third legislature. The Royal Government will continue to enhance the efficient use of information technology; implement improved personnel management and the capacity building for government officials; increase roles and participation of women in public administration; enhance provision of basic public services, government sovereignty services, investment-related services, and support to small and medium businesses through the implementation of the “**Single Window**” mechanism; and to pursue the establishment of Ombudsman offices. The Royal Government will also set up new mechanisms in providing public services through the creation of the "Special Operation Agency" in a number of ministries and agencies, and will encourage the civil society and private sector to participate directly in providing public services.

332. The Royal Government will further pursue the Decentralization and De-concentration policy by developing legal and regulatory framework and laying out new measures to ensure effective implementation of the "Organic Law on the Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans", especially the development and implementation of the legal and regulatory framework related to the transfer of power from the national to sub-national administrations by clearly identifying roles, authority, power, and accountability. This law will be carefully implemented in phases. Each ministry and agency will prepare concrete Action Plans for the delegation of power and functions to the sub-national levels. Decentralized financial management will also be implemented in a phased and flexible manner over the medium term to allow for the capacity building at the sub national levels. The National Committee on Sub-National Democratic Development is preparing a 10-year National Implementation Program.

#### ***B. Planned Actions to Implement the Prioritized Policies***

333. Building on achievements to date, the Council for Administrative Reform is deepening and widening the reform. The focus is on improving the quality and delivery of public services and to develop human and institutional capacity to implement RGC priority policies and sustain results. The NPAR for the current mandate of the Royal Government targets performance and accountability as two keys to transform the Administration and the Civil Service into effective providers of public services and trusted development partners. This will require changes on a broad front from transforming behaviour to strengthening recruitment, retirement and deployment processes. Each of the initiatives of the NPAR contributes to developing capacity of the Administration and the Civil Service to implement the policies and priorities of the Royal Government.

334. Developing capacity can only be an internal and long term enterprise anchored in the country's reality. Developing the capacity of the Civil Service is a strategic investment into Cambodia's future. The strategy is to achieve successive plateaus of capacity in priority fields. The CAR is developing a policy on developing capacity in consultation with ministries



and development partners. The purpose of the policy is to set parameters for capacity development and to facilitate the coordination of efforts. Capacity development shall be demand driven and Cambodianized. Capacity programs shall be prioritized to target strategic needs of the Royal Government. Capacity for coordination, for financial management, for decentralization and de-concentration, for competitiveness, for the management of aid and for human and institutional performance are early priorities.

335. Programs and implementation arrangements will be deployed to complement work already underway. Ministries and institutions are responsible to develop their own capacity. The CAR will facilitate and provide technical support.

336. *In the Fourth Legislature*, the NPAR will focus on developing the capacity of the Administration and the Civil Service to serve people better for the wellbeing of the people and the prosperity of the Country. In particular, the focus will be to continue to improve the quality and delivery of public services in line with the Policy on Improving Public Service Delivery, to complete the policy framework to guide the reform particularly those parts relating to the management, development and deployment of civil servants (performance and merit based practices), to strengthen the management of capacity in the Civil Service (with an early focus on better using existing competencies, coordination mechanisms and immediate implementation needs), to continue to deploy performance and accountability instruments (SOAs, PMGs, MBPIs and PMAS) as wedges to changing practices and procedures; to continue to improve compensation in a fiscally responsible manner, and to significantly reinforce personnel management and control mechanisms (recruitment, promotion, retirement for example). The NPAR outlines a detailed plan of action to 2013.

337. The goal of the Royal Government's Administrative Reform is to serve people better. The target is to transform the Public Administration into an effective provider of public services and a trusted development partner through enhanced performance and accountability. Following the National Seminar on the Administrative Reform held in February 2009, Samdech Akkak Moha Sena Padei Techo Hun Sen, the Prime Minister approved a strategy for implementation of the "National Programme for Administrative Reforms 2009-2013" that is articulated around five thrusts. The activities listed are indicative of priorities that will be elaborated in the National Program for Administrative Reform.

*i. Enhancing the quality and the transparency of public service delivery processes*

338. Good governance and the effective delivery of quality public services is a cornerstone of the Administrative Reform. Major activities include:

- *Continuing the implementation of the Policy on Improving Public Service Delivery.*
- *Updating the Governance Action Plan to focus on how to improve public services and enhance coordination among the reforms.*
- *Finalizing the Compendium on public services and disseminate it broadly to enhance transparency and facilitate access to public services including: electronic access.*
- *Coordinating and collaborating with ministries and institutions to review targeted services by simplifying procedures and streamlining delivery processes.*

*ii. Enhancing the accountability and effectiveness of public services*

339. In order to achieve the priorities of the Royal Government and to improve public services to people, the Administrative Reform will focus on improving performance and accountability to enhance implementation of policy and operational priorities of the Royal Government by:

- *Strengthening performance through capacity development and gradually changing behaviour from “administrator “to “service provider “.*
- *Continuing the deployment of Performance and Accountability instruments: Special Operating Agencies, Merit Base Performance Incentives and Priority Mission Groups.*

340. These schemes are being implemented in the Ministry of Economy and Finance, the Ministry of Interior, the Ministry of Health, the Ministry of Information and the MONASRI. Other ministries such as the Ministry of Commerce, the Ministry of Public Work and the Ministry of Labor are preparing schemes of their own. By the end of 2009, some 10, 000 civil servants will have been appointed to one of these schemes.

*iii. Capacity development*

341. The objective is to make institutional and human capacity development demand driven and Cambodianized in order to meet capacity needs of the Administration and the Civil Service. The objective is to improve the quality and delivery of public services. A policy framework will guide implementation by ministries and institutions that will include:

- *The policy and guidelines on Capacity Development.*
- *The policy and guidelines on Human Resource Development.*
- *The development and deployment of Performance Management and Accountability System.*
- *Improvement of ICT implementation.*

*iv. Human Resource Management and Compensation*

342. To further enhance the management of human resources based on principles of performance, merit and fairness and to improve motivation, including:

- *Continue the implementation of the 20% annual increase in basic salary policy of civil servants.*
- *Finalize the policy on human resource management and guidelines.*
- *Ongoing development of human resource management through ICT.*
- *Ongoing payroll management through effective ICT.*

*v. Cadre management and deployment*

343. To strengthen practices and processes to implement the government priorities concerning the size and distribution of the establishment, including:

- *Strengthening cadre management and maintaining the number of civil servant to an acceptable level.*
- *Ongoing implementation of classification system by cadre and of the new payroll.*
- *Ongoing implementation of the retirement policy using ICT.*
- *Finalizing and implement the policy on redeployment.*

344. The National Program for Administrative Reform – Serving People Better for the present mandate to 2013 outlines a detailed Action Plan of sequenced actions. How deep, how wide and how fast the reform will proceed will depend on the capacity to implement and sustain. It is urgent that necessary partnership arrangements be put in place to implement the reform. In particular, it is urgent to strengthen mechanisms for coordination and monitoring.

345. The envisaged planned activities will be implemented in three phases:

*Phase I (to end of 2010):* Involves the design of the reform program and the establishment of implementation arrangements, including:

- *a policy framework to guide administrative reform and a coherent set of programs and partnerships;*
- *Practices and processes to facilitate implementation, management, monitoring and evaluation (e.g. ministerial workgroups on Administrative Reform);*
- *baseline studies and development of plans for various aspects of the reform (service delivery, competitiveness, change of behaviour...); and,*
- *the continuing deployment of instruments to enhance performance and accountability (SOAs, PMGs, MBPIs and PMAS).*

*Phase II (to end of 2012):* Involves the establishment of systems, processes and mechanisms to support ministries in their implementation of reform activities, including:

- *deployment of instruments and tools to enhance the management and development of human resources;*
- *gradual deployment of practices and processes to improve performance and accountability;*
- *Implementation of a coherent set of capacity development initiatives to enhance the quality and delivery of public services and the implementation of policy priorities.*

*Phase III (to end of 2013 and beyond):* Involves the general use of processes and practices to enhance performance and accountability, including:

- *deployment of revised or new service delivery processes;*
- *deployment of best-practice management systems and processes;*
- *an assessment of progress and updated NPAR*

346. These phases will commence consecutively but may overlap as different aspects of the reform are prioritized and sequenced according to capacity to implement.

347. The Council for Administrative Reform, in close collaboration with ministries, is also updating the Governance Action Plan. While previous GAPs focused on strengthening institutions and management practices, GAPIII will focus on improving the quality and delivery of public services and on the coordination of reforms. Selected priority public services will be targeted for improvements in transparency, responsiveness, accountability and effectiveness. Mechanisms such as ministerial work groups, will be deployed to facilitate implementation and monitoring of progress.

348. GAPIII will, in effect, outline how ministries and institutions will implement their reforms to improve the quality and delivery of public services. National programs such as the NPAR and sectoral strategies and programs provides the what, the direction. The GAP will focus on how ministries and institutions will improve their governance relating to public services. How they will transform practices and processes (planning, organizing, management, monitoring) to meet expectations of effective delivery.

## **DECENTRALIZATION AND DE-CONCENTRATION REFORM**

349. To implement RGC's priority policies for D&D reforms and the enforcement of the Law on administrative management at sub-national levels, the National Committee for Sub-National Democratic Development (NCDD) is now developing a ten-year implementation program called the Program for Sub-National Democratic Development. The program will consist of three phases:

- The first phase of three year period, 2010 to 2012, will focus on the establishment and institutionalization of structures and good governance framework at national and sub-national levels.
- The second phase of also three year period, 2013 to 2015, will focus on consolidating and improving those structures and framework in order to guarantee that the sub-national administrations have the ability to set and implement the policies for their respective localities to improve the public service deliveries.
- The third phase of four-year period, 2016 to 2019, will focus on the alteration of the components and activities of the program in order to ensure greater success and enhance the democratic development through lessons learnt and experiences drawn from the first and second phases.

#### **IV. REFORM OF THE ROYAL CAMBODIAN ARMED FORCES**

350. The Royal Government has implemented on schedule the reform programs and strengthened the capacity of the Royal Cambodian Armed Forces. *In the Fourth Legislature*, the Royal Government will continue to reform the armed forces to ensure effective defense of sovereignty, territorial integrity, security and social order of the Kingdom of Cambodia, Based on the available resources and the evolving international and domestic security situation, the reform will focus on:

- Continued strengthening of the armed forces to be highly professional, capable of carrying on their designated missions by equipping them with technology and proper hardware, and by inspiring them to strictly abide by the laws, to respect human rights, to bear full loyalty to Nation, Religion, King, to sacrifice for territorial integrity and the interests of the nation and the people, to strengthen social, and moral norms, and always observe professional code of conduct, all in order to increase and maintain full public confidence in the armed forces.
- Continued improvement of cooperation among and between all categories of armed forces, and between the armed forces with other relevant ministries and agencies for the cause of peace, political stability, security, and national unity. The Royal Government will continue to promote the tradition of close relationship between the armed forces and people by strengthening the former's capacity in rescue and humanitarian operations, as well as in agricultural production. At the same time, the Royal Government will continue good cooperation with the international community in protecting and preserving peace and international security, in particular in preventing and cracking down on terrorism, and all kinds of transnational crimes, including drugs and human trafficking.
- Pursuit of the development of strategic plan for the National Police Forces aimed at enhancing their effective, commanding roles to fulfil all assigned functions by ensuring management of human, financial and other resources. The Royal Government will also accelerate the development of the Law on the National Police Forces which will become a guiding framework, enshrining their rights, obligations, duties and responsibilities.

#### **2. ENVIRONMENT FOR THE IMPLEMENTATION OF THE STRATEGY**

351. The environment for the implementation of the Rectangular Strategy consists of four elements: (i) peace, political stability, security and social order; (ii) Cambodia's integration into the region and the world; (iii) partnership in development with all stakeholders, including the private sector, donor community and civil society; and (iv) favourable macro-economic and financial environment.

## **I. PEACE, POLITICAL STABILITY, SECURITY AND SOCIAL ORDER**

### **A. Policy Priorities for the Fourth Legislature**

352. During the third legislature, the Royal Government has strengthened peace, political stability, security and social order in order to achieve macroeconomic stability, development and poverty reduction. As a result, Cambodia has managed to increase the confidence of investors and tourists as reflected in the increase in investment and the number of visitors into Cambodia. At the same time, Cambodian people are able to carry on their normal lives and actively participate in the country's economic development according to their ability. Socio-economic development in turn forms the foundation for a lasting peace, political stability, security and social order.

353. In the Fourth Legislature, the Royal Government will continue its efforts to further consolidate peace, political stability, security and social order to ensure fundamental conditions to build and reform the state in order for Cambodia to move further forward on the path of development and prosperity. In this spirit, the Royal Government will do its utmost to strengthen security and substantially reduce crimes, promote the “**Rule of Law**”, enhance the respect for human rights and dignity in all aspects and open up equitable opportunities to Cambodians from all walks of life.

### **B. Planned Actions to Implement the Prioritized Policies**

354. To reinforce the role of the family and religious values that are the foundation of the social fabric of the Cambodian society, the Ministry of Religion and Cult will continue to actively promote the role of family and adherence to the traditional religious values of the Kingdom. The Ministry of Interior (MOI) in performing its civil and policing responsibilities plays a critical role in ensuring an environment of peace, political stability, security and social order. To implement RGC's priority policies, the MOI will focus on strengthening the institutional capacity of national and sub-national institutions with its mandate to efficiently deal with newly emerging situations and to improve the delivery of public services falling within its civil and policing mandates. The MOI will formulate a new sub-decree on the organization and functions of the MOI, and amend internal regulations to ensure that its staff on civil and police payroll perform their duties with discipline, neutrality, follow the code of ethics and good order.

355. To promote good governance, the MOI has been implementing a pilot program of “One window service” at the district level in two provinces: Siem Reap and Battambang. Under this program the MOI has appointed “district ombudsman” who receive complaints from citizens, communities, civil society organizations, and district officials. The MOI will gradually expand the scope of this program to cover all 24 provinces/municipalities.

356. MOI will continue to implement the Right to Obtain Justice Project between MOI and Ministry of Justice. Under this project, 20 justice service centers at district level are being set up in the districts of Kong Pisey, Phnom Srouch, Barseth, Uddong of Kompong Speu Province; Teuk Phos, Kompong Leng, Boribor, Kompong Tralach of Kompong Chhnang Province; Siem Reap, Sotr Nikum, Banteay Srey, Pouk, Prasat Bakong, Svay Leu of Siem Reap Province; Sen Monorum, Koh Nhek of Mondulkyri Province; Banlung, O Yadav of Rattanakiry Province.

357. The MOI will continue to improve the management of prisons in accordance with that of international standards, renovating dilapidated prisons by equipping them with materials and equipments in proportion to the increased number of prisoners, and proceeding to build



new prisons in the provinces of Kratie, Kompong Cham, Baatambang, Pursat, Mondulky, Stung Treng, Kompong Thom, Prey Veng, and Rattanakkiry, and building four re-education centers similar to the agricultural prison in Pursat Province. MOI will put emphasis on re-education and rehabilitation of culprits/prisoners by caring for their health and living conditions in accordance with the ministry policy on prison reform and the procedures on the management of industrial and agricultural prisons with attention being paid to educating the inmates on consciousness, merit and equity to become good citizen with skills to embark on a new life in the community. The MOI will prepare a draft of Royal Decree on the status of prison guards, and continue to cooperate with the provincial/municipal authorities and NGOs to strengthen law enforcement and respect of human rights in prisons.

## **II. CAMBODIA'S INTEGRATION INTO THE REGION AND THE WORLD**

### **A. Policy Priorities for the Fourth Legislature**

358. During the third legislature, Cambodia has actively participated on equal footing and with equal rights in the ASEAN, WTO as well as in other sub-regional, regional and inter-regional and global cooperation initiatives such as the Greater Mekong Sub-region (GMS), Ayeyawady-Chao Phraya Mekong Economic Cooperation Strategy (ACMECS), Asia-Europe Meeting (ASEM) and others. Cambodia's integration into the region and the world and linking trade to labor standards have created a favourable environment for the development of agriculture, tourism, and industry, especially the garment industry, and have facilitated Cambodian farmers to export their products to the regional and world markets. Also, Cambodia's membership in the WTO has accelerated internal reforms, attracted both domestic and foreign investments, and strengthened the foundation for socio-economic development.

359. Since trade is a major source for economic growth and poverty reduction, the Royal Government will make further strides on the path of trade liberalization aimed at free movement of goods and services within the country and between Cambodia and her trade partners. The Royal Government will continue to create access for Cambodian products, without barriers and obstacles, to extensive regional and world markets. This will create opportunity to avail economies of scales and bring other benefits to Cambodian economy in terms of increase in investment, jobs, income and economic growth as a whole. All these are critical to reduce poverty among our people.

360. In this spirit, the Royal Government of the Fourth Legislature will pay priority attention to the further integration of Cambodia into the region and the international community by pursuing membership of Asia-Pacific Economic Cooperation (APEC) forum and participating in the building of the ASEAN Community. In this context, it is necessary for all ministries/agencies to pay attention to and fulfil the duties of Cambodia's membership in the WTO by adopting laws and regulations and ensure their effective enforcement to meet the requirements of the WTO.

### **B. Planned Actions to Implement the Prioritized Policies**

361. To implement the priority policies for the Fourth Legislature, the Royal Government will continue to further strengthen inter-ministerial coordination, adopt laws and regulations required to meet the obligations of membership in international and regional organizations, as well as, strengthen capacity of the concerned RGC institutions to manage and effectively enforce the adopted laws and regulations.



362. To accelerate the integration of Cambodia in the region to access regional markets and to promote trade, the Royal Government will:

- i. Engage in discussions/negotiations to become a member of Asia-Pacific Economic Cooperation (APEC) forum, and continue to participate in building the ASEAN community and Network of East Asia.
- ii. Actively promote the creation of ASEAN + China, ASEAN + Korea, ASEAN + Australia-New Zealand as well as establishing ASEAN + China and ASEAN + Korea Centers.
- iii. Actively participate in implementing the Great Mekong Sub-Region, Ayeyawada-Chao Phraya Mekong Economic Cooperation Strategy (ACMECS) focusing on the cross-border investment development, cross-border transportation, and investment along the borders.
- iv. Actively participate in the development of the economic corridor through the *Economic Corridors Forum of the Great Mekong Sub-Region with the active involvement of Provincial Governors Forum*, and ensure the rehabilitation and construction of transport infrastructure needed to support the development of the GMS economic corridors to promote the development of the remote areas.

### III. FAVOURABLE MACRO-ECONOMIC AND FINANCIAL ENVIRONMENT

#### A. Policy Priorities for the Fourth Legislature

363. The Royal Government has succeeded in maintaining macroeconomic stability with economic growth averaging at 11.1% from 2004 to 2007, which is higher than the original target of 6 to 7% per annum. This has resulted in increase in the GDP per capita from 394 USD in 2004 to 594 USD in 2007. The international reserves have also more than doubled and reached almost 2 billion USD in early 2008. Inflation has been kept under check, below 6% per annum, and the exchange rate has been broadly stable. Foreign Direct Investment (FDI) inflows increased more than seven folds from 121 millions USD in 2004 to 867 millions USD in 2007. Since the implementation of the Public Financial Management Reform Program, the budget revenues have increased on average by 26% per annum. The budget has been transformed from a *chronic cash deficit to a cash surplus*, thus making the budget become *more credible*. At the same time, the Royal Government has successfully implemented the action plan spelt out in the *“Vision and Financial Sector Development Plan 2001-2010”*, which was updated into the *“Financial Development Strategy 2006-2015”*.

364. The Royal Government will make further strides to achieve high economic growth within the range of 7% per annum, on a broader basis and stronger competitiveness within the context of low, single-digit inflation, broadly stable exchange rate, and steadily increasing international reserves. The Royal Government will pursue prudent monetary and budgetary policies in order to consolidate macroeconomic and financial stability by focusing on packaged measures to check inflation and/or influence its effects on the prices of basic goods such as food and fuel by implementing austerity measures and rationalizing consumption. The Royal Government will continue to invest in physical infrastructure such as roads, irrigation systems, and electricity supply system, which can cut down costs and enhance productivity and economic efficiency as well as increase investment to promote agricultural productivity to be able to respond to the increasing food prices and to avail of the opportunity of higher demand for food in the world, thus promoting agricultural development in Cambodia.

365. In order to ensure sustainable economic growth, which is *sine qua non* for employment creation and income generation, the Royal Government will continue to foster the diversification and strengthen the competitiveness of the Cambodian economy by assuring a highly conducive climate for both public and private (domestic and foreign) investments for the development of the following important sectors: (1) Agriculture, (2) Water and Irrigation System (3) Transport Infrastructure (4) Electricity (5) Human Resource Development (6) Labor-intensive Industry and Food Processing Industry for Exports (7) Tourism (8) Exploitation of Oil, Natural Gas and other Minerals (9) Information and Communication Technology, and (10) Trade.

366. The Royal Government will further strengthen the financial sector through effective implementation of the “Financial Sector Development Strategy 2006-2015” by placing particular emphasis on the banking sector, rural credit and micro-finance, insurance, and capital market development, including the establishment of a special financial centre to mobilize broader financial resources.

367. The Royal Government will continue to deepen the implementation of the “**Public Financial Management Reform**”, especially the second platform of this program in order to enhance the efficiency of the national budget, which is a key tool of the country’s development policy. To this end, the Royal Government will strictly abide by the “**Ten Commandments**” in managing the public finance in accordance with the rules and regulations of the Law on Public Financial System. The Royal Government will continue to strengthen the strict management of state-owned assets in accordance with the existing laws and regulations, and to ensure effective collection of revenues from all kinds of state-owned assets. The Royal Government will ensure the efficiency, transparency and accountability in financial management of the public administrative establishments. Also, the Royal Government will place priority on enhancing the efficient management of public enterprises by strengthening the management capacity of the tutelage ministries responsible for technical as well as financial matters, and by adopting business plans, operational guidelines and performance benchmarking and by strengthening control and audit. Attention would also be given to improving the management of public enterprises to enable them to reach the standards needed to mobilize financing from the capital markets. Moreover, the Royal Government will continue to strengthen the role of the Ministry of Economy and Finance in the review and the approval of all government contracts and concession agreements in accordance with the laws and regulations in force.

368. The Royal Government is committed to efficient, transparent, and accountable management of the revenues from mineral, oil and gas exploitation.

## **B. Planned Actions to Implement the Prioritized Policies**

369. The Macroeconomic Framework for NSDP Update 2009-2013, presented in Chapter III, outlines the actions that the Ministry of Economy and Finance will take to implement RGC’s priority policies during the Fourth Legislature.

## **IV. PARTNERSHIP IN DEVELOPMENT**

### **A. Policy Priorities for the Fourth Legislature**

370. The Royal Government has made significant progress in strengthening partnership with all development stakeholders, including the development partner community, the private sector and the civil society based on basic principles and global commitments to assure ownership of the Royal Government in leading the national development process.

371. Cambodia has successfully organized consecutive Consultative Group meetings with development partners and also turned this process into the **“Cambodia Development Cooperation Forum -CDCF”**. The first CDCF meeting was held in Phnom Penh on June 19, 2007, with the Government taking the lead and ownership. The second CDCF meeting was held on 4-5 December 2008. The RGC is encouraged by progress in the implementation of reform programs, especially the laudable performance of the first platform of the Public Financial Management Reform Program as an example of successful partnership between the Government and the development partner community, the private sector, and the civil society.

372. The Royal Government of the Fourth Legislature will continue to strengthen the mechanism of **“Cambodia Development Cooperation Forum -CDCF”** and **“Government-Private Sector Forum”** and consider the possibility to transform all these fora into the **“Cambodia Development Forum”**, which will serve as a mechanism for the Government and all development stakeholders, including development partner community, private sector, civil society, and as well as other concerned stakeholders to discuss issues related to both public and private sector development. The existing coordination mechanisms between the Royal Government and Development Partner Community (Government-Development Partner Coordination Committee- GDCC and the Technical Working Groups-TWGs) will be reviewed and further strengthened in order to enhance efficiency, especially on technical cooperation for development of human resources and institutional capacity and to strengthen cooperation among all relevant stakeholders. The Royal Government will continue to encourage NGOs and Associations that have been legally established and operate based on good governance principles to engage in the process of socio-economic rehabilitation and development, to promote democracy and the respect for human rights and dignity as well as to participate with the Royal Government in monitoring the implementation of various policy strategies. The Royal Government will continue to pursue the adoption and implementation of a Law on Non-Government Organizations (NGOs) and Associations in close consultation with relevant agencies and organizations.

373. The Royal Government is committed to implement **“the Accra Agenda for Action”** which represents the consensus at the third High Level Forum on Enhanced Effectiveness of Official Development Assistance (ODA) in order to strengthen national ownership and leadership, and partnership and transparency with all development partners as well as to enhance result-based management.

## ***B. Planned Actions to Implement the Prioritized Policies***

### ***Towards a comprehensive Cambodia Development Forum***

374. Poverty reduction and socio-economic development are intrinsically linked to an enhanced ability of the Royal Government to exercise ownership and provide leadership over the development processes in which all national and external stakeholders participate and where issues of national importance are discussed and actions agreed systematically and in an integrated and comprehensive manner with all stakeholders. The Royal Government envisages a comprehensive Cambodia Development Forum (CDF) which not only ensures that all development stakeholders, including the development partner community, the private sector, civil society organizations, and other concerned actors, are brought together to discuss issues related to both public and private sector development, but also that there is a close linkage between public and private sector investments, and more importantly, that public and private sector investments are mutually reinforcing and contribute to achieving the longer-term objective of socio-economic development of the country.

*A dialogue mechanism that is comprehensive and encompasses diversity of stakeholders*

375. A comprehensive model of dialogue envisaged by the CDF will entail strong coordination of the modality of involvement of all relevant stakeholders in a manner that is integrated and mutually reinforcing. The Cambodia Development Cooperation Forum (CDCF) so far embodies the highest level partnerships between the Royal Government and the development partner community (including NGOs), where dialogue on strategic socio-economic development policies, guided by the Rectangular Strategy, takes place and the implementation of those policies is jointly monitored and associated with a financing framework that ensures development results and mutual accountability. The Government Private Sector Forum has provided a regular forum for the Royal Government to address issues on foreign investment promotion and improvement of the business and trade environment. This diversity of audience, and the associated different frameworks of dialogue and participation that have been established, will be critically reviewed and considered by the Royal Government to lay a foundation to move toward the CDF, and to ensure that the structures and formats of the CDF reflect the integrity of the diverse audience, coordination and effectiveness and efficiency.

*A close linkage of planning, public investment and development assistance resources*

376. To enhance the effectiveness and efficiency of the use of public resources and those mobilized from development partners in supporting the implementation of national development priorities, there is a need to closely link development assistance resources and the Royal Government's public investment budget with the priorities identified in the National Strategic Development Plan. This will ensure that implementation of national priorities is managed such that available resources from both the national budget and external development partners are well targeted to achieved the desirable targets, the effectiveness and efficiency of the resources are maximized, and that the use of the resources is accountable and achieves the intended results.

*An enhanced participation of the private sector in national development processes*

377. The private sector has been the engine for economic growth over the last decade. Projections for the next five years, 2009-2013, show that the private sector will be one of the main sources of total investment for the country. The reforms that the Royal Government has been implementing—structural, governance, and trade facilitation, among others—have provided a sustainable foundation for the private sector to prosper and grow. To ensure strategic importance of private sector development in achieving national poverty reduction and socio-economic development, the Royal Government recognizes the importance of continuing to provide leadership for private sector engagement in the national development processes. Built on the success so far of the mechanism of dialogue between the Royal Government and the private sector in the Government Private Sector Forum, the Royal Government will make effort to further enhance participation of the private sector in the discussions to ensure not only the development of the sector itself but also its strategic importance and contribution to the wider socio-economic development of the country.

*Towards a strengthened GDCC-TWG mechanism*

378. The Government-Development Partner Coordination Committee (GDCC) and Technical Working Group (TWG) mechanisms will continue to provide the principal modes of dialogue between the Royal Government and its development partners. Their performance and structure will be monitored and reviewed to ensure that the partnerships between the Royal Government and its development partners are based on strengthened government ownership and accountability for development results.

379. The Royal Government believes that the effectiveness and efficiency of the partnership mechanisms are guided by, and consistent with, the Government's continued commitment to the Paris Declaration on Aid Effectiveness (2005) and the implementation of the commitments included in the Accra Agenda for Action (2008).

*Leadership as a foundation for partnership*

380. The Royal Government recognizes the need for strengthened leadership as a basis for the effective functioning of the partnership mechanisms. The Technical Working Groups will be appropriately supported to enable them to lead dialogue with development partners on key policies and strategies within their sector and reform areas.

*Partnerships are accountable for development results*

381. Partnerships are meaningful when the TWGs are not only the forum for discussion on issues but also where measures to address these issues are agreed and implementation jointly monitored by the Government and development partners. The TWG mechanism will be strengthened to support the monitoring of the implementation of development cooperation activities in the sector or area that they support.

*Information as a tool to guide partnerships*

382. The Royal Government considers the information that has been maintained on development cooperation activities as an important tool to guide dialogue with development partners. The Cambodia ODA Database, which is the Royal Government's information platform on development cooperation activities, will be customized to support the work related to planning and budgeting. Consistent with the global commitments in the Paris Declaration and the Accra Agenda for the Action, the Royal Government will continue to work with development partners and NGOs to ensure timely, accurate and complete ODA information provision, and to support line ministries and TWGs in their efforts to use this information to strengthen their own planning and coordination processes as well as meeting their obligations to report to the national level.

383. The Strategic Framework for Development Cooperation Management (2006-2010) formalizes Royal Government's institutional arrangements related to development cooperation management, including resource mobilization and allocations. The Royal Government will continue to work with development partners to implement the Strategic Framework to ensure that complete and accurate information on external assistance is available to be incorporated into the national planning and budgeting processes.

*Towards more enhanced and responsible civil society participation in national development processes*

384. The Royal Government considers civil society organizations (CSOs) as an important development partner in the national development processes. The Royal Government will continue to encourage civil society organizations that have been legally formed and operate based on good governance principles to engage in the process of socio-economic development of the country, and in the promotion of democracy and human rights, and encourage their responsible participation in monitoring the implementation of national development strategies and policies.

*Strengthen the legal framework for CSOs*



385. The Royal Government recognizes the need for a Law on Non-Government Organizations (NGOs) and Associations as a legal framework for the functioning of NGOs and associations. The Government will continue to pursue the adoption and implementation of the Law in close consultation with relevant agencies and organizations.

*Strengthen mechanisms for responsible CSO participation in dialogue processes*

386. The Royal Government appreciates the active participation in national development processes of civil society organizations that are genuinely willing to contribute in both financial and operational resources. The Government considers the resources and expertise brought in by CSOs as an important input in the policy processes to reach the desirable development results. The Royal Government will continue to ensure rigorous participation of CSOs in the dialogue mechanisms.

*Towards more effective use of development resources*

387. The global consensus on more effective development resources as represented in the Accra Agenda for Action (AAA) will continue to be a reference point for the Royal Government in its effort to identify and implement relevant actions that will enhance the effectiveness of development assistance to support the achieving of the national development goals. The Royal Government's committed adaptation and implementation of the commitments in the AAA and the global commitments that will come out of the next High Level Forum in Seoul in 2011 will aim to ensure strengthened national ownership and leadership, more accountable partnership with all development partners and to enhance development results.

*Identifying and implementing relevant and prioritized actions at sector level*

388. Experience of implementing the Harmonization, Alignment and Results Action Plan emphasized the need for rigorous government leadership in enhancing the effectiveness of development resources at the sector level. The Royal Government will continue to strengthen the joint process of identifying, agreeing, and monitoring jointly with development partners the implementation of the aid effectiveness priorities that are relevant to sector challenges and focused on achieving results. This prioritized and contextualized approach will continue to guide the aid effectiveness policies.

*Increased net transfer of development resources*

389. An important outcome, that is a high priority of Royal Government, is to achieve a significant increase in the net transfer of resources in the implementation of development programs over the next five years. The Royal Government will work to achieve this in context of a less fragmented aid environment and an increased use of government systems in delivery of development cooperation activities.

*Focus on effective capacity development*

390. The Royal Government recognizes the primacy of strengthening human and institutional capacity to exercise ownership and leadership over the development processes. Partnerships with development partners must be steered toward this goal. The Royal Government will ensure that all externally supported technical cooperation will be primarily directed to develop national human and institutional capacities and systems in a manner that is consistent with Royal Government's capacity development strategies and policies and the



National Public Administration Reform (2009-2013). The Guideline on Technical Cooperation will be implemented and used to manage these resources at sectoral level as well as to guide support for implementing the core reform programmes of the Royal Government.

#### *Increased use of programme-based approaches*

391. The Royal Government recognizes the need to address the challenge posed by a fragmented environment of aid delivery and limited use of the government systems and procedures in implementing development cooperation activities. The Royal Government encourages the use of programme-based approaches to effectively exercise ownership and leadership over the implementation of national policy priorities supported by development partners, promote stronger partnership and ensure development results and accountability. In using programme-based approaches, the Royal Government will ensure that they support comprehensive planning and budgeting, alignment with national priorities, coordinated capacity development to strengthen national systems and human resources, minimize the adverse affect of fragmented and diverse funding sources, strengthened monitoring and evaluation systems, and provide a mechanism for enhanced mutual accountability of concerned national and external development stakeholders.

#### *Investing in partnerships*

392. The Royal Government considers partnerships with all development partners an important policy priority critical for the successful implementation of the Rectangular Strategy Phase II, and is committed to an inclusive, robust and results-focused dialogue. In so doing, the Royal Government will ensure that partnerships with all development partners are founded on national ownership and leadership, mutual respect and accountability that aim at supporting the Royal Government in achieving its national development goals. Further investments will be made to strengthen the partnership mechanisms, including working with all development partners to ensure that appropriate resources and competencies are in place to make effective use of these opportunities to review progress, identify challenges and respond in a partnership-based and results-focused manner.

### **3. ENHANCEMENT OF THE AGRICULTURAL SECTOR**

393. *Cambodia's economic growth is narrowly based in which agriculture sector plays an important role. It is the main source of employment and the core of the rural economy. Enhancement of the agriculture sector is essential: (i) to enlarge the base of, and help sustain, economic growth; and (ii) to accelerate poverty reduction. To this end, the Royal Government's policies main goal is to promote agriculture productivity and diversification as well as land, fisheries and forestry reforms by addressing in package issues of agriculture technology, rural infrastructure such as roads, irrigation system and electricity and credits, markets and processing-technology, especially for exports. This requires institutional mechanisms and highly effective coordination for sector-wide progress and qualitative changes. (Editorial changes)*

394. The Enhancement of the Agriculture Sector Rectangle consists of four elements: (i) improving agriculture productivity and diversification; (ii) land reform and clearing of mines; (iii) fisheries reform; and (iv) forestry reform.

## **I. IMPROVING AGRICULTURAL PRODUCTIVITY AND DIVERSIFICATION**

### **A. Policy Priorities for the Fourth Legislature**

395. The value-added of agriculture increased on an average by 7.2% per annum between 2003-2007, compared to 1.6% during 1998-2002 and 4.9% during 1993-1997. Cambodia has achieved 2.5 tons per hectare of rice yield during the period 2005-2007, the highest yield in Cambodian history, due to increased investments in irrigation network, improvement in water management, increase in credit made available by commercial banks and microfinance institutions, and increasing use of better cultivation practices. Agricultural intensification has gradually taken roots. Moreover, the increase in prices of rice, maize, soybean, cassava and rubber provides further incentives to the implementation of agricultural diversification policy.

396. The Royal Government of the Fourth Legislature will continue to place priority on increasing agricultural productivity and diversification as well as promoting agro-industries. The Royal Government will continue to pay further attention to increased production by shifting from extension of cultivated area to intensive farming on the existing land. This is to increase production, employment, and rural income, and ensure food security as well as to increase export of agricultural products, especially finished goods, in particular rice. This will be achieved through an integrated approach including increased proper use of improved agricultural inputs, agricultural extension, research and development, construction and maintenance of the rural infrastructure, especially irrigation network, expansion of rural credit and microfinance, agricultural market development, organization of farmer communities and better management of agricultural land. To this end, the Royal Government will make further efforts to expand the system of technical and agricultural extension services by rolling them out to the district level and creating linkages with a community level volunteer network as well as with the agricultural services being provided within the framework of various development projects. The Royal Government will foster partnership between small land holders and large-scale agricultural farms or corporations, and between economic and social land concessionaires, especially those involved in agro-industries such as rubber plantation in accordance with the Strategic Plan for the Development of Rubber, Cashew, and Sugarcane. The Royal Government will encourage multi-purpose farms in order to increase productivity in animal husbandry and multi-crops farming through integrated farming.

397. Moreover, the Royal Government will create an enabling environment to attract private investors, domestic and foreign, and welcomes the contribution from NGOs to ensure the transfer of know-how and new technology to farmers in regard to crop farming and animal rearing. It will further strive toward linking farmers to the regional and global agricultural markets by creating necessary institutional mechanism and through efforts to make the quality of agricultural products conform to international standards.

### **B. Planned Actions to Implement the Prioritized Policies**

398. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Agriculture, Fisheries and Forestry (MAFF) will continue its work on updating the Agriculture Sector strategy and seeing support to implement the strategy through a sector-wide programme. In terms of specific actions, it will:

- i. Continue to place priority on increasing agricultural productivity and diversification as well as promoting agro-industries.

- ii. Continue to pay attention to increased production by shifting from extension of cultivated area to intensive farming on the existing land. This is to increase production, employment, and rural income, and ensure food security as well as to increase export of agricultural products, especially finished goods, in particular rice. This will be achieved through an integrated approach including increased proper use of improved agricultural inputs, agricultural extension, research and development, construction and maintenance of the rural infrastructure, especially irrigation network, expansion of rural credit and microfinance, agricultural market development, organization of farmer communities and better management of agricultural land.
- iii. Expand the system of technical and agricultural extension services by rolling them out to the district level and creating linkages with a community level volunteer network as well as with the agricultural services being provided within the framework of various development projects.
- iv. Foster partnership between small land holders and large-scale agricultural farms or corporations, and between economic and social land concessionaires, especially those involved in agro-industries such as rubber plantation in accordance with the Strategic Plan for the Development of Rubber, Cashew, and Sugarcane.
- v. Encourage multi-purpose farms in order to increase productivity in animal husbandry and multi-crops farming through integrated farming.
- vi. Create an enabling environment to attract private investors, domestic and foreign, and welcomes the contribution from NGOs to ensure the transfer of know-how and new technology to farmers in regard to crop farming and animal rearing.
- vii. Promote and create an enabling environment to attract private investors, domestic and foreign, and welcome the contribution from NGOs to ensure the transfer of know-how and new technology to farmers in regard to crop farming and animal rearing and further strive toward linking farmers to the regional and global agricultural markets by creating necessary institutional mechanism and through efforts to make the quality of agricultural products conform to international standards.

399. The key monitoring indicators of progress in the implementation of MAFF programs are presented in Table 14.

**TABLE 15: KEY INDICATORS FOR AGRICULTURE, FISHERIES, AND FORESTRY**

KEY INDICATORS	Unit	2008 Actual	2009 Estimated	2010 Projected	2011 Projected	2012 Projected	2013 Projected
-Land under crops	000 Ha	596	750	950	100	100	100
-Paddy: cultivated area	million Ha	2.61	2.63	2.65	2.65	2.65	2.65
-Yield per hectare	tons	2.74	2.77	2.80	2.83	2.87	3.00
-Rice Production	million tons	7.17	7.28	7.42	7.50	7.60	7.95
-Irrigated land area	000 Ha	827	867	-	-	-	-
- Fishing Lots	Sq. Kms	415	415	415	415	415	415
-Released to Community Fishing	%	56.4	56.4	56.4	56.4	56.4	56.4
- Fish: Catch (from all sources)	tons	471	475	480	485	490	500
-Forestry cover -- % of land area	%	59.09	57.59	57.61	57.63	57.70	57.99
-Reforested (cumulative total from 1985)	Ha	8.6	8.0	10	20	20	30
- Fuel Wood Dependency -- % of households	% of households	73	67	61	59	56	54

## **II. LAND REFORM AND CLEARING OF MINES**

### **A. Policy Priorities for the Fourth Legislature**

400. The Royal Government's land reform program is focused on measures to strengthen land management, land distribution and land use, to ensure the security of land ownership, to eradicate illegal land holding, and to prevent concentration of unused land in few hands. Land reform is also crucial for the increase and allocation of agricultural land within the framework of granting social land concessions to farmers in order to enhance agricultural productivity and diversification. Land registration has achieved satisfactory progress by completing systematic registration in 175 communes/sangkats in 11 provinces and municipalities. More than one million land titles have been issued.

401. During the Fourth Legislature, the Royal Government will continue implementing land reforms within the framework of the Land Law and the existing land policy by developing additional legal and regulatory framework such as the Law on Expropriation, the Law on Pre-emption and Land Development, the Law on Construction and Urbanization and the National Construction Standards.

402. The Royal Government will review and take necessary measures to increase the efficiency in the management and utilization of state-owned unused land and take legal actions with regard to illegal holding of state-owned land by private individuals. The Royal Government will accelerate the completion of the inventory of the state-owned immovable assets. It will further speed up the systematic land registration by establishing a Single Window to ensure transparency. It will accord priority to the land conflict-free areas and areas inhabited by indigenous communities in order to reduce land conflict, ensure security of land ownership and eliminate illegal land holding. The Royal Government will continue to resolve land conflicts by using legal mechanisms to ensure justice coupled with the out-of-court conflict settlement mechanism. The Royal Government attaches priority to granting land ownership rights to poor households and vulnerable groups for housing, farming and small businesses.

403. To ensure land use efficiency, the Royal Government will speed up the preparation of Land Use Map to enable orderly allocation of land for agriculture, industry, tourism, rural, urban, residential and reserved areas in order to prevent improper land use and land conversion. The Royal Government will review and regularly monitor the economic land concessions to ensure that they conform to the agreed upon priorities and to make them active as well as to avoid unproductive holding of land.

404. Progress in mine clearance is illustrated by a sharp drop in mine and UXO-related casualties, from 800 cases in 2003 to 315 cases in 2007. It also resulted in the expansion of road network, agricultural land and the accessibility to all corners of the country. During the fourth legislature, the clearance of mines and UXOs will remain government priority, especially in remote areas, areas with landless farmers and areas with high potential for agricultural and infrastructure development. Moreover, the clearance of mines and UXOs should be linked to the principles of equitable distribution of cleared land to landless farmers.

### **B. Planned Actions to Implement the Prioritized Policies**

405. To implement Royal Government's priority policies for the Fourth Legislature, the Ministry of Land Management and Construction will take actions to:

- i. Continue the registration of ownership and other rights on all immovable properties (state and private property), transferring rights on those property, preventing and solving land disputes to enhance the security of land tenure and ensure an efficiently functioning land market.
- ii. Speed up the process of planning for all scales and levels of land management and mapping state land in all towns and districts complying with the principles of transparency, participation, accordance, and respect for the hierarchy of setting up plan, order and legal procedure to ensure the management, prevention and use of land and natural resources in transparency and efficacy by maintaining environmental sustainability and socio- economic development with equity within inhabited and rural areas; and avoiding the disputes on the use of land by formulating legal provisions on Land development, on Land Conversion, on Land Readjustment, on Construction and Resettlement on the basis of taking actions on Land Management Policy, Law on Land Management, Urbanization and Construction, Decentralization and De-concentration Policy and Good Governance, National Housing Policy, Resettlement Policy, Law on Land Tax, Law on Pre-Emption, Law on Expropriation, Disaffecting Law, Law on farming land...etc.
- iii. Conduct land distribution and use for private and public with transparency, equity, social stability, food security, and the investment opportunity in accordance with land variety and natural advantage and in response to citizens' requirements in general; and in particular, the requirements of poor people, disabled veterans, families of sacrificed soldiers, and families of armed forces in duties in the front line of the battle field; through social land concession program, registration for collective lands of indigenous community resettlement program, review of economic land concession with the area disallowed by the land law and not following the agreements and/or without conducting social and environmental impact assessment or without suitable utilization and development plans, through the implementation of Instruction 06 SNN focusing on illegal holding of state-owned lands to take back unused, purchased lands and state lands suffered from illegal deforestation.

406. In terms of specific activities, the Ministry of Land Management and Construction will:

- Continue fastening the development of policy and legal frameworks related to the reinforcement of undertaking land law and other relevant legislation to land administration task, land management and construction and land distribution performance. The priority settings to be paid attention are as follows:
  - Developing the cuacnt Interim Paper of Strategic framework for Land Policy to a Comprehensive Land Policy Paper, (White paper)
  - Developing and strengthening law practice and regulatory framework such as Law on Expropriation, Law on Demarcation and Mapping, Law on Construction, Code of Urbanization, Law on Pre-emption, Disaffecting Law, Law on Farming Land, and other additional regulatory frameworks concerning Land transfer, Land consolidation, Land sub-division, Land valuation, Land market, Construction standards, as well as amendments of some articles within Laws and some legal norms relevant to land law, taxation law, law on land management, urbanization and construction pursuant to the nation's progress.
  - Creating and enhancing the performance of National housing policy, Land management and Resettlement; legal framework and legal procedure suitable for managing land development in the urban and rural areas and land development for using in agricultural production and construction; and the proper limitation of building height in urban area.

- Speed up the regulations development, technical norms for advancing construction: in particular, the construction of high buildings using modern technology is increasing gradually. Provide enough facilities for the .skilful officers to be able to observe for the progress of technology and management effectively
- Gradually establish a clear and complete inventory of State immovable properties (lands and buildings) in a unified database system in order to enhance the efficiency of State immovable properties management.
- Conduct land registration throughout the country in a transparency and effective way for both State Land (public and private State lands), and individuals' private lands and Condominium. mainly, in the areas of economic potential and communal lands of indigenous communities in the areas of the communities really locate, in accordance with the existing legal procedures of both systematic and sporadic registration, to achieving by 32 percent in 2010 and by 38-39 percent in 2013 of total plots within 4 indigenous communities by insuring that the legal rights and benefits of female are properly protected.
- Enhance the subsequent registration through a Single Window with a Land Valuation System created in form of participatory approach, transparency, public accessibility, reliability, and coordination with to Land Use Mapping, Registration and State Land Inventory, especially in urban and inhabited areas, forest and protected areas land demarcation for in complying with the existing legal and regulatory frameworks, in particular with Sub decree on State Land Management.
- Strengthen the subsequent registration and proceed the up-to date land information by upholding a Single Window practice for an increase of national budget with transparency and public confidence.
- Produce Land Information System (LIS) able to provide reliable information for customers and to be basis for structuring national geographic database and for multi-purpose of usage.
- Create geometry system and land classification system according to land natural characteristic and geographical information system with uniformity throughout the country.
- Keep preparing geodesy and altitude networks throughout the country and establish permanent GPS station.
- Prepare participatory, transparent and formal recognized system for assessing land price on the basis of land natural advantage equality with the inclusion of all land surface immovable properties for reference in purchasing and sale, rental, investment, lending, taxation (annual tax on the transference, rental, profit, unused land, cadastral definition, and compensation), and the creation of legal framework concerning the management of professional assessment on the price of immovable property.
- Keep implementing the policy of disregarding tax on farming lands for household cultivation. At the same time, it is important to initiate the study of annual tax collection for il1Ullovable property, except for household farming lands, in the purpose of preparing law concerning tax collection for land.
- Proceed out court solving land dispute through the administrative and cadastral commissions of all levels (national, city/province, town/district and mobile group) and national authority for land dispute solution; particularly, for the case of multi party disputes.
- Encourage and compile inventory list for state lands in reservation for current and future land distribution and use with transparency, equity and accountability.



- Make planning system for land management including master plan or national, divisional and provincial plan and sub-national land use plan (commune and town/district) with the involvement of all skilful and relevant people by accomplishing a consensus in the compliance with the nature of land and requirement for economic and social development to be tool in strengthening land use and natural resources management and inspection with transparency, equity and environmental sustainability; and for the support of decentralization and de-concentration in land management. Meanwhile, it is necessary to encourage the process of making development plans for urban and inhabited areas, identification of used land area, limited high building areas, and disallowable area for construction, inspection of construction site with the inclusion, of legal procedure of non-developed land management.
- Establish and implement the strategy and framework of land distribution plan for middle and long term for land distribution and use targeting social and economic purpose in compliance with national, divisional, city/provincial, town/district, and communal plans with transparency and efficiency to avoid negative impact to society and environment, to prevent land purchase without using, to confiscate illegal-grabbed state lands on the basis of reinforcing efficiency in performing the existing policy and legal framework; above all, instruction circular numbering 06 about state land unlawful grab as well as the strengthen of duty on unused lands.
- Conduct land distribution for social concession purpose to 10,000 families in 2013 to contribute to social issue solution and national defence.
- Precisely examine the performance of the existing economic concession agreements as well as economic land concession with the area disallowed by land law and new economic land concession to be granted, basing on sub-decree on economic land concession and permanent legal framework with thorough social and environmental impact assessment, and transparently participated by all related people; especially, at the local grassroots level.
- Continue partnership between the owners of small farming land and plantation and other agricultural production corporation and between economic land concession and social land concession to create job opportunity and market for local people.

**407. Clearing of Mines:** As noted earlier in Chapter II, the past conflicts contaminated large areas of land with landmines and unexploded ordnance. The Cambodian Mine Action and Victim Assistance Authority (CMAA) has been implementing a landmines and Explosive Remnants of War (ERW) clearance program since 1992. Although significant progress has been made in clearing effected areas of lines and ERW's large land areas still remain contaminated. Cambodia has requested an extension to its 2009 clearance deadline as a State Party to the Anti-Personnel Mine Ban Convention (APMBC). CMAA is formulating a programme-based National Mine Action Strategy to strengthen its alignment with Cambodia's development priorities and to ensure that clearance enables cultivation, infrastructure, and the provision of safe land to landless households, as well as building national capacity. CMAA has also launched a 'baseline survey' that will result in a much firmer estimate of the remaining contamination.

**408.** Sustained financial support will continue to be required to achieve the mine action objectives of the NSDP, and increased support will be needed to reach the APMBC obligation to clear all known mined areas within 10 years.

### **III. FISHERIES REFORM**

#### **A. Policy Priorities for the Fourth Legislature**

409. Fish, a natural renewable resource, is very crucial to the livelihoods of Cambodian people in terms of food, income, and safety net. The Royal Government has distributed fishing lots to the people, and has established 509 fishing communities, both marine and fresh water. The objectives of the Royal Government are to maintain sustainability and to ensure regeneration of natural resources including preservation of fish resources in order to contribute to economic development, as well as to ensure the livelihoods of fishing communities.

410. The Royal Government of the Fourth Legislature will continue to attach priority to helping and encouraging fishing communities to participate in the preparation of plans and the management of natural resources by providing guidance and technical training in order to ensure sustainable management of fishery resources based on technical standards. To this end, the Royal Government will ensure the proper demarcation of the fishing lots.

411. In order to ensure that the price of the fish reflects true economic value, the Royal Government will establish an effective fish market mechanism as fish is either income or expense for the poor. This market mechanism will include making the bidding process for the fishing lots more transparent, and will increase efficiency in the management of fishing lots while increasing the state revenue.

412. The Royal Government will further strengthen national resource conservation, especially promoting the linkage of conservation to eco-tourism. The Royal Government will continue to take serious action against illegal encroachment of flooded forests, use of illegal fishing gears, and all anarchic activities preventing the conservation efforts, by encouraging participation from relevant local and competent authorities.

413. The promotion of aquaculture is necessary to preserve fish resources for which the Royal Government will provide a package of assistance to fish farmers, which will include technology, seed, credit and market. The improvement in law enforcement through the existing mechanism continues to be the priority of the Royal Government in preservation of fisheries resources.

#### **B. Planned Actions to Implement the Prioritized Policies**

414. To implement RGC's priority policies for the Fourth Legislature, the Fisheries Administration will focus its efforts to strengthen the management, conservation, and development of sustainable fisheries resources to contribute to ensuring people's food security and to contribute to socio-economic development in order to enhance people's livelihoods and the nation's prosperity. The Fisheries Administration has set the following seven key goals that will guide its work during the Fourth Legislature:

- i. The contribution of the fishery to national prosperity is high and sustained.
- ii. The livelihoods of people in the sector are improving and above the national average.
- iii. The fisheries domain and associated resources are in a healthy and resilient condition and sustainably managed.
- iv. Fish is a plentiful, healthy and valuable source of food.
- v. Fishing businesses are profitable, sustainable and responsible.

- vi. The fisheries domain is managed, developed and conserved in close cooperation with neighbouring countries.
- vii. The policy, legislative and support environment for the sector is sufficient, appropriate and enabling.

415. It will take appropriate actions to:

- Ensure effective management and utilization of fisheries resources in a sustainable manner in order to enhance food security and food safety and to contribute to poverty alleviation.
- Encourage the establishment and improvement of community fisheries and Community Fish Refuges in inland and coastal areas in order to enhance the management of sustainable fisheries resources by empowering local communities.
- Encourage the development of different kinds and scales of aquaculture, both inland and coastal to be a broad national movement, by implementing the 'Regional Code of Conduct for Responsible Aquaculture.'
- Develop fish processing and packaging by encouraging large-scale investments and improving the fisheries infrastructure to increase competitiveness and market access.
- Enact and disseminate of law and regulations for enforcement and cracking down on all illegal fishing activities and preserving the inundate forest.
- Increase awareness of people in fishing communities and general fishermen to the importance of conservation of fisheries resources and ensuring maximum participation from local communities with respect to fisheries management and conservation.
- Protect the important natural habitats and biodiversity by establishing Community Fish Refuges and releasing fish in fishing lots and major important water bodies in every commune all over the country.
- Promote human resource development within the fisheries sector to ensure quality service within fisheries in order to improve socioeconomic development.
- Encourage and promote fisheries research programs.
- Giving priority to using fisheries revenue through special financial procedures in order to achieve fisheries reforms, research conservation, development and surveillance.
- Ensure the availability of fish to meet the requirement of per capita fish consumption of 52.4 kg/year.

#### **IV. FORESTRY REFORM**

##### **A. Policy Priorities for the Fourth Legislature**

416. The Royal Government's forestry policy is to ensure sustainable forestry management and the use of forests to improve the livelihoods of people living in rural areas and to contribute to economic growth. Besides banning logging for the present, the Royal Government has established protected and biodiversity conservation areas, undertaken reforestation, formed forestry communities, taken up proper boundary demarcation and strict measures to prevent, reduce and eradicate illegal encroachments and occupation of forest land by private individuals.

417. The Royal Government considers forest communities to be an important element in forest management. Accordingly, the Royal Government of the Fourth legislature will continue to monitor and evaluate the effectiveness and efficiency of this program in terms of

the improvement of livelihoods of the rural people, the sustainability of forest resources, and the expansion of forest communities. Moreover, the Royal Government encourages the private sector to establish commercial forest plantations in degraded forest land based on agreed technical standards.

418. The Royal Government will continue to monitor forest concessions to ensure that they comply with international standards by seeking external technical and financial assistance and by active and appropriate participation of civil society in monitoring. The Royal Government will continue to strictly enforce the Law on Forestry and take serious measures against forestry crimes, and will continue to educate people to be aware of obligations to protect forests and stop illegal forest encroachments.

419. Since forest is crucial for the livelihoods of the people, the Royal Government will enhance management efficiency of the reserved forests and ensure their appropriate protection and development, including eco-tourism, for employment generation and additional income for the people. Moreover, attention will be given to the management of the protected areas. The Royal Government will mobilize resources, support, and financing to participate in global efforts to address challenges of climate change.

#### **B. Planned Actions to Implement the Prioritized Policies**

420. To implement the RGC's priority policies for the Fourth Legislature, the Forestry Administration will take actions to:

- Continue to monitor and evaluate the effectiveness and efficiency of this program in terms of the improvement of livelihoods of the rural people, the sustainability of forest resources, and the expansion of forest communities. Moreover, the Royal Government
- Encourages the private sector to establish commercial forest plantations in degraded forest land based on agreed technical standards.
- Continue to monitor forest concessions to ensure that they comply with international standards by seeking external technical and financial assistance and by active and appropriate participation of civil society in monitoring.
- Continue to strictly enforce the Law on Forestry and take serious measures against forestry crimes, and will continue to educate people to be aware of obligations to protect forests and stop illegal forest encroachments.
- Enhance management efficiency of the reserved forests and ensure their appropriate protection and development, including eco-tourism, for employment generation and additional income for the people. Moreover, attention will be given to the management of the protected areas. The Royal Government will mobilize resources, support, and financing to participate in global efforts to address challenges of climate change.

#### **ENVIRONMENTAL PROTECTION, CONSERVATION, AND CLIMATE CHANGE**

421. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Environment (MOE) will:

- i. Ensure sustainable use of natural resources and will implement measures that will require the carrying out of Environmental Impact Assessments of proposed development projects before implementation..
- ii. Ensure ecology system and environment of water is not polluted.
- iii. Control and reduce environment pollution.

- iv. Strengthen management of protected areas in order to eliminate anarchy in Protected Areas, eliminate illegal exploitation of natural resources, control land clearing for use, and illegal cutting down of the forests.
- v. Finding resources, support and financing for solving climate change issues.

422. The MOE will *prepare legislation and documentary* by:

- Preparing draft law on Genetic Access Benefit Sharing and Traditional Knowledge.
- Preparing draft law on Chemical Subsistence Management
- Preparing law on water polluted control
- Preparing law on solid waste management
- Reviewing and experiment law on environmental protection
- Preparing sub-decree on classify and put sign for chemical subsistence
- Preparing sub-decree on life genetic modify organism
- Preparing sub-decree on Natural resources protected foundation
- Preparing sub-decree on determine protected areas
- Preparing e sub-decree on determine natural protected areas
- Preparing sub-decree on provide land to increase productivity for local community and minor ethnic
- Preparing sub-decree on determine national park Phnom Kulen
- Preparing sub-decree on determine marine national park
- Preparing sub-decree on Natural resources protected area
- Preparing sub-decree on establish Natural resources protected area of provincial and capital level
- Preparing guidelines on prepare environmental impact assessment report

423. In the area of *environmental impact assessment*, the MOE will ensure sustainable use of natural resources and economic sustainability of the sector by conducting environmental impact assessments before development projects are implemented by:

- Strengthening technical capacity on environmental impact assessment to national city and provincial level technical staff
- Preparing and edit legislation and policy relevance to environmental impact assessment
- Strengthening monitoring control on implement environmental management plan that has informed in environmental impact assessment report and agreement environmental protection of project owner and development activities.

424. In the area of *water pollution control*, the MOE will:

- Ensure ecology system and water not polluted environment
- Control and reduce environmental polluted and assessed environmental quality
- Control and reduce water pollution
- Implement solid waste management in safety environment
- Control and reduce air pollution cause by noise and vibration
- Strengthen quality and competence laboratory
- Strengthen technical capacity and enhance public awareness

425. In the area of natural resources management, the MOE will:

- Strengthen natural resources management.
- Secure resources, support and financing to solve climate change problems.
- Prepare map, landmark define area and data management in natural protected areas

- Prepare establish National plant and marine park
- Define potential area and study community living condition in natural protected areas
- Strengthen community management in natural protected areas
- Strengthen management and conservation of Wetlands, multiple use land, biosphere reservation, and coastal zones
- Manage and conserve landscape areas
- Educate and propagate on climate change
- Prepare to finish Second National Report on climate change convention
- Decentralise green house inventory and prepare data base management
- Continue define seeking and pushing implement mechanic clean development
- Accelerate implementation of green house gas emission project
- Accelerate implementation of programme activities on National climate change adapation
- Prepare a National action plan to respond to climate change
- Push for the creation of a National climate change fund

426. To provide *environmental education and environmental information*, the MOE will:

- Coordinate and cooperate on environmental education for eternity development
- Stregnthen human resource development efforts for work on environmental education for sustainable development
- Enhance environmental awareness programme and exchange information

## RURAL DEVELOPMENT

### A. Policy Priorities for the Fourth Legislature

427. TO BE TRANSLATED.

428. TO BE TRANSLATED.

### B. Planned Actions to Implement the Prioritized Policies

429. TO BE TRANSLATED.

**TABLE 15: KEY INDICATORS OF MINISTRY OF RURAL DEVELOPMENT**

	INDICATORS	2008 (Act.)	2009 (Est.)	2010 (Est.)	2011 (Est.)	2012 (Est.)	2013 (Est.)	2015 (CMDGs)
1	Rehabilitation of Rural Roads – out of total 28,000 kms	24,140	25,658	26,658	27,658	28,658	29,658	32,000
2	Access to Improved Drinking Water - % of Rural Population	40.49	41.99	43.49	44.99	46.49	47.69	50.09
3	Access to Sanitation – % of Rural Population	16.00	23.24	25.00	27.00	29.00	31.00	33.00
4	Village Development Committee (VDC) – out of total Villages of 13,890	8,697	9,047	9,723	11,112	12,501	13,890	-



#### **4. FURTHER REHABILITATION AND CONSTRUCTION OF THE PHYSICAL INFRASTRUCTURE**

430. The four sides or sub-components of this component of the Rectangular Strategy Phase II deal with: (i) further rehabilitation and construction of transport infrastructure; (ii) water resources and irrigation system management; (iii) development of the energy sector; and (iv) the development of information and communication technology (ICT).

##### **I. FURTHER REHABILITATION AND CONSTRUCTION OF TRANSPORT INFRASTRUCTURE**

###### **A. Policy Priorities for the Fourth Legislature**

431. In the current context of Cambodia, transport network is “a Prime Mover of Economic Growth”. The transport network linking all parts of Cambodia makes it a cohesive economic body, and help to integrate the Cambodian economy into the region and the world. The RGC has so far almost completed the rehabilitation and reconstruction of important national roads. The Royal Government of the Fourth Legislature will continue to give high priority to the rehabilitation and reconstruction of multimodal transport network connecting all parts of the country, and with neighbouring countries. This will enable provision of convenient, stable, safe, economically efficient, lower cost transportation and logistics services network, aiming at trade facilitation, tourism promotion, rural development, regional and global economic integration as well as national defence.

432. The Royal Government will continue to accord high priority to the maintenance of national roads, the reconstruction of provincial and rural roads, the expansion of ports and the rehabilitation of railways, also in order to connect to the rail network of the neighbouring countries within the Greater Mekong Sub-region (GMS) framework. The Royal Government will make every effort to privatize the operations of Royal Cambodian Railway, and will encourage private sector participation in the rehabilitation of infrastructure and in transportation services.

433. The Royal Government will seek increasing private sector participation, through bidding processes, in routine and periodic road maintenance. It will further strengthen the management and technical supervision and audit capacity of the Provincial Departments of Public Works and Transport and the Provincial Departments of Rural Development. The Royal Government will continue to pursue the open sky policy, strengthen flight safety and enhance airport services.

434. The Royal Government will speed up the adoption of the Law on Roads as well as supporting legal and regulatory framework for efficient management of transport infrastructure. The Royal Government will place emphasis on traffic safety and stricter measures against transportation offences, including overloaded carriers.

###### **B. Planned Actions to Implement the Prioritized Policies**

465. The Ministry of Public Works and Transport (MPWT) is responsible for managing the implementation of national policy concerning all public works construction by establishing the principles of law and cooperate with various organizations to develop the country, constructing and maintaining all the transportation infrastructure such as roads, bridges, ports, railways, waterways , establishing the regulations for the development of the roads, ports, railways and waterways infrastructure, establishing the regulations and control the transport by road, railway and waterway, participating and cooperating to establish laws, regulations, diverse standards concerning the construction of transport infrastructure,

realizing the other constructions that the Royal Government entrusts to it, and cooperating with the Secretariat of Civil Aviation concerning all airport construction works.

436. It is organized to deliver its services through the following functional/program areas:

- **The General Department of Public Works** is responsible for the control of the construction, repairing and maintenance of the road, bridge infrastructure. There are five departments in the General Department of Public Works as Department of Road Infrastructure, Heavy Equipment Center, Public Work Research Center, Department of Waterways, and Department of Air Infrastructure.
- **The General Department of Planning and Administration** is responsible for the communication, and coordination of the ministry, the management of the affairs concerning the administration, the personnel and Human Resource, the materials, the equipment, the accounting, the finance, the training and the planning. There are five departments in the General Department of Planning and Administration as Department of Planning and Investment, Department of Administration, Department of Personnel and Human Resources, Department of Accounting and Finance, and Department of International Cooperation.
- **The General Department of Transport** is responsible for the managing and controlling transport by road, by waterway, by sea and elaborate all regulations to facilitate and guarantee the circulation safety. There are three departments in the General Department of Transport as Department of Road Transport, Department of Water Transport, and Department of Merchant Marine.

437. To implement the prioritized policies for the Fourth Legislature, MPWT will carry out the following activities:

*A. In the Road Sector, it will:*

- i. Continue Strengthening Management of Roads Network by:
  - Routine and periodic maintenances.
  - Preventing overload transportation.
  - Formulating policies on development of Public Works and Transport, especially roads.
  - Formulating and updating (revise) strategies and Master Plans on the development of roads.
  - Formulating legal papers for strengthening of road management: Sub-Decree on the right of way and Road Law, etc..
  - Preparing Road Numbering System managed by the Ministry of Public Works and Transport.
  - Constructing of sewage systems in towns that are situated along National Roads.
  - Installing road signs, lane markings and Kilometre Signs.
- ii. Continue the Construction of Main National Roads for the Integration in the Country and the Region by:
  - Continuing the rehabilitation of remaining National Roads in order to connect provincial towns to the Capital and neighbouring countries.

- Continuing to seek for funding for the enlargement of roads around Phnom Penh to have 4 lanes, and construction of ring roads around major city towns, widening RN1, RN4, and RN5 to 4 lanes.
- Preparing studies and search for funding for the rehabilitation and construction of a number of roads, namely:
  - Road connecting Siem Reap - Preah Vihear – Steung Treng – Ratanak Kiri ( RN 64);
  - Road connecting Mondul Kiri – Koh Nhek – Ban Lung – Lao Border;(RN 76,78a RP 378a1 )
  - Bordering Roads in the North and North-West;
- Cooperating with the Ministry of Rural Development and City-Provincial Authorities so that the road networks are smooth and fit with each other.

**B. In the Road Transport Sector, it will:**

- i. Shorten the timing for registration of vehicles, making number plates, process for getting driving license, etc..
- ii. Strengthen road traffic safety.
- iii. Promoting Cross Border Agreement by:
  - Fostering transportation of goods with Viet Nam.
  - Fostering the implementation of single stop and Single Window inspector within the scope of GMS with Viet Nam and Thailand.
  - Fostering the Cross Border Agreement with Lao PDR.
  - Fostering the Cross Border Agreement with Thailand.
- iv. Strengthen the management in the scopes of decentralization and de-concentration.

**C. In the Waterway Transportation and Ports sector, it will:**

- i. Continue to focus on transportation along the Mekong River from Phnom Penh to the Sea in Viet Nam.
- ii. Continue and finalize the formulation of the Waterway Transport Agreement between Cambodia and Viet Nam.
- iii. Finalize the Waterways Master Plan and prepare for implementation.
- iv. Continue the implementation of the 2<sup>nd</sup> Project at Sihanouk Ville Port, funded by JBIC:
  - Construction of infrastructure for the settlement of a Special Economic Zone covering 70 hectares of port territory.
  - A Construction Project of a Multi-purpose Port for serving logistical supports to the crude oil exploration at the open sea, and a Berth for special cargo in bulk.

**D. In the Railways Sector, it will:**

- i. Speed up the rehabilitation of railways in both directions, and connection with Thai railway system.
- ii. Prepare study of a railway project from Bak Deung to Lok Ninh, Viet Nam in the scope of ASEAN Railway (Singapore-Kun Minh Railway Link “SKRL”).
- iii. Enhance the implementation of the concession agreement by private sector (Toll Cambodia Co., Ltd) , on the management and operation of Cambodia railway.

**E. In the area of enforcement of Laws and formulation of Laws and regulations, MPWT will:**

- i. Strengthen the enforcement of Road Traffic Law (promulgate on February 8<sup>th</sup>, 2007) and the Sub-decree on the Management of Garages that Repair and Transform Vehicles.
- ii. Submit the following draft policies and sub-decrees for review and approval:
  - National Transport Sector Policy.
  - Sub-Decree on the Management of Roadsides and Railways of the Kingdom of Cambodia;
  - Sub-Decree on the Management of Waterways Transportation;
  - National Policies, Strategies, and Action Plans on Road Traffic Safety;
  - Road Network Master Plan.
- iii. Draft and submit for review and approval:
  - Decree on the conclusion of Royal Railway of Cambodia (State enterprise) and establishment of Railway Department in Ministry of Public Works and Transport.
  - Sub-Decree on the Management of Transportation of Goods and Passengers;
  - Sub-Decree on the Establishment of Joint-Inspection Committee on Road Traffic Violation;
  - Draft a Law on the Multimodal Transport ;
  - Draft a Prakas on Sale and Bidding of Vehicle Registration Services;
  - Formulate Procedures on Scoring of Driving License;
  - Draft a Sub-Decree on Waterway Transportation;
  - Continue to check the Agreement on Waterway Transportation with Viet Nam;
  - Review the Draft on Kram on Maritime Transportation;
  - Draft a Sub-Decree on the Establishment of a National System for Readiness, Prevention, and Cooperation to Deal with Oil Spill;
  - Foster the endorsement of Draft Prakas on the Authorization for Vessels' Entrance Through Ports of the Kingdom of Cambodia;
  - Foster the endorsement of Draft Prakas on the Security Within the Port Zones of the Kingdom of Cambodia;
  - Formulate a National Plan to Prevent Risks Caused by Spilled Oil;
  - Foster the endorsement of a Master Plan on Maritime Transportation and Ports by the Royal Government;
  - Foster the endorsement of a Master Plan on Waterway Transportation in the Mekong River System of Cambodia.
  - Continue to revised and enhance the approval on the updated Road Network Development Master Plan in the Kingdom of Cambodia.

**II. WATER RESOURCES AND IRRIGATION SYSTEM MANAGEMENT**

**A. Policy Priorities for the Fourth Legislature**

438. The Royal Government has rehabilitated existing and constructed more irrigation networks and has taken other measures to maximize its full potential in order to solve the water needs of the agriculture sector. As a result, the capacity of water reservoirs has expanded and the ability to provide water for cultivation has increased. The Royal Government has established water user communities with increasing participation from

farmers. Provision of potable water supply in the urban and rural areas has also been progressing well.

439. The Royal Government of the Fourth Legislature will continue to accord priority to the rehabilitation, construction, maintenance and efficient management of irrigation infrastructure, water reservoirs, canals, pipes, drainages, flood and sea protection levies, and water pumping stations to increase irrigated areas and boost agricultural production.

440. The Royal Government will pay more attention to the rights of access of people to clean water supply to ensure food safety and better livelihoods in accordance with the Cambodia Millennium Development Goals (CMDGs) and will also preserve the ecosystem of unpolluted water and clean environment. As part of the vision for the future in water management in the Mekong basin, the Royal Government will continue to take measures to rationalize water use in all water bodies, including rivers, lakes and the Tonle Sap Lake.

441. The Royal Government will enhance efficient management of the irrigation system by strengthening the institutional capacity of concerned ministries and agencies. It will further increase people's participation in the decentralized management and use of the irrigation systems in order to address water issues for cultivation, facilitation of navigation and promotion of aquaculture, and will strengthen the capacity of water user communities. Along with use of resources from development partners and its own resources, the Royal Government will encourage private sector participation in the development and the management of irrigation systems and clean water supply.

#### **B. Planned Actions to Implement the Prioritized Policies**

442. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Water Resources and Meteorology's (MWRAM) actions will be focussed on the following five strategic areas:

- I. Water resources management, development, and implementation of **hegemonic** irrigation system.
- II. Flood and drought management.
- III. Promoting law, provision, and water sustainability.
- IV. Water resources management and meteorology information.
- V. Administration and human resources improvement and development.

443. In the area of, *water resources management, development, and implementation of hegemonic irrigation system*, The MWRAM will:

- i. Rehabilitate and construct the existing irrigation system to meet the urgent needs of water for agriculture.
- ii. Promote broadcasting of water management innovation technology in agricultural areas which depend on rain.
- iii. Prioritize rehabilitation and construction of reservoirs, lakes, ponds, intake canals and drainage system to ensure the water supply for cultivation zone, aquaculture, daily use and animals.
- iv. Prioritize the rehabilitation and construction of irrigation system and drainage system in the poorest areas.
- v. Strengthen capacity of staff and management of MOWRAM to implement irrigation and drainage theory and innovation skills.

- vi. Involve farmers, stakeholders, and private sector to participate in all stages of projects preparation, projects improvement, and irrigation and drainage system development.
- vii. Promote study and design river basin development in short, medium and long term with the consideration of changing of water discharge, water current, and aquifers to ensure the use of water resources at present and in the future.
- viii. Pay attention to prioritized river basin and conserving aquifers.
- ix. Implementing multi-approaches on water resources management and development thoroughly considering water sources which are linked to other sectors of environment. The changing of the need of human and environment on water resources and the management of project implementation.
- x. Increase the awareness and encourage preparation and implementation of river basin development and management plan with the cooperation of concerned ministries, stakeholders and benefit receivers.
- xi. Encouraging the participation of Farmer Water Users Community, benefit receivers, and private sector at all stages of development and management of irrigation and drainage system.
- xii. Improve Farmer Water Users Community (FWUC) capacity on how to manage, maintain, and operate irrigation system through Participatory Irrigation Management and Development.
- xiii. Encourage investments from international development cooperation partners and the private sector to support the development, maintenance, and management of the irrigation system through Participatory Irrigation Management and Development.
- xiv. Generate income through irrigated agriculture and continual investments in water sector for cultivation.

444. In the area of, *flood and drought management*, the MWRAM will:

- i. Promote and encourage the study and construction of flood controls and water drainage with the aim of minimizing natural disasters caused by water.
- ii. Undertake all actions to mitigate flood in all areas which provide high economic potential through providing education to communities, information to public and media.
- iii. Urgently respond to the needs of people in areas affected by drought, flood and other calamities caused by water.
- iv. Continue encouraging people and all institutions to participate in flood reduction actions such as: providing safety hills, materials, heavy equipment, machineries, education, and presenting new technology which is suitable for the real situation.
- v. Actively participate in national and international programs to reduce the impact of water.
- vi. Be prepared to intervene water pump to rescue dry season rice and rainy season rice for people in all provinces in case of shortage of water, especially areas near water resources, not covered by irrigation system.

445. In the area, *promote law, provision, and water sustainability*, the MWRAM will:

- i. Prepare sub-decrees to implement the Water Resources Management Law adopted in June 2007, e.g:
  - Farmer Water Users Community Sub-decree.
  - Water License and Water Distribution Sub-decree.
  - River Basin Management Sub-decree.



- Water Quality Sub-decree.
- ii. Strengthen and encourage the implementation of Water Resources Management Law and other related provisions to monitor and prevent all rehabilitation and construction projects that might have adverse impact on water resources and eco-system.
- iii. Prepare evaluation process and reduce the impact on water resources and society.
- iv. Maintain water discharge and minimum water level in river, and lake to ensure navigation and ecology system.
- v. Prohibit and take urgent action on matters dealing with landfills, excavations or water invasion in rivers, lakes, ponds, and canals or regular inundated areas and the coastal areas without any permission which impact water resources, eco-system and environment.
- vi. Strengthen river basin conservation and natural lakes which could store water to help reduce flood and maintain ecology system.
- vii. Continue strengthening and expanding the Farmer Water Users Communities to participate in water management and distribution to maintain the irrigation system in an effective and sustainable manner.
- viii. Preparing sub-decree to define geographical map of irrigation system, and reservoir to avoid invasion.

446. In the area of, *Water Resources and Meteorology Information Management*, MRWAM will:

- i. Strengthen and expand meteorological and hydrological system including data collecting and broadcasting.
- ii. Focus and alert populations in effected areas during emergencies related to drought, flood and storm for short, medium and long term.
- iii. Improve and install meteorological and hydrological stations and rain gates, water **staff** gates at important locations and rivers including data collection and broadcast.
- iv. Install hydrological observation system to provide accurate water level and water discharge data for flood forecasting, and hydrological data use for preparing project proposals on water resources, and water resources management.
- v. Install meteorological observation system to receive accurate weather data for weather forecasting, and weather data required for preparing project proposals and other purposes.
- vi. Provide public with weather forecast information, advice and educate to enhance understanding on how to prevent and minimize the impact of events caused by nature and climate change: storm, lightening storm, tsunami, and flood etc.
- vii. Prepare inventory and geographical map of irrigation system, flood control, **polders**, river basins, inundated land and water resources management.

447. In the area of, *Improvement of Administration Management and Human Resources Development*, the MWRAM will:

- i. Strengthen the administrative processes and provide on-the-job training to MOWRAM officials to meet national and international standard.
- ii. Continue strengthening capacity of central officials, sub-national level, and FWUC to be aware of the significance of water to daily livelihood and economic

development and advise them to actively participate in preparing management planning, maintenance, conserving, and using water effectively in a sustainable manner to keep good eco-system, using all means such as organizing training programs, workshops, and adding these issues in the curriculum of programs offered by education institutions, and widely disseminate this information through bulletins, magazine, radio, TV and other medias.

- iii. Create gender network in all provincial departments of the MWRAM.
- iv. Increase the awareness and gender analysis to gender network in all provinces and municipality
- v. Ensure the participation of gender group in all projects of ministry.

448. In carrying out its functions the MWRAM will ensure that:

- The potential benefits of the irrigation system to solve water problem for agriculture are maximized.
- FWUC's have a greater participation of farmers and farming communities.
- Strengthen the process to prioritize the rehabilitation, construction, maintenance, and management of irrigation infrastructure, reservoir, calmatage structure, irrigation structures, drainage calmatage, calmatage canal, flood control, polder and pumping station to increase cultivated area and agricultural productivity.
- Pay attention to affirm the rights of citizen to get clean water to ensure food security in people's daily life to align with millennium development goals, and to ensure the ecology system and unpolluted water in the Mekong River Basin and to continue to study the use of water resources in rivers, lakes, ponds, canals and Tonle Sap River.
- Increase irrigation management effectiveness by building capacity.
- Ensure the participation of related institutions and the ownership of people in using and managing irrigation system
- Ensure that sufficient water is available and water quality meets the need of water of all sectors through out the year and to maintain the eco-system.
- Mitigate flood effects and build capacity to prevent floods from rain and sea water.
- Avoid polluting water resources to support eco-system, especially fish.

#### URBAN DRINKING WATER SUPPLY

449. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Industry, Mines and Energy (MIME) actions will be delivered through the following three programs:

- i. Draft and enact regulations and build partnerships with private sector to promote private sector participation and to provide protection and subsidies to the poor.
- ii. Strengthen the management of public water supply authorities to improve the delivery of services, in particular to the poor.
- iii. Strengthen environmental protection and sanitation to preserve the ecosystem of unpolluted water and clean environment.

450. In the program area, *Draft and enact regulations and build partnerships with private sector to promote private sector participation and to provide protection and subsidies to the poor*, the MIME will:

- Prepare a guideline manual on procedures and principles for private investment in drinking water supply.
- Prepare Prakas on production and supply of drinking water.
- Prepare Prakas on policy for water production cost.
- Examine the water production costs set by private water supply companies in all urban centres.
- Strengthen capacity of regulatory unit of Drinking Water Department.
- Organize consultations with sub-national authorities in order to reach an agreement on the role and responsibility of each entity in the drafting and enactment of regulations for drinking water supply.
- Strengthen capacity of sub-national authorities in the drafting and enactment of regulations for drinking water supply.
- Enact regulations for the promotion of private sector investment in drinking water supply.
- Strengthen private service providers' technical capacity in drinking water supply and in bookkeeping.
- Implement SME development projects for drinking water supply in Cambodia.
- Conduct studies on development programmes for drinking water supply and sanitation in urban centres.
- Promote partnership with private sector within the framework of Government-Private Sector Forum on drinking water supply and sanitation.

451. In the program area, *Strengthen the management of public water supply authorities to improve the delivery of services*, in particular to the poor, the MIME will:

- Conduct studies on improving quality, business efficiency, and governance of drinking water supply authorities.
- Monitor the status of progress in the operations of public drinking water supply authorities.
- Examine the drinking water production costs set by public drinking water supply authorities except for the autonomous ones.
- Implement training and capacity building projects for public drinking water supply authorities in 8 municipalities.
- Foster the establishment of association of public drinking water supply authorities.
- Implement drinking water supply and sanitation expansion projects for poor communities in 5 municipalities.
- Conduct studies on and developing drinking water supply and sanitation expansion projects for poor communities in 5 municipalities.
- Conduct studies on and develop rehabilitation projects for drinking water supply authorities of Kratie and Stung Treng Provinces.
- Implement the rehabilitation and development projects in the Triangle Region in Rattanak Kiri and Mondul Kiri provinces under grants from Japanese Government.
- Conduct studies on and developing drinking water supply expansion project in Siemreap Provincial Municipalities.
- Conduct studies on and developing drinking water supply in Prasat Sambo in Kampong Thom Province.
- Implement the rehabilitation and expansion project for drinking water supply in Kampot Provincial Municipalities.

- Develop and implementing drinking water supply system rehabilitation and expansion project in 6 Municipalities.
- Develop and implement drinking water production capacity expansion project in provincial municipalities of Battambang and Kampong Cham.

452. In the program area, *Strengthen environmental protection and sanitation to preserve the ecosystem of unpolluted water and clean environment*, in particular to the poor, the MIME will:

- Enhance the awareness of the need and benefits of safe water and sanitation by disseminating information to communities using all types of media.
- Coordinate the preparation of the plan for integrating environmental management into sanitation in 5 municipalities.
- Coordinate the implementation of the plan for integrating environmental management into sanitation in 5 municipalities.
- Implement the study project on institutional framework relating to environmental management and sanitation.
- Implement the study project on financing strategies in environmental and sanitation issues and safe water.

### **III. DEVELOPMENT OF THE ENERGY SECTOR**

#### **A. Policy Priorities for the Fourth Legislature**

453. In the Third Legislature, the Royal Government has succeeded in the rehabilitation of the electricity supply system and extended supply to some strategic regions. Some concrete achievements include: (1) the commencement of construction of the hydro-electric generating station at Kamchay and Atai and some transmission lines; (2) the rehabilitation and expansion of electricity supply system in Phnom Penh to meet actual demand; (3) the rehabilitation and reconstruction of electricity supply system in a number of provinces to meet local demand; (4) the construction of receiving system in the border areas to enable import of low cost electricity from neighbouring countries; and (5) the provision of electricity in rural areas from privately operated small-scaled generating units in accordance with the licensing arrangements under the Law on Electricity.

454. In the Fourth Legislature, the Royal Government will attach priority to increase electricity supply capacity and reduce tariff to an appropriate level while strengthening institutional mechanism and management capability. To this end, the Royal Government will encourage the construction of low cost electricity generating plants by using local energy sources such as hydro power, natural gas, and coal. In addition, the Royal Government will explore possibilities of developing high-tech power plants including nuclear and non-traditional energy, and will pursue the import of electricity from neighbouring countries. The diversification of energy resources and the creation of the reserve generating capacity in the system are key to ensure energy security in Cambodia. Moreover, the Royal Government will encourage construction of electricity transmission lines covering all parts of the country to enable the supply of quality and low cost energy from all sources to meet the demand in cities, provinces, urban and rural areas; and will gradually integrate Cambodia's electricity energy system into the networks of the Greater Mekong Sub-region (GMS) countries and ASEAN.

455. In order to reduce poverty and ensure harmony in the lives of people in the rural areas, the Royal Government will continue to attach priority to accelerate rural electrification, including the use of renewable energy.

456. The Royal Government will accord high priority to encourage the private sector to invest in energy infrastructure, including generation, transmission and distribution. The Royal Government will make further efforts to mitigate adverse effects on environment and society in the implementation of energy projects while safeguarding economic efficiency of each project. Attention will also be paid to capacity building and institutional reform in the Electricity Authority of Cambodia (EAC), Electricity Du Cambodge (EDC) and other relevant ministries and agencies to improve management efficiency and the quality of electricity supply.

457. The Royal Government considers oil and gas resources as a unique potential to ensure energy security and as valuable resources for long term economic development of Cambodia. In this sense, the Royal Government will develop policy, legal and regulatory framework for the sector in order to ensure efficient management and resources utilization for economic development and improvement in livelihoods of the Cambodian people.

458. The Royal Government encourages the use of efficient energy with minimal impact on the environment.

## **B. Planned Actions to Implement the Prioritized Policies**

459. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Industry, Mines and Energy (MIME) will focus on:

- i. Increasing electricity supply capacity and reduce tariff to an appropriate level while strengthening institutional mechanisms and management capability.
- ii. Ensuring reliability of electricity supply in order to facilitate and attract investment in this sector and to foster economic development.
- iii. Developing policy, legal and regulatory framework for energy sector in order to ensure efficient management and resources utilisation for economic development and improvement in livelihoods of the Cambodian people.
- iv. Encouraging the use of efficient energy with minimal impact on the environment.

460. To meet the demand for electricity across the whole country, the MIME will:

- Promote the use of local energy sources such as hydro power, natural gas, and coal.
- Promote the diversification of energy sources for electricity generation.
- Encourage the private sector to invest in energy infrastructure, including generation, transmission and distribution.
- Promote regional energy trade through bi-and multi-lateral cooperation.
- Ensure energy security through the creation of reserve generating capacity.
- Make further efforts to mitigate adverse effects on environment and society in the implementation of energy projects while safeguarding economic efficiency of each project.
- Carry out capacity building and institutional reform in the Electricity Authority of Cambodia (EAC), Electricité du Cambodge (EDC) and other relevant ministries and agencies to improve management efficiency and the quality of electricity supply.

461. To increase the supply of available electricity during the next five years, 2009-2013, it will:

- i. Import 200 MW from Vietnam in 2009 to supply power to Phnom Penh.
- ii. Import 20 MW from Vietnam in 2009 to supply power to Kampong Cham.
- iii. Import 20 MW from Lao PDR in 2009 to supply power to Stung Treng.
- iv. Complete work on the Kirirom Hydropower Station 3 to provide an additional 18 MW in 2010.
- v. Complete work on the Kamchay Hydropower Station to provide an additional 193 MW in 2010.
- vi. Complete work on the Electricity plant powered by imported coal to provide an additional 200 MW in 2010.
- vii. Import an additional 60 MW from Thailand in 2010 2009 to supply power to Banteay Meanchey.
- viii. Complete work on the Electricity plant powered by imported coal to generate 100 MW in 2011 to serve coastal areas.
- ix. Complete work on the Stung Atai Hydropower Station in 2012 to generate 120 MW.

**TABLE 17: MINISTRY OF INDUSTRY, MINES AND ENERGY INDICATORS**

Indicator	Unit	2008	2009	2010	2011	2012	2013
Electricity generated	GWH	1,971.749	2,366.099	2,839.319	3,407.182	4,088.619	4,906.342
Transmission Network (115KV)	Km	355	355	455	530	636	763
Household consumers	Nos	477,412	534,701	614,907	737,888	848,571	975,857
Per Capita consumption/year	KWH	103	159	187	220	259	307
Transmission Network (22KV) New indicator proposed by MIME	Km	1,450	1,595	1,914	2,201	2,531	2,911
Transmission Network (230KV) New indicator proposed by MIME	Km	0	110	110	200	400	700

*Source: Ministry of Industry Mines and Energy.*

462. The Ministry of Industry, Mine and Energy will expand the electricity transmission network by carrying out the following projects:

- i. 115KV transmission line connecting Stung Treng-Lao PDR to be completed in 2009.
- ii. 230KV transmission line connecting Takeo-Kampot- a substation in Kampot provincial town to be completed in 2009.
- iii. 230KV transmission line connecting Kampot Provincial town-Sihanoukville- a substation in Sihanoukville to be completed in 2009.
- iv. 230KV transmission line connecting Phnom Penh-Kampong Chhnang-Pursat-Battambang to be completed in 2010.
- v. 230KV transmission line connecting Stung Atai hydropower station-Osom substation and 230KV transmission line connecting Osom substation-Pursat substation to be completed in 2012.
- vi. 230KV transmission line connecting Phnom Penh-Kampong Cham provincial town-Skun substation to be completed in 2012.
- vii. 115KV transmission line connecting Phnom Penh-Neakloeung-Prey Veng-Svay Rieng-Vietnam to be completed in 2012.
- viii. 230KV transmission line connecting Phnom Penh-Vealrinh substation to be completed in 2013.

#### **IV. DEVELOPMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**



## **A. Policy Priorities for the Fourth Legislature**

463. In the Third Legislature, the telecommunication sector has made remarkable progress through the expansion of the coverage of the post and telecommunication services and Internet, and the increase in the numbers of users.

464. This is a fiercely competitive sector. The Royal Government of the Fourth Legislature will continue to develop the post and telecommunication system and promote the development of information and communication technology (ICT) to ensure high quality conforming to international standards, low price and reasonably nation-wide coverage. The priorities are to: (1) speed up the adoption of the Law on Telecommunications and associated legal and regulatory framework; (2) build capacity of the sector; (3) improve and modernize the equipment and technology to ensure effectiveness and a wider coverage of the services; (4) foster competition in the postal and telecommunication services to ensure efficiency of this sector; (5) increase the efficient use of IT system and promote e-government, and (6) build and enhance efficiency of the backbone infrastructure for the information and communication technology sector.

## **B. Planned Actions to Implement the Prioritized Policies**

465. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Post and Telecommunications will take actions to expand telecommunications services and reduce fees by:

- Developing and providing information on investment opportunities to investors to build telecommunications infrastructure.
- Efficiently managing the implementation of development projects that are underway to ensure the completion of these projects on schedule. These projects include:
  - Rehabilitation of Submarine fibre optics cable.
  - Construction of fibre optics telecommunications Network.
  - Projects in the Greater Mekong Sub-region to link fibre optics network from Siem Reap to Skun; Kampong Cham to Lao PDR boarder (Stung Treng); and improvement of telecommunications services in both urban and rural areas.
- Continuing to monitor and to take legal actions against telecommunication operators who are in violation of their contracts.
- Developing and promulgating regulations required to orient the investment companies about this sector.
- Continuing to give priority to stop leakages of revenues from the mobile telecommunication system.
- Continuing to promoting the development of fibre optics network using underground and undersea cables to improving communications services within the country and to improve communication to international destinations.
- Enhancing and improving research and development focusing on gender issues.
- Constructing telecommunication offices at Preah Vihear, Ratanakiri, Takeo, Stung Treng, and Kampong Thom.

466. To strengthen the regulatory framework, the Ministry of Post and Telecommunications will develop of approval:

- Law on Telecommunication (2009)
- Radio-communication Law (2010-2011)

- Cyber Law (2011-2012)
- Sub-decree on Establishing Universal Telecommunication Union (2009-2011)
- Approval of Constitution and Convention of International Telecommunication Union (2009)
- Approval of Internet-Corporation for Assigned Names and Numbers/Asia-Pacific Network Information Center of America (2009-2010)
- Approval of International Multilateral Partnership Against Cyber Terrorism (2010-2011)
- Policy on Mobile Service Management through Internet VoIP and ISP (2010-2011)
- Declaration on National Frequency Plan (2009)
- Declaration on establishing Radio Frequency Usage Management Commission (2010)
- Circular on Installing Radio Antenna (2009)
- Prakas on Telephone Numbering Plan (2009-2010)
- Prakas on Price of Telephone Numbering (2009-2010)
- Prakas on Connecting Public Telecommunication Network (2009-2010)
- Prakas on Management of Radio-communication Equipment and price of Radio Frequency Usage (2011)
- Prakas on Technology Management, Rehabilitation, and Telephone Service Usage (Mobile and Fixed) 2009

467. The growth targets set for the expansion of the telecommunications sector are presented in Table 16.

**TABLE 18: TARGETS FOR THE EXPANSION OF TELECOMMUNICATION SERVICES**

Targets	2008 Actual	2009 Estimate	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
Mobile & Fixed Telephones (in '000)	4,143	5,000	5,600	6,200	6,800	7,400
Number of Internet Subscribers	20,108	46,000	61,000	76,000	91,000	106,000

468. To implement RGC's priority policies, the Ministry of Information will:

- Expand coverage and improve the quality and effectiveness of the national media to provide services to 95 percent of the population across the country, to the region and other continents, including North America.
- Continue construction of new provincial radio and television stations and improvement of their capacity to enable them to rely on live major events at the national level, and to be able to produce and broadcast programs to more areas, especially on issues facing women and children.
- Build institutional and human resources capacity, with an emphasis to increase the number of female staff, to improve delivery of services to the public and to effectively interact and cooperate within ASEAN, in the region and with development partners.
- Enforce the Press Law in order to enhance the rule of law, and freedom of the press, of expression and of publications.
- Study, research and draft legal instruments in order to effectively regulate the media businesses and to support the development of information and audio filed and information technology.

- Continue encouraging and opening up the participation of the public sector, civil society groups, and non-governmental organizations, and give priority to women to play their role in the information and audio field.

**TABLE 19: MINISTRY OF INFORMATION INDICATORS**

Main Indicator	Unit	2008	2009	2010	2011	2012	2013
<b>A. State Media</b>							
1. State Television (TVK)							
- Main Station	No.	01	01	02	02	02	02
- Provincial Stations	No.	05	05	07	07	08	10
2. State Radio (RN)							
- Main station (AM)	No.	01	01	02	02	02	02
- Provincial Stations (FM)	No.	11	13	15	16	18	20
3. national News Agency	Section	01	01	01	01	01	01
<b>B. Private Media</b>							
1. Television Stations	No.	06	07	08	08	09	09
2. Cable TV (city/provinces)	Section	90	93	93	93	95	96
3. Radio Stations	No.	39	40	42	43	43	44
4. Print media (newspaper, bulletin, magazine, Cambodian and foreign languages)	Section	542	550	555	560	565	570
5. Printing House	Section	133	134	135	135	136	136

## 5. PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT

469. The four sides or sub-components of this component of the Rectangular Strategy Phase II deal with: (i) strengthening private sector and attracting investment; (ii) creation of jobs and ensuring improved working conditions; (iii) promotion of small and medium enterprises; and (iv) creation of social safety nets.

### I. STRENGTHENING PRIVATE SECTOR AND ATTRACTING INVESTMENT

#### A. Policy Priorities for the Fourth Legislature

470. The Royal Government has ensured the reduction of business transaction costs, and expanded market access as well as reduced transportation costs and improved travel safety by improving physical infrastructure, thus ensuring integration of rural and urban economies. The Royal Government has developed necessary legal framework for private sector development and strengthened the "**Government-Private Sector Forum**" to function as an effective dialogue and dispute settlement mechanism. Reduced requirements for documents has facilitated trade and businesses, particularly through the implementation of "Single Administrative Document -SAD" system and "Single Window" service.

421. To facilitate private sector development, the Royal Government of the Fourth Legislature will continue to accord priority to improve physical infrastructure through increased public investment in transportation networks, including roads, railways, waterways (river, sea), and air routes; to increase the electricity generating capacity and expand the distribution network in urban and rural areas to provide energy at a reasonable rate; to strengthen and expand the modern telecommunication network to make services available at a reasonably low rate; to enhance and widen the clean water supply network; and to enhance and expand infrastructure system for cultural and natural tourism sector.

472. The Royal Government of the Fourth Legislature will make further efforts to expand international market access through concerted implementation of its obligations under the

framework of WTO, ASEAN, and sub-regional and regional economic integration initiatives. In addition, the Royal Government will continue to: strengthen the supportive legal framework for the private sector including laws and regulations, and administrative procedures and improve productivity through training for employees, technicians, and skilled labor; ensure fair competition; promote trade facilitation; enforce the labor law; and, strengthen the dispute settlement mechanism.

473. As an important part of the policy for diversifying the economic base, the Royal Government will promote a favourable climate for developing the agro-processing industry, and assembling industry including electronic and machinery assembly. In addition, the Royal Government will continue enhancing necessary legal framework, especially creating the law for the efficient operations of Special Economic Zones.

474. The Royal Government will continue promoting the public and private sector partnership for investment especially for physical infrastructure projects.

### **B. Planned Actions to Implement the Prioritized Policies**

475. For the Royal Government, the private sector is the engine of economic growth and poverty reduction. The Royal Government recognizes that improving the business climate and creating an enabling environment for private sector development are key pre-requisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. Strengthening private sector and attracting investment is a cross-cutting issue that involves a number of RGC institutions. *To implement RGC priority policies for the Fourth Legislature the highest priority of all concerned RGC institutions is to support the creation of an enabling environment that fosters private sector development by taking measures to alleviate major bottlenecks to private sector development.*

476. The Cambodian Investment Board of the Council for the Development of Cambodia (CIB/CDC) has operated a “single window service” for investors for many years in order to reduce the administrative burden of seeking approval for new investment projects. During the Fourth Legislature, this mechanism will be further strengthened and streamlined and a new “Investor Aftercare” mechanism, as well as, an “Investor Tracking System” will be developed and implemented. The CIB/CDC and the Ministry of Commerce will continue to actively promote new investments in the priority economic sectors to diversify and broaden the economic base, develop and widely disseminate information on investment opportunities in priority sectors to potential private sector investors, and strengthen coordination among concerned RGC institutions to promote a sense of joint responsibility for enhancing the competitiveness of private sector businesses.

477. The Council for the Development of Cambodia will further strengthen the implementation of the Special Economic Zones (SEZ) and will ensure that the locations of the SEZ's are suitable for maximizing the integration of Cambodia's economy into the region.

478. Since its establishment in December 1999, the Government-Private Sector Forum and the Committees under this mechanism have made important contributions in the processes of administrative and regulatory reforms to promote private sector development. This coordination mechanism has proven to be effective not only in building partnerships with the private sector but, more importantly, in providing inputs in the process of prioritization of activities under the reform programs. The Royal Government will continue to

explore new ways to further strengthen this Government-Private Sector coordination mechanism and to build public-private partnerships.

**TABLE 20: MAIN INDICATORS OF THE TRADE SECTOR**

	2005	2006	2010	2013
Import Value (CR Billion)	15,727	18,040	-	-
Import Value (US\$ Million)	3,727	4,400	-	-
Export Value (CR Billion)	11,890	17,802	-	-
Export Value (US\$ Million)	2,900	4,342	-	-
Clothing and Garment (CR Billion)	8,979	2,218	10,250	-
Clothing and Garment (US\$ Million)	2,190	2,980	2,500	-
Number of Factories	224	293	295	350
Number of Workers (Males & Females)	263,941	351,340	350,000	400,000
Total Salary per month (CR Million)	73,800	112,750	110,700	123,000
Total Salary per month (US\$ Million)	18	27,5	27	30
Number of Companies Registered	1,551	2,784	1,726	2,227
Number of Trade Mark Registered	1,910	2,311	2,500	2,800
Number of Border Inspection for Imported Products	95,000	104,940	80,800	93,000
Number of Border Inspection for Exported Products	8,050	115,140	88,600	97,800
Number of Market Surveillance	758	533	410	460
Number of Countries providing duty free	9	9	-	-
Number of products exempted from imported tariff	1,337	20,321	-	-

479. During the Fourth Legislature, the Ministry of Commerce (MOC) will:

- Strengthen the implementation of the Trade Sector Program that is based on a sector-wide approach, focusing on trade facilitation and the private sector development. The main indicators for the trade sector are presented in Table 18.
- Continue to promote exports of agriculture products, garments and other products as part of its poverty reduction strategy.
- Continue to strengthen integration into the regional and international export markets and to improve competitiveness.
- Organize more national and international trade fairs.
- Strengthen the effectiveness of market surveillance in order to protect the health and well being of consumers.
- Strengthen law enforcement.
- Strengthen collaboration with international institutions and foreign countries to become a well respect development partner.

480. During the Fourth Legislature, the Ministry of Commerce will submit the following laws for review and approval:

- At the end of 2009, the Ministry of Commerce will submit the following 3 draft laws to the Office of the Council of the Minister for review and approval: (1) the draft law on

Commercial Contracts; (2) the draft law on Geographical Indications; (3) and the draft law on Commercial Court.

- In 2010, the Ministry of Commerce will submit the following draft laws for review and adoption: (1) the Competition Law (already developed); (2) the E-Commerce Law (already developed); (2) the Consumer Protection Law (being developed); and (4) the Trade Remedy Law (being developed).
- At the end of 2011, the law on Commercial Agents will be submitted for review and adoption.

481. During the Fourth Legislature, the Ministry of Tourism (MOT) will focus on improving the quality and scope of tourism services in order to attract new private sector investments in the tourism sector. It will:

- Continue to implementing the Open Sky Policy and promoting Cambodia – Kingdom of Wonder.
- Formulate a Sub-decree to establish a Marketing Research Council for Tourism Promotion.
- Facilitate travel and transportation, and reduce unnecessary barriers that restrict tourist travel within the country.
- Work to reduce tour package costs and promote the development of creative tour packages.
- Develop and upgrade tourism products, tourism events, and attractive destinations.
- Promote domestic tourism.
- Promote the awareness campaign on Clean City, Clean Resort, and Good Service.
- Work with law enforcement agencies to strengthen safety and security of tourists.
- Strengthen coordination with line ministries, relevant agencies, Tourism Associations and private sector in the planning of new initiatives to further develop the tourism sector.

482. The priority activities of the Ministry of Tourism's action plan for 2009-2013, include:

- i. Completing work on preparing the following plans for the development of the tourism sector:
  - National Strategic Development of Tourism 2009-2020
  - National Development Plan of Tourism 200-2013
  - National Eco-Tourism Strategic Policy
  - Tourism Development Plan of Phnom Penh and Surrounding areas
  - Tourism Development Plan of Siem Reap and Surrounding areas
  - Tourism Development Plan of Coastal areas (South-West)
  - Tourism Development Plan of North-East
- ii. Marketing study and to further promote tourism campaign, especially "Cambodia – Kingdom of Wonder", to raise awareness of Cambodia's potential tour programs at the regional and international arenas, to attract more visitor arrivals by planning and holding several tourism events, and developing tourist facilities of high quality.
- iii. Strengthening of tourism industry activities.
- iv. Strengthening international cooperation activities.
- v. Human resources development.
- vi. Management and Development of tourism products.
- vii. Developing statistic and tourist Information.



viii. Gender Mainstreaming in the work of the Ministry and the tourism sector.

483. The preservation and promotion of the rich Khmer heritage and traditions has been and will continue to be a high priority of the Royal Government during the Fourth Legislature. The Ministry of Culture and Fine Arts will continue to ensure the preservation of the ancient temples and the national museum, and actively promote Khmer arts including traditional Khmer dances, songs and other artistic endeavours; as well as promoting the revival, production and marketing of Khmer handicrafts as an important contribution to support the growth of the tourism sector.

484. During the Fourth Legislature, the Ministry of Culture and Fine Arts has planned to carry out 23 projects that involve:

- The repair and maintenance of ancient temples, as well as improvements to roads and bridges for easy access to the temples.
- The repair and maintenance of the national museum as well as the preservation and restoration of museum exhibits.
- Construction of offices in provinces and a Tribal Centre in North East.
- Construction of a hall to exhibit cultural products and a hall for traditional Khmer dance performances.

## **II. CREATION OF JOBS AND ENSURING IMPROVED WORKING CONDITIONS**

### **A. Policy Priorities for the Fourth Legislature**

485. In the Third Legislature, the number of enterprises and financial institutions increased to 2,400 entities and created 440,500 jobs. More than 50,000 Cambodian workers have found employment in foreign countries. The implementation of Open Sky policy has led to sharp increase in tourists, and job creation. The freedom of trade union has been promoted. Work inspection and conflict resolution mechanism has been tightened to monitor labour law enforcement and ensure decent working conditions.

486. The Royal Government of the Fourth Legislature will continue to ensure healthy linkage between trade and working conditions by: effective implementation of labour standards, norms, the Labour Law and international conventions; continuation of the *"better factory"* project; facilitating workers finding jobs abroad; capacity building through vocational training in response to market demands by mainly focusing on drop-out young students at secondary and high schools, disabled people, women, marginalized groups and minorities; development of a labour market statistical system and national qualification standards; conducting wide public awareness campaigns on labour market demands in order to assist labour mobility; and, strengthening existing mechanisms of labour dispute resolution such as Arbitration Council, and, demonstration and strike resolution committees at all levels.

487. The Royal Government will train volunteer arbitrators among local authorities aiming for peaceful conflict resolution. In addition, efforts will be made to ensure: sustainability of job creation and labour law enforcement through training, improved labour inspection at factories/enterprises to raise awareness about labour conditions including hygiene, health and safety; prevention of child labour; the adherence to the norms for foreign employees; freedom of union as prescribed in the Labour Law; and, progress towards adoption of a Law on Trade Unions and the legal framework on the Labour Court through comprehensive consultation with all related stakeholders.

**B. Planned Actions to Implement the Prioritized Policies**

488. To implement RGC's priority policies, the Ministry of Labour and Vocational Training (MLVT) will take actions to:

- i. Strengthen and expand its programs and services to support job creation in both the formal and informal sectors, as well as, strengthen the management of services of its overseas employment program, including the employment permit system (EPS), to enhance protection of workers seeking employment outside the country. To promote in-country job creation, the Ministry will:
  - Carry out studies to support the preparation of national policies on employment and manpower management.
  - Develop, regularly update, and widely disseminate labour market information and analysis to policy makers and the public.
  - Strengthen and expand employment placement services for job seekers.
  - Develop and regularly update information on business establishments.
- ii. Ensure better working conditions for workers by:
  - Strengthening the enforcement of labour standards, norms, provisions of the Labour Law and international conventions.
  - Continuing the implementation of the "better factories" program.
  - Strengthening the enforcement of the occupational safety and health standards by carrying out regular inspections of business establishments in both formal and informal sectors.
  - Enhancing the awareness of and requirements for occupational safety and health by working with employer and employee organizations, in particular with regards to under 15 year old and under 18 year old children.
  - Implementing program focusing on hazardous work.
  - Strengthening enforcement of laws and regulations dealing with child labour by carrying out regular inspections of industrial establishments and other enterprises to eliminate the exploitation of child labour.
- iii. Implement measures to reduce worker-management conflicts in work places. To facilitate the resolution of worker-management conflicts, at the end of 2009, the Ministry of Commerce will also establish an Arbitration Centre in accordance with the Sub-Decree on Arbitration Centre which was adopted in July, 2009.
- iv. Expand technical and vocation training, in particular in rural areas, by:
  - Carrying out a comprehensive analysis of technical and vocational training required to meet the needs of employers in the urban areas as well as to support the development of rural communities.
  - Develop national qualifications, national competency standards, testing, and accreditation of technical and vocational training courses and programs.
  - Expand the scope and number of technical and vocational training institutes across the country and actively promote the participation of the private sector in providing the required technical and vocational training.
  - Ensure gender equity in access to technical and vocational training opportunities.
- v. Strengthen the enforcement of the provisions of the Law on Social Security, collection of contributions, the management of risk related to occupational safety, health care and pension benefits provisions of the social security system.

### III. PROMOTION OF SMALL AND MEDIUM ENTERPRISES

#### A. Policy Priorities for the Fourth Legislature

489. The Royal of Government has reduced minimum requirements for the registration of small and medium enterprises and the company registration fee. Accounting system and financial report mechanism have been simplified. Loans provided by financial institutions to small and medium enterprises have increased considerably.

490. The Royal Government of the Fourth Legislature will continue to improve the business climate for small and medium enterprises development focusing on four main aspects: (1) *legal and regulatory framework* – facilitating registration particularly via internet system, defining procedures and principles for inspection and certificate of origin for import and export, and adoption of a sub-decree on trade facilitation through risk management; (2) *financing* – creation of financial leasing companies, and strengthening governance and financial reports; (3) *supportive actions for small and medium enterprises* – promoting innovation and technology as well as financing for small and medium enterprises, and strengthening and widening other supportive services, (4) *integrating small and medium enterprises* into a global value chain and preventing all kinds of smuggling.

491. In addition, the Royal Government will promote implementation of new measures including: establishing of the National Productivity Center in order to improve productivity and reduce production costs; establishing a National Standards Institute to ensure product quality conforming with regional and international standards; establishing national testing laboratories for physics, chemistry, micro-biology, and mechanics in order to evaluate quality and set prerequisite criteria for products; strengthening industrial property rights protection mechanism in order to promote innovation, adoption of new techniques and new technology; imparting training to improve skills; and, strengthening the relevant legal framework.

492. The Royal Government continues to promote the “one village-one product” movement by encouraging inventions, entrepreneurship, and self-confidence in rural areas. This movement provides a comprehensive network linking production to the market, helps maintain regional identity, and encourages new initiatives for product diversification. The Royal Government will promote technical training for special products within some regions in the context of strengthening quality and expanding markets which are critical for further support to and participation in this movement.

#### B. Planned Actions to Implement the Prioritized Policies

493. To implement RGC’s prioritized policies, the Ministry of Industry, Mines and Energy (MIME) will focus on achieving the following four Objectives:

- i. Creating enabling business environment for the development of industry and manufacturing sector.
- ii. Promoting SMEs and developing businesses.
- iii. Private sector development and attracting investment.
- iv. Building human resource capacity and technology transfer.

494. These objectives will be achieved through the implementation of the following seven programs:

- Program #1: Strengthen institutional capacity and improve the quality and efficiency of public service delivery.

- Program #2: Strengthen quality and efficiency of enforcement of laws and regulations governing the operation of factories and handicraft workshops.
- Program #3: Strengthen partnerships with private sector and development partners.
- Program #4: Formulate policies to support industry and SMEs.
- Program #5: Promote productivity growth and the capabilities of Cambodian industrial producers.
- Program #6: Formulate and implement policies for industrial property rights issues.
- Program #7: Formulate and implement policies to strengthen capacity to deal with metrological issues.

495. In Program area #1, *Strengthen institutional capacity and improve the quality and efficiency of public service delivery*, the MIME will take the following actions:

- Improving information management and sharing system and strengthening capacity on information technology.
- Strengthening capacity of the staff of General Department of Industry through various trainings.
- Reviewing and improving the existing legal procedures and regulations for industry sector aiming at strengthening quality and efficiency of enforcement of laws and regulations governing the operation of factories and handicraft workshops.
- Promoting good practices in dealing with regulations governing industry sector.
- Institutional strengthening and enhancing capacity of Industry Laboratory Centre of Cambodia for conducting analyses and researches and improving product quality.
- Reviewing and restructuring the allocation of roles and responsibility of all departments and units under

496. In Program area #2, *Strengthen quality and efficiency of enforcement of laws and regulations governing the operation of factories and handicraft workshops*, the MIME will take the following actions:

- Examining the needs for and issuing regulations, guidelines, and procedures necessary for strengthening of law enforcement.
- Conducting dissemination campaigns of laws and regulations.
- Strengthening the management of factory concession contracts.
- Creating directory of factories and handicraft workshops.
- Strengthening the inspection and monitoring pursuant to law on industrial enterprises and handicraft workshops.
- Publishing the bulletins on the implementation of industry sector regulations.

497. In Program area #3, *Strengthen partnerships with private sector and development partners*, the MIME will take the following actions:

- Strengthening partnership with private sector within the framework of the Government-Private Sector Forum.
- Strengthening the capacity of SME sub-committee to efficiently exercise its role.
- Facilitating and providing orientation to development partners in manufacturing sector.

498. In Program area #4, *Formulate policies to support industry and SMEs*, the MIME will take the following actions:

- Taking appropriate actions to improve fiscal and non- fiscal measures to support prioritized industries.
- Issuing laws and regulations necessary for promoting the investment in prioritized industries.

499. In Program area #5, *Promote productivity growth and the capabilities of Cambodian industrial producers*, the MIME will take the following actions:

- Formulating policies and strategies to improve techniques and technologies.
- Disseminating of productivity- and technique-related information.
- Providing trainings on productivity- and technique-related subjects to producers.
- Establishing advisory services for productivity- and technique-related issues.
- Enhancing and expanding the use of R&D centres through internet.

500. In Program area #6, *Formulate and implement policies for industrial property rights issues*, the MIME will take the following actions:

- Strengthening and providing protection services for industrial property rights.
- Raising awareness and providing training on industrial property rights.
- Establishing centre for creative initiatives and innovations and strengthening its operations.
- Promoting creative initiatives and innovations.
- Strengthening relationship with intellectual property right agents and applicants for certification and registration.
- Establishing advisory services for industrial property rights.
- Fostering the cooperation with national and international organization in the implementing on industrial property

501. In Program area #7, *Formulate and implement policies for industrial property rights issues*, the MIME will take the following actions:

- Putting in place legal and regulatory framework and technical regulations for the management of national metrological<sup>32</sup> processes.
- Establishing metrology management infrastructure including national metrology centre and control and verification centre in 5 regions.
- Disseminating and providing training on metrology- related subjects.
- Cooperating with regional and international metrological organizations.

#### **IV. CREATION OF SOCIAL SAFETY NETS**

##### **A. Policy Priorities for the Fourth Legislature**

502. During the Third Legislature, the Royal Government succeeded in rescuing, and providing support to a large number of vagrants, vulnerable women and children, people with disabilities, victims of human trafficking, and victim families of natural disasters. These people have been provided with training and jobs to survive on their own.

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<sup>32</sup> "Metrology" is defined by the International Bureau of Weights and Measures (BIPM) as "the science of measurement, embracing both experimental and theoretical determinations at any levels of uncertainty in any field of science and technology". The "ontology" and standard vocabulary of metrology (VIM) is maintained by the International Organization for Standardization.

503. The government has cooperated with national and international organizations and all relevant institutions to provide employment opportunities for, and reduce vulnerability of, the poor. Also, the Royal Government has improved and strengthened social safety nets for retired civil servants and veterans by increasing pensions and other benefits.

504. To continue to implement social safety policies, the Royal Government of the Fourth Legislature will: give priority to improve working conditions for workers and employees, enforcement of Social Security Law, implementation of the principle of benefit and pension scheme for people with disabilities and their dependents; ensure protection of those covered by the Labour Law; and make available to all employees insurance coverage against workplace accidents. The Royal Government will continue to strengthen support to people with disabilities and families of veterans who sacrificed their lives for the nation. Furthermore, the Royal Government will continue to support retired civil servants and veterans through implementing a comprehensive pension system under the National Social Security Fund. In this context, the government will work towards promulgation of a “Law on the Comprehensive National Social Security Fund” and a “Law on the Establishment of National Pension for Veterans”.

#### ***B. Planned Actions to Implement the Prioritized Policies***

505. At the present time, the whole world is facing unprecedented challenges posed by a series of global crisis that include not only the on-going global financial crisis and the economic downturn but also issues related to the impact of climate change, wide fluctuations in food and fuel prices, epidemic diseases and so on. These developments have increased the level of urgency for RGC institutions to deal with social protection issues through a more coordinated approach in order to protect the significant gains that have been made in reducing poverty over the last decade; and to ensure that social safety nets are in place for workers (who make a contribution to the national economy) both in their working life and when they retire after reaching the legal retirement age.

506. The Royal Government remains committed to developing and implementing a comprehensive and sustainable social safety net system aimed at protecting the livelihoods of the poor and most vulnerable segments of the population. The Council for Agriculture and Rural Development (CARD) has taken some important steps to build consensus on the key concepts and broad direction for policy development on social safety nets for the poor and vulnerable segments of the population in collaboration with implementing line ministries. The findings and recommendations based on these consultations were presented at a National Forum on Social Safety Nets on 6-7 July 2009. Moving ahead on this important task, CARD will ensure that in planning for and implementation of social protection measures the following principles are adhered to:

- Within a resource scarce environment, where the demands will far exceed available resources, give preference to social protection measures that provide not only immediate relief but also contribute to building the beneficiary population’s ability/capacity to contribute to the economic development of their communities. Food for work programs to build rural road infrastructure that enables beneficiary populations’ greater access to education and health services, and access to markets for their products; Health Equity Fund providing relief through health fee waivers, scholarships for education to build the skills base, and targeted distribution of agriculture inputs to smallholder farmers to improve productivity of their holdings and to generate income (seeds, fertilizer, extension services etc) are some good



examples that are being implemented by RGC institutions and need to be further strengthened, in particular support to smallholder farmers.

- To ensure greater transparency and better targeting in the delivery of cash transfer schemes for poor households, all implementing RGC institutions will be encouraged/required to use the data from the on-going National Identification System for Poor Household that is being supported by the “Identification of Poor Households Programme (ID Poor)” of the Ministry of Planning. By the end of 2009, data for more than 7345 villages will be available from this source. The program will be expanded to cover the whole country and periodically updated to remain a reliable source of data for targeting social safety net measures aimed at poor households.
- Enhance cross-sectoral coordination and integration of social protection measures with decentralized development planning processes at the sub-national levels.
- Minimize the planning and delivery costs (overheads) of social safety net programs to achieve a maximum net transfer of resources to the beneficiary populations.

507. A number of RGC institutions are currently delivering social protection and safety net programs to assist individuals, households, and communities to better manage risks, shocks and extreme poverty. The Ministry of Social Affairs, Veterans and Youth Rehabilitation (MOSVY), Ministry of Labour and Vocational Training (MOLVT) and the Ministry of Women's Affairs (MOWA) are all mandated to deliver social services to the population, and to protect specific vulnerable groups against risks. Specific safety net interventions by other RGC institutions, for example Ministries of Health, Education, Rural Development, and Economy and Finance are delivering programs to address some key sources of vulnerabilities through health fee waivers, scholarships and exemptions that have helped households deal with health costs and keep their children in school. Other safety net interventions include food distribution, labour-intensive public works, and targeted transfers. RGC has now mandated CARD to setup an inter-ministerial coordination mechanism to monitor and evaluate the implementation of safety net interventions to strengthen food security and nutrition status of the vulnerable and the poor. An inventory of the social protection and safety net programs that are currently being delivered is presented in Annex I.

508. The programs of the Ministry of Social affairs, Veterans and Youth Rehabilitation are focussed on reducing vulnerability of the poor, assisting the most disadvantaged people, providing moral and material support, and to strengthen and develop Cambodia's social security system. To implement RGC's priority policies to strengthen social protection and safety nets the Ministry's work will be concentrate on the following six areas:

#### **Priority 1: Strengthen and Expand Social Welfare Services for the Vulnerable Poor**

- Continue to expand emergency programs to provide assistance to the victims and the vulnerable
- Strengthen the activities to address the problems of homeless people by continuing to implement the nine-point strategy and the existing mechanism effectively
- Continue to combat human trafficking and; promote rehabilitation and reintegration of victims into communities by providing better follow-up support and making a law protecting the rights of the victims of human trafficking; and strengthen social affairs centers to ensure the provision of good services for the victims
- Strengthen and expand the building of good families, promote the roles of families and people in social development, and continue the annual organizing of International Family Day May 15

- Increase efforts to provide social services to the families of women and children affected by HIV/AIDS.

**Priority 2: Strengthen and Expand Child Welfare Services and Youth Rehabilitation**

- Strengthen and expand the implementation of the four basic rights of children; mobilize forces to address the problems of orphan children, disabled children and children from poor families
- Keep implementing the policy on alternative child-care and a minimum standard for center-based child-care; strengthen orphanages of the government and those of NGOs and increase the effectiveness of child-care
- Strengthen domestic and inter-country adoption-related affairs
- Push for the passage of the law on inter-country adoption and law on child rights
- Strengthen and expand the activities of the Cambodian National Council for Children and community-based child protection networks
- Promote three-model behavior of children—good child, good student and good friend—and organize International Children’s Day June 1 annually
- Strengthen and expand education programs on morality and decency to prevent violence, crimes and substance abuse among children and youths
- Strengthen and expand youth rehabilitation centers
- Promote the protection of minor’s rights in accordance with the convention on child rights within the justice and judicial system
- Encourage sports activities, camping, study tours for children and young people
- Support the advocacy of the inclusion of the needs of children and young people into national development plans at all levels
- Push for the passage of law on minor’s justice
- Coordinate the multi-sector strategy for orphans and vulnerable children

**Priority 3: Strengthen and Expand Welfare and Rehabilitation Services for Disabled People**

- Implement policies for the disabled; push for the implementation of the law on the protection and promotion of disabled people’s rights; and promote the implementation of the international convention on the rights of people with disabilities
- Continue to sustain rehabilitation services for people with disabilities
- Keep expanding Braille and sign language training services for disabled people and promote these services through IT systems
- Promote vocational training, create jobs and provide community services as well as encourage a movement self-help for people with disabilities
- Strengthen and expand disabled people’s sports movement; organize sports, international events for people with disabilities; and include the needs of the disabled into development plans at all levels
- Continue to improve the understanding of disabilities among families, communities, employers and responsible agents in order to reduce the discrimination against disabled people; and continue to create more favorable environments for the disabled at all levels in order to ensure quality services and cut down physical, social, economic and politic obstacles

**Priority 4: Strengthen and Expand the Social Security System and Welfare Services for Elderly, Civil Servants and General People**

- Strengthen pension provision for retired civil servants and expand the pension scheme in terms of the availability the national budget
- Strengthen the implementation of the social national security fund for civil servants
- Research and establish national security nets for general people
- Prepare a comprehensive bill on the social security fund for general people
- Support the establishment of retired civil servants' associations and elderly associations in communities; encourage families and communities to support the elderly without whom they can depend on for assistance; provide support services to the elderly; and organize Elderly International Day October 1

**Priority 5: Strengthen and Expand Social Security System and Welfare Services for Veterans**

- Continue to implement national policies for veterans to recognize the good deeds of veterans who have made sacrifices for the country
- Continue to promote reforms in the management and provision of salary for veterans more effectively
- Prepare a bill on the social security fund and a sub-decree on the national fund for veterans
- Construct veterans' villages using the model of disabled soldiers' villages of Samdech Akka Moha Sena Padei Techo Hun Sen
- Strengthen the operations of the Cambodian Veterans' Association
- Promote the three good principles of veterans: good use of salary, building of good living conditions for family and good participation in local development

**Priority 6: Strengthen and Expand Institutional Capacity, Partnership and Fund-Raising Capacity to Increase Effectiveness of Social Services**

- Strengthen the effectiveness and quality of the social affairs administration in provision of social services
- Struggle to strengthen good governance and the increase of effectiveness of internal rules at work and promote the management of civil servants according to the co-statutes of civil servants and the principles of public administrative reforms
- Increase the enhancement civil servants' capacity through training courses and the establishment of a national institute of social affairs; enhance women's capacity at work and support their decision
- Establish a statistical system for the social affairs sector based on the six priorities set by the ministry
- Promote the utilization of information technology (IT) and disseminate information about the achievement of work activities
- Continue the implementation of decentralization and deconcentration policy reforms through step-by-step transfers of some of the ministry's functions to national lower levels and through the inclusion of social work into development plans at all levels
- Strengthen the implementation of reform programs of public financial management
- Strengthen partnerships with NGOs, national and international humanitarian organizations and other generous people to seek technical, material and financial support for the provision of social services to victims and vulnerable groups in society; strengthen and expand bilateral and multilateral international cooperation and call for the support and participation from development partners in the social affairs sector.

509. The Ministry of Labor and Vocational Training (MoLVT) runs the National Social Safety Fund (NSSF) that was established in 2008. The Fund provides to private sector employees: employment Injury coverage (workmen's compensation); health insurance; and pension coverage. The MoLVT will continue to further strengthen and broaden the scope of implementation of these three components. The Employment Injury scheme has already started in December 2008, while the Health Insurance and Pension Scheme are scheduled to start in 2010 and 2012, respectively. All firms that have more than eight employees will be required to enroll in these schemes. As of February 2009, the NSSF had enrolled roughly 400 firms in the Employment Injury scheme, about 250 of which are garment factories, covering a total of roughly 300,000 workers. Employers participating in the Fund are required to make a monthly contribution equal to 0.8% of the employee's salary. The benefit is part in kind, part cash. The covered employees receive full medical assistance, plus 70% of the salary in order to compensate the forgone income during treatment.

## **6. CAPACITY BUILDING AND HUMAN RESOURCES DEVELOPMENT**

510. The four sides or sub-components of this component of the Rectangular Strategy Phase II deal with: (i) strengthening the quality of education; (ii) enhancing health services; (iii) implementation of gender policy; and the (iv) implementation of national population policy.

### **I. STRENGTHENING THE QUALITY OF EDUCATION**

#### **A. Policy Priorities for the Fourth Legislature**

511. The Royal Government has achieved remarkable progress in implementing the "Education for All" strategy by ensuring equity and the basic nine year education for all children. Other major achievements include the gradual increase in the number of schools and teachers, the enrolment rate at all levels of primary and secondary education, particularly in the rural areas. Lower secondary schools have been built in almost all communes/sangkats in the whole country. The number of technical and vocational training schools, universities and teaching staff increased as well. Meanwhile, the government has substantially increased budget for the education sector for which current budget expenditure has doubled in 2007 from 2003 level, accounting now for 19.2% of total current budget. The government has achieved remarkable progress in improving partnership in education with development partners including NGOs and the private sector.

512. In the Fourth Legislature, the Royal Government will continue to implement the *Education Strategic Plan*, putting emphasis on ensuring that all Cambodian children and youth should have equal opportunity for access to basic education, both formal and informal, without discrimination on grounds of race, skin colour, gender, languages, religion, political affiliations of parents, place of birth and social status. Equally, the implementation of the Strategic Plan is linked to imparting a culture of peace, respect for human rights and dignity, respect for the principles of freedom, democracy and justice, and instilling a culture against violence, drug use, child and women trafficking and social discrimination.

513. The Royal Government will pay attention to improve the quality of education by: providing incentives to teachers; improving curriculum; encouraging outstanding students; training teachers and upgrading teaching methodologies; improving class room conditions and learning materials; and, establishing libraries and laboratories. In order to ensure equitable opportunity, the government will continue to establish dormitories for students, especially female students; to build schools for all levels, particularly in rural and remote

areas; and to increase scholarship for poor students. As well, the government will continue to train qualified teachers in adequate number and effectively implement teacher deployment policy. The government will encourage teachers who work at primary and lower secondary schools and who have obtained bachelor degree at any age to take an exam to become high school teachers; and allow primary teachers who have not completed high school take an exam to obtain equivalent certificate of high school graduation. It will provide them an opportunity to study at bachelor as well as post-graduate levels and will increase basic salary.

514. The Royal Government will continue to strengthen its partnership with private sector and the national and international communities to enhance and improve the quality of education services paying more attention to information and foreign language training at all levels of general education, technical and vocational training, and in higher education as well, consistent with international standards and the country's development needs. Equally importantly, the government continues to pay attention to technician and engineer training through technical and vocational training schools and higher education. As well, in order to reduce the gap between demand and supply for jobs, the government will continue to implement the vocational training policy linking with labour market in close cooperation with relevant parties through the following measures: (1) provide basic skills training to people in rural areas to increase income; (2) provide training or skill improvement to factory workers in cooperation with employers; (3) continue to expand technical and vocational training to provinces/municipalities, including entrepreneurship training program; and (4) establish National Agency for Profession and Employment, and Employment Centres in provinces/municipalities as a mechanism for dissemination of labour market information.

515. The Royal Government will continue to expand informal education through literacy and vocational programs, establishment of community learning centres and implementation of equity programs. The government will increase budget allocation for education and mobilize more financing to support education to ensure higher and effective quality of education.

## **B. Planned Actions to Implement the Prioritized Policies**

516. To implement the priority policies during the Fourth Legislature, MoEYS will continue to follow the development framework for the education sector outlined in ESP 2006-2010 with a sharper focus on ensuring the achievement of the goals of the priority policies. As a high priority, the MoEYS will begin the process of preparing an updated ESP 2009-2013 to ensure the harmonization of the education sector plan with the mandate of the Legislature and to bring a sharper focus on achieving the goals of RGC's policies for the education sector.

517. To achieve the goals of RGC's prioritized policies for the education sector, the MoEYS will continue to diligently implement appropriate measures in the three focus areas of ESP that are aimed at:

- i. **Ensuring equal access to education service** by building schools close to student's home, reducing the number of incomplete primary schools, providing operational budgets to schools, increasing the supply of teachers, and building dormitories for students, especially girls.
- ii. **Improving quality and effectiveness of education service** by increasing provision of school instructional materials, libraries and laboratories, continuing to further reform the curriculum, increasing learning hours, providing scholarships to

poor students, enhancing teaching and management capacity, strengthening teachers' morality, improving schools' environment (supply of clean water and latrines), and expanding functional literacy.

- iii. **Enhancing institutional development and capacity building of education officers for decentralisation** by re-structuring working procedures, developing legislative instruments, and training education officers at all levels on technical skills.

518. To deliver its services, the MoEYS will follow the Program Based Budgeting approach as set out in Budget Strategic Plan 2010-2012. This budgeting framework includes six main programs and 21 sub-programs, as follows:

#### **Program 1: Development of general education and non-formal education**

This program is focused on:

- i. Expansion of early childhood education.
- ii. Strengthening quality and efficiency of primary education.
- iii. Strengthening quality and efficiency of secondary education.
- iv. Equitable access and scholarships for Poor and disadvantaged students.
- v. Expansion of non-formal education.

#### **Program 2: Development of Education, Technical Training of Higher Education and Scientific Research**

The primary focus of this program is on strengthening the quality and efficiency of higher education.

#### **Program 3: Development of Physical Education and Sports**

The main focus of this program is on the:

- i. Development of public sports community.
- ii. Development of student sports community.
- iii. Training, physical education and sports research.
- iv. Development of advanced sports.

#### **Program 4: Strengthening of good governance**

This program is focused on monitoring and evaluation of education sector's performance and administrative and financial inspection.

#### **Program 5: Educational support and management**

This program focuses on:

- i. Policy development and strengthening the planning system.
- ii. Teacher development and in-service training.
- iii. Textbook and material development.
- iv. Human resource management and efficiency.
- v. Capacity development in management of planning, finance, and basic materials.
- vi. Internal audit.
- vii. Development of information technology and ICT.

#### **Program 6: Youth Development**



The focus of this program is on enhancing youth awareness of HIV-AIDS and strengthening youth activities; and strengthening capacity and youth activities.

519. To support the implementation of the prioritized policies of RGC, the MoEYS will develop and submit for approval the following decrees/sub-decrees/regulations:

Policy 1: Ensuring equal access to education service

- i. Prakas on establishment, closing, integration, inaction, separation, and transforming of school or institution.
- ii. Circular on educational dissemination and advertisement.
- iii. Sub-degree on classification of higher education and enrolment criteria.
- iv. Policy on scholarship and loan credit.

Policy 2: Improving quality and effectiveness of education service

- v. Prakas on special education.
- vi. Sub-degree on standard of national education, training and capacity.
- vii. Guideline on the modality for educational quality monitoring and evaluation.
- viii. Prakas on core curriculum for general education.
- ix. Policy on the detailed framework of curriculum for all cycle of education.
- x. Prakas on framework and level of certificates.
- xi. Policy on early child care education.
- xii. Guideline on core training material for educational staff.
- xiii. Sub-degree on measuring of equivalency's capacity.
- xiv. Guideline on examination process.
- xv. Policy on science and technology in education.
- xvi. Prakas on health check for student and staff.
- xvii. Prakas on language identification for ethnic group.
- xviii. Circular on procedure and application of teacher professional code of conduct.

Policy 3: Enhancing institutional development and capacity building of education officers for decentralisation

- xix. Prakas on Administrative hierarchy and educational management.
- xx. Policy of physical and professional criteria for staff selection.
- xxi. Prakas on institution/school management.
- xxii. Royal decree on educational system.
- xxiii. Circular on certificate and diploma provision.
- xxiv. Prakas on complaint procedures and solutions.
- xxv. Guideline on contract or agreement procedure.
- xxvi. Circular on educational information provision.
- xxvii. Prakas on monitoring mechanism.
- xxviii. Prakas on resource management in education.
- xxix. Sub-degree on using school and institution.
- xxx. Circular on autonomous organization in management.
- xxxi. Royal krom on establishment of educational national council.
- xxxii. Sub-degree on the preparation and procession of educational national council.

520. To move forward in resolving the challenges faced in the implementation of NSDP 2006-2010 and based on lessons learned the MoEYS will accelerate its efforts during the period of NSDP Update 2009-2013 to:

Policy 1: Ensuring equal access to education service

- i. Provide access for school-age children to attend primary school.

- ii. Increase the number of teachers recruited from local areas, particularly disadvantaged areas.
- iii. Prepare facility development plan in cooperation with DPs and NGOs.

Policy 2: Improving quality and effectiveness of education service

- iv. Continue to strengthening public pre-school and class and existing pre-school community and expansion schools.
- v. Strengthening and expansion of child friendly school.
- vi. Increase school operational budget in consistency with school development plan.
- vii. Establish female student councils in schools to deal with difficulties and encourage female students.
- viii. Revise teacher training curriculum at all levels and all specialized subjects.
- ix. Effective implementation of teacher deployment principle, especially new graduates and proper staff management.
- x. Widely disseminate equivalency program and effectively implement.
- xi. Improve and expand Literacy program, life skill and equivalency program.
- xii. Strengthening the structure and staff capacity development of non formal education.
- xiii. Revise framework of higher education programs to reflect national and market needs in accord with higher education vision and strategy 2020 ease government budget for scholarships in essential areas especially female students.
- xiv. Improve research and science education.
- xv. Focus on staff development at HEIs.
- xvi. Finalization of National Youth Policy of Cambodia.
- xvii. Increase students' awareness of HIV/AIDS, violence, drug and sexuality, etc.
- xviii. Strengthening and expansion of youth and children council at school/institution over the country.
- xix. Strengthen youth staff's capacity.
- xx. Strengthening existing youth centres and new expansion
- xxi. Sports development.
- xxii. Formulate policy/regulation for development of physical education and sport.
- xxiii. Supply enough students' books and teachers' books on time.
- xxiv. Strengthening the existing library at school and continue to expand over the country.
- xxv. Revise standard and quality of grade-12 examination by seeking for new technology to control the exam.
- xxvi. Improve quality of education in all images.

Policy 3: Enhancing institutional development and capacity building of education officers for decentralisation

- xxvii. Complete building gender policies in education sector, youth and sport.
- xxviii. Continue to implement Gender Mainstreaming Strategic Plan 2006-2010.
- xxix. Strengthening and strong cooperation with development partners and community for further enhancing aid effectiveness in the sector
- xxx. Strengthening the management and staff capacity development through increasing number of female staff in management team.
- xxxi. Formulate accurate policies related to teachers' salary, recruitment, promotion and replacement.

- xxxii. Strengthening data collection regularly and on time.
- xxxiii. Strengthening good governance at all levels.
- xxxiv. Internal audit with high quality.
- xxxv. Prepare legislation on the use of budget resources on time and in accordance with the budget allocation schedule.
- xxxvi. Strengthening implementation guideline and monitoring mechanism.

521. The selected core indicators and targets that will be regularly monitored and periodically reported on by the MoEYS are presented in Table 19

**TABLE 21: MOEYS SELECTED CORE INDICATORS AND TARGETS**

Selected Core Indicators for the education sector			2008	2009	2010	2011	2012	2013
			Actual	Estimated	Projected	Projected	Projected	Projected
			School Year 2008-09	School Year 2009-10	School Year 2010-11	School Year 2011-12	School Year 2012-13	School Year 2013-14
1	Primary school (1-6)	No.	6,565	6,635	6,685	6,785	6,865	6,945
2	Longest distance to primary school	km	6.0	5.0	4.0	3.0	2.0	1.0
3	Net Enrolment %:	total	94.4	95.0	96.0	97.0	97.5	98.0
		male	94.8	95.0	95.5	96.0	96.5	97.0
		female	94.0	95.0	96.0	97.0	98.0	99.0
4	Net Enrolment % :	urban	94.0	96.0	96.5	97.0	97.5	98.0
		rural	94.7	95.0	96.0	96.5	97.5	98.0
		remote	90.3	92.0	94.0	96.0	97.5	98.0
5	Primary Completion Rate %	total	85.6	86.0	88.0	90.0	92.0	94.0
		male	85.4	86.0	88.0	90.0	92.0	94.0
		female	85.7	86.0	89.0	92.0	95.0	98.0
6	Lower secondary school	No.	1,451	1,521	1,600	1 commune has 1 school	1 commune has 1 school	1 commune has 1 school
7	Net Enrolment %:	total	33.9	40.0	43.0	46.0	48.0	51.0
		male	32.0	38.0	41.0	43.0	46.0	49.0
		female	35.0	42.0	45.0	48.0	51.0	54.0
8	Net Enrolment %:	urban	54.0	56.0	58.0	60.0	62.0	64.0
		rural	30.9	34.0	36.0	38.0	40.0	42.0
		remote	11.3	14.0	16.0	18.0	20.0	22.0
9	Lower Secondary Completion rate %	TOT	49.1	51.0	53.0	55.0	57.0	59.0
		male	52.1	54.0	56.0	58.0	60.0	62.0
		female	45.9	48.0	50.0	52.0	54.0	56.0
10	Literacy rate age 15-24 %		87.5	88.0	89.0	90.0	91.0	92.0

## II. ENHANCING HEALTH SERVICES

### A. Policy Priorities for the Fourth Legislature

522. The Royal Government recognizes that healthy people constitute the key basis for human resource development and sustainable socio-economic progress. The Royal Government has placed emphasis on enhancing the general well-being of all citizens, particularly the poor, women and children. To ensure systematic development of health services delivery to the population, RGC adopted a Sector Wide Management (SwiM)

approach and developed its first Health Sector Strategic Plan (HSP) for 2003-2007. It has been implemented in close cooperation with external development partners (EDPs) who were engaged in this sector. A new HSP for 2008-2015 has been developed. It is now being implemented in close cooperation with all EDPs; as well as, work on implementing the Minimum Package of Activities (MPA) is progressing well. Health is one of the four priority sectors for PAP, which ensures adequate allocation and timely releases of budgetary funds both for current and capital expenditures. In the third legislature, the current budget for health doubled, accounting for about 10 per cent of the total current budget in 2007.

523. In the Fourth Legislature, the Royal Government will continue to implement the *Health Strategic Plan* to reduce maternal mortality rate and infant mortality rate, and improve other health indicators by enhancing and expanding health services, especially reproductive, maternal, and infant and children services.

524. The Royal Government is focused on the implementation of the program for prevention and cure of communicable diseases; construction of referral hospitals and health centres throughout the country that could provide effective, equitable and sustainable basic health services; and enhancement of quality of health professionals. The Royal Government will ensure better distribution of doctors, medical workers and midwives in the health system; increase allowances for health staff working in rural areas; and increase the number of doctors, medical workers and midwives. The Royal Government will continue to pay attention to health and sanitation education; widely disseminate health information especially in rural areas; and provide services to the poor through the Equity Fund and health insurance system.

525. The Royal Government will continue to take measures to: make health services more responsive and be available closer to people through decentralized service provision and devolution of management authority to sub-national levels such as national hospitals, referral hospitals and health centres; increase investment in physical infrastructure, medical equipment and technologies; enhance support services and health research for policymaking, planning, performance monitoring and evaluation; and, strengthen governance in the health sector by implementing the Sector-Wide Approach emphasizing national ownership and partnership with the international community. Also, the Royal Government will continue to promote private sector participation in order to increase investment in health sector and strengthen public health intervention.

#### **B. Planned Actions to Implement the Prioritized Policies**

526. The implementation of priority policies for health sector over the next five years will be guided by the strategic framework outlined in the Health Strategic Plan 2008-2015 (HSP2), RGC's policy on public services delivery, the policy framework for decentralization and de-concentration, and national budget strategic framework. The strategic priorities for the health sector fall into two broad interrelated areas that the Ministry of Health and all stakeholders will pay particular attention to. These two areas are: population health problems and essential services, and challenges in relation to functional areas of the health system on both the "supply-side" and the "demand-side". The building blocks of the HSP2 strategic framework are the following three main health programs of the MoH:

- i. Reproductive, Maternal, New Born and Child Health.
- ii. Communicable Diseases.
- iii. Non communicable Diseases and other health problems.

527. In each of these three program areas the MoH will focus on implementing the following five cross-cutting health strategies that include both “supply-side” and “demand-side” measures:

i. **Health Service Delivery:** Actions will be taken to:

- Expand coverage of the Minimum Packages of Activity (MPA) and the Complimentary Packages of Activity (CPA) based on Health Coverage Plan with a focus on meeting client needs.
- Strengthen health Service delivery support systems in an integrated manner.
- Target public health services provision and public health interventions according to need.
- Develop and apply consistent standards of quality across the entire health sector (public, private and non-profit).
- Develop contracting models as part of a comprehensive approach to health services delivery.

ii. **Health Care Financing:** Actions will be taken to:

- Seek increased funding from National Budget and improve efficiency in utilizing government resources allocated for health.
- Align development cooperation funding with MOH strategies, plans and priorities and strengthen coordination of development cooperation funding for health.
- Reduce financial barriers at the point of care and develop social health protection mechanisms.
- Account for the main sources and uses of national resources allocated for health Strategic interventions at service delivery level.
- Collect data and information required to develop and monitor health sector financing policy.

iii. **Human Resources for Health:** Actions will be taken to:

- Improve technical skills and competence of health workforce.
- Strengthen staff professionalism, ethical conduct, and quality of work.
- Improve staff distribution and retention, with priority to personnel essential to health sector priorities.
- Improve staff remuneration, salaries, and performance incentives.

iv. **Health Information System:** Actions will be taken to:

- Increase the availability of accurate, timely, and complete health data of high quality from public and private sources, together with enhanced coordination, and resources for the Health Information System (HIS).
- Improve data sharing, management, analysis, dissemination and use across all levels of the health system, including population and socio-demographic data.
- Improve the national disease surveillance system, public facility patient medical record system, and strengthen the case reporting, monitoring and response to non communicable diseases.
- Expand participation in the national HIS by the private sector, and facilitate data use for planning, resource allocation and management of human resources, infrastructure, and supplies.

v. **Health System Governance:** Actions will be taken to:

- Harmonize and align all activities within MoH and across the Health Sector to achieve HSP2 goals.
- Build public Private Partnerships.
- Enhance capacity to conduct research, Policy analysis, and to draft Regulations and Legislation.
- Strengthen institutional capacity as part of MoH's institutional development efforts.
- Strengthen MoH health sector stewardship through decentralization and de-concentration.
- Mobilize multi-sector responses to enhance national health system accountability for access to quality health services for all.

528. The goals and objectives of the actions that the MoH will take are:

*Goal #1: Reduce maternal, new born and child morbidity and mortality with increase reproductive health*

Objective 1: To improve the nutritional status of women and children.

Objective 2: To improve access to quality reproductive health information and services.

Objective 3: To improve access to essential maternal and newborn health services and better family care practices.

Objective 4: To ensure universal access to essential child health services and better family care practices.

*Goal #2: Reduce morbidity and mortality of HIV/AIDS, Malaria, TB, and other communicable diseases*

Objective 1: To reduce the HIV prevalence rate.

Objective 2: To increase survival of People Living with HIV/AIDS.

Objective 3: To achieve a high case detection rate and to maintain a high cure rate for pulmonary tuberculosis smear positive cases.

Objective 4: To reduce malaria related mortality and morbidity rate among the general population.

Objective 5: To reduce burden of other communicable diseases.

*Goal #3: Reduce the burden of non-communicable diseases and other health problems*

Objective 1: To reduce risk behaviours leading to non-communicable diseases (NCD): diabetes, cardiovascular diseases, cancer, mental illness, substance abuse, accidents and injuries, eye care, oral health , etc.

Objective 2: To improve access to treatment and rehabilitation for NCD: diabetes, cardiovascular diseases, cancer, mental illness, substance abuse, accidents and injuries, eye care, oral health, etc.

Objective 3: To ensure that the MoH has the capacity to effectively perform its essential public health functions: environmental health:, food safety, disaster management and preparedness.

529. To implement the priority policies of the RGC for the health sector, the day-to-day activities of health managers and staff of the MoH at all levels will be guided by the following five working principles:

- i. Ensure social health protection, especially for the poor and vulnerable groups.
- ii. Maintain a client focused approach to health services delivery.



- iii. Follow an integrated approach to high quality health care delivery and public health interventions.
- iv. Make human resources management as the cornerstone for health system.
- v. Ensure good governance and accountability.

530. Based on these five working principles, the efforts of the management and staff of the MoH, at all levels, will be focussed to:

- i. Implement decentralized service delivery and management functions.
- ii. Strengthen sector-wide governance.
- iii. Scale up access to and coverage of health services.
- iv. Implement pro-poor health financing systems.
- v. Reinforce health legislation, professional ethics and code of conduct, and strengthen regulatory mechanisms.
- vi. Improve quality in service delivery and management.
- vii. Increase competency and skills, including allied technical skills, of health workforce.
- viii. Strengthen and invest in health information system and health research.
- ix. Increase investments in physical infrastructures and medical care equipment and advanced technology with improvement of non-medical support services.
- x. Promote quality of life and healthy lifestyles of the population.
- xi. Prevent and control communicable and chronic and non-communicable diseases, and strengthen disease surveillance systems.
- xii. Strengthen public health interventions to deal with cross-cutting challenges.
- xiii. Promote effective public and private partnerships in service provision.
- xiv. Encourage community engagement in health services delivery and quality improvement.
- xv. Systematically strengthen institutions at all levels.

531. The MoH's operational framework, and its monitoring and evaluation functions are important tools to monitor and evaluate the overall health sector performance on a regular basis, to prepare information required for policy decision-making and to realign program services delivery, if necessary, to achieve the targeted goals and objectives of the programs; as well as to provide inputs for the preparation of Annual Progress Reports on the implementation of NSDP Update 2009-2013. The key planning tools for carrying out these functions are: the MoH's Three Year Rolling Plan linked to the Budget Strategic Framework and Public Investment Program, and MoH's Annual Operational Plan and program based budget. It is envisioned that all health partners will use this framework (including a set of agreed core indicators) to review progress of their programs/projects in the health sector. The MoH will prepare annual progress reviews, a mid term review followed by end-cycle evaluation to report on the impact of the HSP2 in improving the health status of the targeted populations.

532. The selected core indicators for each of the three MoH programs (Reproductive, Maternal, New Born and Child Health; Communicable Diseases; and Non communicable Diseases and other health problems) that the Ministry will periodically report on are presented in Table 20.

533. **HIV/AIDS:** The National HIV/AIDS Authority (NAA) will continue to implement programs and projects to further reduce the number of new HIV infections by taking to scale targeted prevention interventions; increase coverage and quality of care, treatment and support for people living with and affected by AIDS; and alleviate the socioeconomic and

human impact of AIDS on the individual, family, community and society. Its programs and projects will be targeted to:

- Increase coverage of effective prevention interventions and develop additional interventions especially for high risk groups.
- Maintain treatment coverage and increase coverage of effective interventions for comprehensive care and support and develop additional interventions.
- Increase coverage of effective interventions for impact mitigation and develop additional interventions.
- Strengthen multi-sectoral coordination and leadership by government and non-government sectors for implementation of the national response to HIV and AIDS, especially at sub-national levels.
- Strengthen a supportive legal and public policy environment for the national response to HIV and AIDS.
- Increase the availability and use of information for policy makers and programme planners through monitoring, evaluation and research.
- Improve mobilization and allocation of resources for the national response to HIV and AIDS.

**TABLE 22: SELECTED CORE INDICATORS (OUTPUT AND OUTCOME<sup>33</sup>) AND TARGETS OF MOH**

Selected Core Indicators	2008 <sup>34</sup>	2009	2010	2011	2012	2013
<b>Reproductive, Maternal, New Born and Child Health (RMNCH)</b>						
2 or more ANC health personnel consultation	81	85	88	90	92	94
% births delivery by trained health personnel	58	65	70	75	80	85
% births delivery by trained health personnel at health facilities	39	45	50	55	60	65
% of deliveries by C-section	2	2.2	2.5	3	3	3.2
Contraceptive prevalence using modern contraceptive method (%)	26	37	40	45	46	49
Proportion of children under 1 fully immunized	87	85	86	87	88	89
% of children under one year immunized against measles	91	90	91	93	95	>95
Consultations (new cases) per person per year (general population)	0.54	>0.5	0.6	0.6	0.7	0.8
<i>Child under 5</i>	1.1	1.3	1.5	1.7	1.7	1.8
<b>Communicable Diseases (CDC)</b>						
% PLHAs on ART survival after a 12-month treatment	n.a	>85	>85	>85	>85	>85
Case detection rate of smear (+) pulmonary tuberculosis (%)	69	>70	>70	>70	>70	>70
Tuberculosis cure rate (%)	90	>85	>85	>85	>85	>85
Malaria case fatality rate at public health facilities per 1,000 pop	0.36	0.2	0.2	<0.2	<0.2	<0.2
Dengue hemorrhagic fever case fatality rate at public health facilities	0.68	0.7	0.6	0.6	0.6	<0.6
<b>Non communicable Diseases and other health problems (NCD)</b>						
Prevalence of adult with diabetes reported by public health facilities per 1,000 adult population	3.5	4.0	4.5	5	5.5	<5.5
# of mental health cases reported by public health facilities	15,320	15,000	18,000	19,000	20,000	21,000

### III. IMPLEMENTATION OF GENDER POLICY

#### A. Policy Priorities for the Fourth Legislature

534. The Royal Government considers women as the backbone of the society and the economy. The Royal Government has succeeded in implementing the Strategic Plan “Neary Rattanak II”. The government is implementing the Law on Prevention of Domestic Violence and Protection of the Victim and the Law on Suppression of Human Trafficking and

<sup>33</sup> Impact indicators are included in NSDP Update 2009-2013's socio-economic indicators table (Cambodia at Glance).

<sup>34</sup> Year of baseline value.

Commercial Sexual Exploitation. The Royal Government has reduced the gender gap in the education sector through increasing enrolment rates for girls. In terms of health services, the Royal Government has improved the overall access to primary and reproductive health, prevention of malaria and HIV/AIDs. In the economic sector, the Royal Government has defended the rights of female employees through advocacy and policy interventions. Moreover, women are being equipped with skills and they have the capacity to participate in decision making at all levels of governance. In general, the proportion of women elected as members of parliament increased from 19% in 2003 to 22% in 2008 General Elections. In 2007 Commune Council elections, 15% of elected members of Commune Council were women and currently 30% of village chiefs are women.

535. The Royal Government of the Fourth Legislature will continue to implement its policy aiming at increasing education opportunity for female students through increased scholarships, additional training programs, providing accommodation and safe transportation, and increasing the number of female teachers. The Royal Government continues to increase women's role and capacity in decision-making at all levels of governance and pays attention to skills training for women at all levels. The Royal Government will strive to increase the ratio of women at all government levels, by providing employment opportunities for women, using advocacy at the village and commune levels throughout the country, and by protecting the rights of working women.

536. To contribute to poverty reduction, the Royal Government continues to provide small and medium credits to women and communities for their livelihoods. To prevent violence against women and human trafficking, the Royal Government will effectively enforce the Law on Domestic Violence and Protection of Victims by providing effective and timely legal protection to victims, who are mostly women and children, in collaboration with all relevant institutions and development partners.

## ***B. Planned Actions to Implement the Prioritized Policies***

537. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Women's Affairs in collaboration with the Cambodian National Council for Women has prepared a five year strategic plan, Neary Rattanak III (2009-2013), which focuses on five strategic areas, a gender mainstreaming program in national and sectoral policies, reform programmes and implementation of international conventions; as well as a cross-cutting area that deals with strategic management, capacity development and aid effectiveness. The five strategic areas are:

- i. Economic empowerment of women.
- ii. Promotion of women and girls' education and attitude and behaviour change.
- iii. Legal protection of women and girls.
- iv. Promotion of health, nutrition and combating HIV/Aids among women and girls.
- v. Promotion of women's participation in decision-making in the public and political sector.

538. In the strategic area of **Economic Empowerment of Women**, the MOWA in cooperation with key sector line ministries and other relevant stakeholders will take the following actions:

- Support and advocate for expansion of opportunities and employment creation for women, including the informal sector by Supporting needs assessments; facilitating partnerships to set up support mechanisms for women entrepreneurs; develop

programs on capacity and skills development and advocate for scholarships for women; advocate for and monitor mechanisms for providing decent jobs to women including disabled and indigenous women; and establish a consultation and information centre for women.

- Strengthen business development services to support and develop micro, small and medium enterprises for women by developing and transforming the traditional Women in Development Centres (WIDs) into integrated Women's Development Centres (WDCs) that provide vocational training responding to market needs, along with enterprise consultation and development services, and livelihood skills development for women; designing pilot projects in communities to increase employment opportunities for women, and setting up women's associations and entrepreneur networks; and support access to information on micro finance and credit services for women entrepreneurs.

**539.** In the strategic area of **Promotion of Women and Girls' Education, Attitude and Behaviour Change**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Promote formal and informal education for women and girls by raising awareness among the public of the value and importance of girls' education; advocating for and monitoring the expansion of the program of early childhood education and community based preschools, especially in remote areas; raising awareness of education among parents and families; promoting expansion of informal education including programs on literacy, livelihood and vocational skills for adult women and girls who have dropped out of school; advocating for the expansion of scholarship programs at high school and higher education levels.
- Foster harmony in the family and society and promote the status of women by implementing the National Program on Social Morality, the Value of Women and Khmer Family Values; increasing public awareness of, and taking action to prevent indecent acts and the spread of pornographic material.

**540.** In the strategic area of **Legal Protection of Women and Girls**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Promote legal protection from domestic violence, rape, sexual assault, human trafficking, sexual and labour exploitation by implementing the DV and Human Trafficking Law and the National Action Plan to Combat Violence against Women and the National Action Plan to Suppress Trafficking in Humans and Sexual Exploitation; developing database and information systems on all forms of violence against women and girls, human trafficking, sexual and labour exploitation; and raising public awareness and support for preventing violence against women and children.
- Increase the capacity of relevant institutions for effective legal protection for victims of violence, rape, human trafficking, and sexual and labour exploitation by capacity building and awareness raising of relevant authorities at all levels on laws and regulations related to prevention of violence against women and children, and human trafficking; supporting networking among officials of police, court and health institutions to respond to cases of violence against women and children and human trafficking; advocating for an increase in the number of women police, and prisons officers; capacity development of judicial police officers; facilitating the development

and implementation of all necessary regulations to implement the DV law, including administrative decisions and protection order to protect the victim

- Improve access to and provision of social and health services for victims of violence, rape, human trafficking, and sexual and labour exploitation by promoting an increase in the number of centres and shelters; preparing and revising regulations on care provision for victims, and guidelines for social services for victims at centres; promoting capacity development of staff at the centres and staff providing consultation services
- Strengthen international and regional cooperation to prevent trafficking in humans, labour exploitation, and sexual exploitation by implementing activities and monitoring the National Action Plan; continuing to implement international agreements and regional commitments and action plans such as the MOU of the Greater Mekong Sub regional committee; and monitoring and reporting on national and international commitments, including to the United Nations.

**541.** In the strategic area **Promotion of health, nutrition and combating HIV/Aids among women and girls**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Support improved access to information and knowledge on reproductive health in communities, especially among disabled and pregnant women.
- Promote nutrition of women and girls especially women of child bearing age by raising awareness on food security and nutrition among communities through information education communication materials and media.
- Raise awareness among women at the community of the prevention and combating transmission disease through the implementation of information campaigns, training and the provision of basic information on malaria to target volunteers and communities.
- Support prevention of HIV/Aids transmission in women and girls by facilitating the implementation of the strategic plan on women, girls and HIV/AIDS and increasing knowledge and support among communities to fight against immediate risk to women and the girl child.

**542.** In the strategic area **Promotion of women's participation in decision making in the public and political sector**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Increase the number of active women representatives in decision making in government institutions and at all sub national levels through lobbying of political parties and relevant institutions to increase the proportion of women standing for elections and putting their candidacy higher up in the list for senate, parliamentary and sub national councils; encourage political dialogue and develop strategies and advocacy for affirmative action and set quotas for women at all levels; raising public awareness of the importance of women's participation at the senior level as lower house representative, provincial, municipal, district and Khan board of governors and commune councillor; and capacity development for elected and appointed women by the public at national and sub national levels including female candidates standing for commune council elections 2012 and the next national elections.
- The promotion of women's participation in decision making in the public sector at all levels by pushing for the implementation of policies and procedures for promotion and recruitment of government officials in response to gender equality; cooperating

with the Royal School of Administration in setting up gender responsive curriculum and increasing the number of female students – Cooperating with the women civil servant association and relevant players in improving the effectiveness of performance and rights protection, and the well being of women civil servants; capacity building and skills at Leadership and Management as well as other related skills for women leaders.

### Gender Mainstreaming Program

543. “Gender equality and the empowerment of women” is a development goal in its own right of which the Ministry of Women’s Affairs has a clear mandate to advocate and monitor progress, but the mechanisms and methodologies for achieving this development goal, i.e. through “gender mainstreaming” per definition cross-cut all sectors and policies. This follows the NSDP 2006-2010 and the Rectangular Strategy Phase II (2009-2013), which requires each sector to promote gender equality within its mandate.

*i. Gender mainstreaming in national policies and the statistical system* by focusing mainly on gender mainstreaming in the process of developing, monitoring and evaluation of national policies and sectoral policies; strengthening and scaling up the mechanisms of gender mainstreaming at the national and sub national levels; capacity development on gender mainstreaming for relevant government institutions at the national and sub national levels; advocating and lobbying for integrating gender issues in the process of sectoral planning, budgeting and reporting; improving preparation and implementation of sector gender mainstreaming plans at the national and sub national level; and gender mainstreaming in the national statistical system.

*ii. Gender mainstreaming in sectors* by focusing specially on gender mainstreaming through the gender mainstreaming action groups and their respective gender mainstreaming action plans in the line ministries. This includes work in the following key sectors:

- Economic and Finance sector, by gender mainstreaming in macro-economic policies and other policies and services for poverty reduction, agricultural and rural development, land and natural resource management and the protection of rights and welfare of female workers as well as women’s economic welfare in the informal sector.
- Education sector, by mainstreaming gender in the national policy and plan on the Education for All to improve the effectiveness of the implementation of the policy and in response to gender equality considerations such as: increasing the number and capacity of female teachers; increasing the survival rate of girls in school especially from grade 9 onwards; and integrating gender equality issues in analysis into discussion of education policies including education for disabled children and indigenous and ethnic minority girls and women.
- Legal sector, by advocating for the development and adoption of any necessary legislation, regulations or law amendments to promote gender equality and protect women’s rights; carry out research and promote dialogue to also promote improved access to legal protection including disabled women and indigenous and ethnic minority women.
- Health sector by advocating for and monitoring improved access of women to health care and reproductive health services, especially focusing on addressing maternal mortality, and also increasing access to modern birth spacing methods and services; and increased water supply and sanitation facilities; supporting educational



information campaigns; advocacy and monitoring and supporting information and awareness campaign for preventing HIV/AIDS transmission.

**iii. Gender mainstreaming in government reform programs** by analysing, advocating for, and monitoring the development and implementation of gender responsive national reform programmes, including legal and judicial reform, democratic development (D&D reform); public administration reform, and public financial management reform.

**iv. The implementation of the CEDAW** and other relevant conventions and regional commitments relating to gender equality and women's rights by supporting dissemination and understanding of the conventions, and monitoring and reporting on their implementation; and for CEDAW, disseminating the concluding comments to the official report submitted by the State party. The Cambodia National Council for Women is the lead agency in regard to the CEDAW.

**Cross-cutting area of internal strategic management, capacity development and improved aid effectiveness.**

544. In this cross-cutting area the MOWA will take the following actions: Develop effective and efficient internal and external information and communication; develop capacity for, and implement results based management principles and practices; produce quality and plans, budgets and reports as required by RGC and regional and international commitments; carry out a capacity assessment and develop a capacity development strategy for MOWA effectively engage in GDCC dialogue through the TWG-Gender; and promote enhanced partnerships and coordination around gender equality and women's empowerment, including the development of a programme based approach.

545. The Ministry of Women's Affairs has set Gender targets/indicators set by the Ministry of Women's Affairs are presented in Table 21.

**TABLE 23: GENDER TARGETS/INDICATORS**

Major Goals: Targets/Indicators		Baseline 2008	Target 2010	Target 2013
<i>Gender Equity</i>				
1	Mainstream gender in all spheres <sup>1</sup>	-	-	
1a	<i>Number of ministries/institutions that have formulated a Gender Mainstreaming Action Plan</i>	15	20	27
1b	<i>Number of ministries/institutions that have implemented their Gender Mainstreaming Action Plan</i>	10	15	27
2	Female share of wage employment <sup>1</sup> (%)- - <i>agriculture</i> - <i>industry</i> - <i>services</i>	52.5 53.5 27.0	50 50 37	50 50 50
3	Level of awareness that violence against women is wrongful behaviour and a crime (%) <sup>1</sup>	30	50	70
3a	<i>Number of protection orders issued by courts, based on the Law on the Prevention of Domestic Violence and the Protection of the Victims</i>	NA	40 <sup>2</sup>	120 <sup>2</sup>
3b	<i>Number of victims of domestic violence who received counselling by qualified personnel.</i>	600 <sup>2</sup>	900 <sup>2</sup>	2000 <sup>2</sup>
4	Combat trafficking in humans <sup>3</sup>			
4a	<i>Policy measures adopted to protect the rights of victims of trafficking</i>			
i	<i>Proportion of shelter homes that adopted Minimum Standards (%)</i>	0	30	70
ii	<i>Proportion of social workers of DoSAVY trained to use the Minimum Standards effectively (%)</i>	0	30	70
4b	<i>Number of partnerships established to combat human trafficking</i>			
i	<i>Number of MOU's signed for regional and cross-border collaboration</i>	2	4	5
ii	<i>Number of country level institutions set up to combat trafficking</i>	0	-	3
iii	<i>Number of Provinces that have multi-stakeholder institutional structures to combat trafficking</i>	3	8	12
5	Increase women in public decision making (%) <sup>4</sup>			
5a	<i>Proportion of seats held by women in the national assembly</i>	22	24	30
5b	<i>Proportion of ministers that are women</i>	7.7	12	15
5c	<i>Proportion of provincial governors that are women</i>	0	6	10
5d	<i>Proportion of board of provincial governors that are women</i>	16.8	-	28
5e	<i>Proportion of judges that are women</i>	7.7	10	15
5f	<i>Proportion of chiefs of commune/ sangkat councils that are women</i>	4	-	10
5g	<i>Proportion of civil servants that are women</i>	34	35	38

<sup>1</sup> Existing indicators in the Table 3.2 of NSDP Mid-Term Review 2008.

<sup>2</sup> Proposed new targets with agreement from MoJ, Mol and MoSAVY through a TWG-Gender meeting on 25 September 2009.

<sup>3</sup> Proposed new indicators and targets of trafficking with agreement from Mol and MoSAVY through a TWG-Gender meeting on 25 September 2009.

<sup>4</sup> Proposed new indicators with agreement from all stakeholders of TWG-Gender to align with CMDG indicators.

#### **IV. IMPLEMENTATION OF NATIONAL POPULATION POLICY**

##### **A. Policy Priorities for the Fourth Legislature**

546. Preliminary results from the ten-yearly population census conducted in March 2008 place the total population of Cambodia at 13.4 millions, with a female ratio of 51.5 % and rural-urban population shares of 19.4% and 80.6%. This data shows an average growth rate of 1.54% per annum during the decade. The main achievements under population policy implementation were (1) most women are aware of birth spacing control; (2) total fertility rate decreased from 4.0 in 2000 to 3.4 in 2005; and (3) the average number of desired children per woman is 3.3 which will lead to decrease in the average family size.

547. In the Fourth Legislature, the Royal Government will continue its efforts to integrate the population policy into socio-economic policy, plans and programs at all levels.

548. The Royal Government continues to introduce necessary measures to enhance the quality of life of people through developments in education, health, gender equity, and rural development as priority. With 60.8% of Cambodian population aged below 24 years of age, it is important that we adopt measures to turn youth to be an important driving force for development of all sectors. The Royal Government will strengthen urban and agglomeration management to make cities clean without litter, with full sanitary facilities, with fresh air, green park and gymnasium complexes; and organize cultural entertainment publications to support enhancement of quality of physical and moral human health.

***B. Planned Actions to Implement the Prioritized Policies***

549. All line ministries and agencies play a role in implementing Royal Government's population policy. The ministries and agencies who are more actively involved include: the National Institute of Statistics of the Ministry of Planning, that is responsible for regular collection of the population data and preparing analysis of these data; the General Directorate of Planning of the Ministry of Planning, that is responsible for ensuring that population issues are dealt with in planning processes including those at the line ministry level; the National Committee for Population and Development at the Council of Ministers, that is responsible for advocating and promoting the population policy issues. During the Fourth Legislature, the efforts of these institutions will be focused on:

- Enhancing the capacity of policy makers, parliamentarians, planners, and development program managers at the national and sub-national levels to take into account the data and analysis on key population and poverty issues.
- Formulating guidelines for integrating key population and poverty variables in the design of all development programs.
- Strengthening capacity of planning officers at the national and sub-national levels to integrate population issues in planning processes.
- Strengthening institutional capacity to identify emerging population issues by periodically carrying out analysis and to monitor and update the population policy.
- Developing and widely disseminating disaggregated population data at the national and sub-national levels.
- Continuing work on carrying out the CDHS 2010 survey, and the CIPS 2013 in a timely manner.

## CHAPTER V

### COST, RESOURCES AND PROGRAMMING

550. The RGC will further strengthen and broaden the nature and scope of partnerships within Royal Government's institutions, with external development cooperation partners, national and international Non-Government Organizations, and other civil society stakeholders to maximize the benefits for the people of Cambodia of the resources that will be available for development programs. An important outcome, that is a high priority of RGC, is to achieve a *significant increase in a net transfer of development resources to the targeted beneficiary populations, in particular the vulnerable and the poor households in rural communities; and a strengthened capacity of RGC institutions to deliver their programs and services efficiently.*

551. The Royal Government is taking concrete actions to further strengthen and refine the *harmonization of planning, public investment expenditures and development cooperation financing* among RGC institutions within the framework of RGC's Public Financial Management Reform Program. To ensure an improved alignment of development cooperation financing resources with NSDP Update 2009-2013's priorities, RGC's focal point for aid coordination and ODA allocation/utilization, will take concrete actions to further strengthen coordination with and among development cooperation partners and civil society stakeholders to enhance accountability and transparency in the utilization of available development cooperation financing resources.

#### TOTAL PUBLIC INVESTMENT REQUIREMENTS

552. To collect information, through a bottom up process, on the costs of public investment requirements to implement RGC's prioritized policies for the Fourth Legislature (on-going development programs and projects as well as planned high priority pipeline projects), the Ministry Planning had asked each line ministry/agency to provide information on their Public Investment Requirements for 2009-2013. Unfortunately, this bottom up approach cannot be applied as not many ministries/agencies were able to provide the information that is needed<sup>35</sup>. The Royal Government will further strengthen and refine the planning and resource allocation processes and the capacity of RGC institutions will be strengthened to ensure that the data required for development planning and public investment resources allocation purposes is readily available. The three-year rolling Public Investment Program (PIP) for 2011-2013 will be prepared based on a methodology that enables the harmonization of PIP, public investment expenditure, and development cooperation financing. The PIP 2011-2013 will be prepared within the time schedule for the preparation of the National Budget for 2011.

553. In Chapter III on the "Macro-economic Framework for NSDP Update 2009-2013" projections of key macroeconomic variables are presented. Also included in the analysis are projections of "capital" investments that will be required from both the public and private sector sources to achieve the projected GDP growth rate. This top down methodology, however, does not include all the requirements for public sector investment expenditures for social sectors required to achieve the socio-economic goals to reach the CMDGs, expenditures for strengthening the capacity of RGC institutions, and expenditures that will be required to mitigate the adverse effects of the global financial crisis and economic downturn on Cambodia's real economy and the vulnerable and the poor. Nevertheless,

<sup>35</sup> To implement the methodological refinements described in para #10.

these top down estimates of “capital” investment requirements do constitute a major share of the total investment needs over the next five year.

554. To make the text reader friendly, the information presented in Chapter III on projections of “capital” investment requirements over the next five years, 2009-2013, is summarized again in the following text. To achieve the overall and sectoral GDP growth targets for the period covered by the NSDP Update 2009-2013, total capital investment of 56,674.3 billion CR (US\$ 13.823 billion) will be required. In terms of private and public sources of financing of total capital investments required:

- Private sector capital investments are estimated to be 41,336.2 billion CR (US\$ 10.082 billion) – accounting for 72.9% of total capital investments.
- Public sector capital investments are estimated to be 15,338.1 billion CR (US\$ 3.741 billion).

555. In terms of domestic and foreign sources of financing of total capital investments required:

- 31,901.3 billion CR (US\$ 7.781 billion) or 56.3% of total capital investments are projected to be financed from domestic sources.
- 24,773.0 billion CR (US\$ 6.042 billion) or 43.7% of total capital investments are projected to be financed from foreign sources.

**CAPITAL INVESTMENT REQUIRED TO ACHIEVE GDP GROWTH TARGETS  
AND POTENTIAL SOURCES OF FINANCING THE NEEDED INVESTMENT: 2009 - 2013<sup>36</sup>**  
(in billions of CR<sup>1</sup>)

SOURCE OF FUNDING	2009	2010	2011	2012	2013	TOTAL 2009 - 2013
<b>TOTAL INVESTMENT</b>	<b>9,615.7</b>	<b>10,309.0</b>	<b>11,192.2</b>	<b>12,202.8</b>	<b>13,354.5</b>	<b>56,674.3</b>
• <b>Public Investment</b>	<b>2,797.0</b>	<b>2,788.8</b>	<b>3,013.5</b>	<b>3,255.8</b>	<b>3,483.0</b>	<b>15,338.1</b>
• Domestic Financed	364.1	540.8	596.1	679.4	769.6	2,950.0
• Foreign Financed <sup>1</sup>	2,432.9	2,248.0	2,417.4	2,576.4	2,713.4	12,388.2
• <b>Private Investment</b>	<b>6,818.7</b>	<b>7,520.2</b>	<b>8,178.7</b>	<b>8,947.0</b>	<b>9,871.6</b>	<b>41,336.2</b>
• Domestic Financed	4,981.9	5,407.9	5,749.4	6,153.3	6,658.8	28,951.3
• Foreign Finance	1,836.8	2,112.3	2,429.3	2,793.7	3,212.8	12,384.9
<b>TOTAL INVESTMENT</b>	<b>9,615.7</b>	<b>10,309.0</b>	<b>11,192.2</b>	<b>12,202.8</b>	<b>13,354.5</b>	<b>56,674.3</b>
• <b>Public Investment</b>	<b>2,797.0</b>	<b>2,788.8</b>	<b>3,013.5</b>	<b>3,255.8</b>	<b>3,483.0</b>	<b>15,338.1</b>
• <b>Private Investment</b>	<b>6,818.7</b>	<b>7,520.2</b>	<b>8,178.7</b>	<b>8,947.0</b>	<b>9,871.6</b>	<b>41,336.2</b>
<b>TOTAL INVESTMENT</b>	<b>9,615.7</b>	<b>10,308.0</b>	<b>11,192.2</b>	<b>12,202.8</b>	<b>13,354.5</b>	<b>56,674.3</b>
• Domestic Financed	5,346.0	5,948.7	6,345.6	6,832.7	7,428.4	31,901.3
• Foreign Financed	4,269.7	4,360.4	4,846.6	5,370.2	5,926.1	24,773.0
<b>PUBLIC INVESTMENT</b>	<b>2,797.0</b>	<b>2,788.8</b>	<b>3,013.5</b>	<b>3,255.8</b>	<b>3,483.0</b>	<b>15,338.1</b>
• National Budget	364.1	540.8	596.1	679.4	769.6	2,950.0
• Foreign Financed <sup>2</sup>	2,432.9	2,248.0	2,417.4	2,576.4	2,713.4	12,388.2

<sup>1</sup> Based on an average exchange rate of 4,100 CR = 1 US\$

<sup>2</sup> Capital investment component only, excludes TA component.

Source: Ministry of Economy and Finance

556. Successful and timely implementation of NSDP Update 2009-2013's prioritized policies, and achievement of its targets call for substantial and well-directed additional investments and their focused, efficient and effective use. These investments would have to be made both in the *private sector* to sustain and foster growth and diversification of the economic base, in particular of the rural economies; and in the *public sector* to provide

<sup>36</sup> Source: Chapter III, Table 10, page 90.

coordinated support to expand and diversify the economic base, in particular of the rural economies to alleviate poverty in rural areas, to mitigate the adverse effects of the global financial crisis and economic downturn on the vulnerable and the poor and the real economy, to support expansion and efficient delivery of social sectors services to achieve CMDG targets, and to strengthen the capacity of RGC institutions to deliver their programs and services efficiently.

**557.** The availability of foreign private capital investments to developing countries world wide remains uncertain due to the global financial crisis and uncertainties about economic outlook in advanced economies. RGC will implement measures to encourage financing of private sector economic activities from domestic financial sector to secure the private sector capital investment requirements. Borrowing levels from financial institutions for long-term investments are still quite low. A sizeable part of US\$ deposits with the commercial banks in Cambodia is still not being fully availed of for investments within the country, some of it even going to investments elsewhere. Tapping financial sector funds to work for Cambodia's growth is therefore an important priority and would be possible by increasing demand for domestic investments.

**558.** The primary focus in this chapter is the availability of resources for *public sector investments* for implementing NSDP Update 2009-2013's prioritized policies. The total public sector investment requirements include:

- i. Public sector capital investments requirements.
- ii. Resources required to provide targeted support for the development and diversification of rural economies to alleviate poverty in rural and remote areas, and to mitigate the adverse impact of the global financial crisis and economic downturn on the vulnerable and the poor.
- iii. Resources required to expand social sectors services to achieve CMDGs targets.
- iv. Resources required to strengthen the capacity of RGC institutions to deliver their programs and services efficiently.

**559.** The Royal Government has set a target of 23,538.1 billion CR (US\$ 5,741 billion) for public sector investments to implement RGC's prioritized policies for the Fourth Legislature. It includes: public sector capital investment requirements (15,338.1 billion CR or 3,741 billion US\$); resources required to provide targeted support for the development and diversification of rural economies to alleviate poverty in rural and remote areas, and emergency support to mitigate the adverse impact of the global financial crisis and economic downturn on the vulnerable and the poor (4,100.0 billion CR or 1 billion US\$); resources to expand social sectors services to achieve CMDGs targets (2,050.0 billion CR or 500 million US\$); and resources required to strengthen the capacity of RGC institutions to deliver their programs and services efficiently (2,050.0 CR or 500 million US\$).

**TABLE 24: RESOURCE MOBILIZATION TARGETS FOR PUBLIC SECTOR INVESTMENTS 2009-2013**

PUBLIC SECTOR INVESTMENT TARGETS	2009-2013	
	CR billions	US\$ millions
1. Public sector "capital" investments (Macro-Economic Projections)	15,338.1	3,741.0
2. Targeted support for the development and diversification of rural economies to alleviate poverty in rural and remote areas, and to mitigate the adverse impact of the global financial crisis and economic downturn on the vulnerable and the poor.	4,100.0	1,000.0
3. Expansion of social sectors services to achieve CMDGs targets.	2,050.0	500.0
4. Support to strengthen the capacity of RGC institutions to deliver their programs and services efficiently.	2,050.0	500.0
<b>TOTAL</b>	<b>23,538.1</b>	<b>5,741.0</b>

**POTENTIAL SOURCES OF FUNDING THE PUBLIC SECTOR INVESTMENT EXPENDITURES**



560. Within the framework of the Medium-Term Expenditure Framework (MTEF), the Royal Government has allocated 3,245.2 billion CR (US\$ 791.5 million) for public sector capital expenditures that will be leveraged to attract financing from traditional and non-traditional development cooperation partners and the private sector to implement RGC's priority investment projects during the Fourth Legislature. The balance of the total public sector investment requirements, just over 20,292.9 billion CR (5 billion US\$) for 2009-2013 or about 4,100.0 billion CR (1 billion US\$) per year, is expected to be financed from:

- Grant-Aid from traditional external development cooperation partners (bilateral, multilateral and NGOs).
- Concessional terms loans from external development cooperation partners (mainly Multilateral Financial Institutions).
- Resources from non-traditional sources, including non-traditional partners (both grants and semi-concessional loans).
- Potential new income from development of extractive industries (oil, Gas, and Minerals) when commercial production in these sectors get underway.

561. The Royal Government is confident that the public sector investment requirements of around 4,100.0 billion CR (one billion US dollars) per year can be reached with the continuing support of its traditional and non-traditional development cooperation partners, supplemented by any new income from oil, gas and mineral sectors when commercial production in these sectors get underway.

562. In accordance with the partnership agreements between the developed and developing countries in the OECD/DAC arena, RGC would like to see its development cooperation partners take urgent actions to deliver their development cooperation financing resources through "budget support" linked to measurable qualitative and quantitative performance in each chosen sector. Adopting a budget support approach would help in three ways: (a) it will enhance government ownership and leadership of development priorities, policies and programs; (b) it will enable proper tracking and transparent accounting of external assistance; and (c) it will enhance in-country oversight and accountability through democratic institutions for receipt and use of external funds. RGC will continue to highlight the importance of moving towards "budget support" as the most preferred mechanism for providing external support to its development cooperation partners.

563. To strengthen the alignment and harmonization of development cooperation programs with NSDP Update 2009-2013's priorities, RGC urges its development cooperation partners to provide support to the development of sector-wide or program-based approaches for the key sectors of the economy and to deliver their assistance in a coordinated manner to implement the sector-wide programs to achieve cohesion and synergy and to avoid overlap and/or duplication. RGC recognizes that the operations of the sectoral TWGs need to be reviewed and strengthened to carry out this important task.

564. RGC will work with its development cooperation partners to strengthen the existing Technical Working Groups (TWGs) mechanism in order to enhance efficiency, especially on technical cooperation for the development of human resources and institutional capacity and to strengthen cooperation among all relevant stakeholders; as well as to alleviate concerns about the added burden of participation in the TWGs by both the development partner agencies and the line ministries and agencies. RGC will examine all options, including:

- Limiting the membership of external development cooperation partners in a TWG to those who are delivering financial support to the TWG sector. Other development partners could decide to attend TWG meetings as observers.
- To improve the quality and level of discussion at the Technical Working Groups, RGC would like to see the participation of personnel who are technically qualified to provide advice and support in the sector of the TWG. The participation of development partner agency's junior and/or administrative staff will be strongly discouraged. Development partners are strongly encouraged to make use of the technical experts in the area of TWG sector that they finance to work in the country. The benefit of such an approach for the development partner agencies is the elimination of added costs of recruiting additional personnel for participation in the work of the TWGs.

565. There is a high level global partnership compact to help poorer countries to achieve CMDGs and to provide the needed funds for this purpose. In the spirit of these global partnerships, RGC will continue to urge its development cooperation partners to strive to ensure that their assistance is fully aligned to achieving NSDP Update's priority policies at a detailed operational level and not just at a broad thematic level. RGC also urges development cooperation partners to speedily reallocate resources away from less priority areas now receiving funds, make a serious effort to significantly reduce various forms of "free standing technical assistance" and work towards achieving a greater "*net real transfer*" of development resources to the targeted vulnerable and poor beneficiaries, and to strengthen capacity of RGC institutions to deliver their programs and services efficiently to achieve CMDGs targets.

#### **PROGRAMMING: PUBLIC INVESTMENT EXPENDITURES AND DEVELOPMENT COOPERATION FINANCING**

566. As mentioned earlier, the Royal Government is taking concrete measures to strengthen and refine harmonization of planning, public investment expenditures planning, and allocation and utilization of development cooperation resources. A Task Force comprised of four key RGC institutions, Chaired by Ministry of Planning, has been established within the framework of the RGC Public Financial Management Reform Program (PFMRP). The mandate of the Task force is to:

- Review the roles of RGC institutions and the mechanisms and approaches pertaining to the planning process, and the process for managing, coordinating and implementing public investment expenditures and development cooperation resources.
- Propose measures to harmonize public investment expenditures and allocation and utilization of development cooperation resources to ensure consistency between these two processes in order to prepare a sound and inclusive National Budget expenditure plan that is consistent with the Rectangular Strategy II, the National Strategic Development Plan, and Sectoral Strategies as outlined in the Action Plan on Harmonization, Alignment and PFMRP.

567. As mentioned earlier in Chapter III, Royal Government is now in the process of strengthening linkages between the processes that: (i) identify high priority public investment requirements, which include the five-year National Strategic Development Plans (NSDP) and the three-year rolling Public Investment Program (PIP); (ii) the mobilization of external resources from traditional and non-traditional development partners; and (iii) the preparation of the Budget Strategic Framework. The Royal Government will further refine the

methodology in preparing future National Strategic Development Plans, and the preparation of a public investment resource envelope that will serve as an operational and financing tool to implement policy priorities identified in the NSDP. The process of preparing the three-year rolling PIP will be strengthened to ensure that: (i) additional recurrent expenditure requirements of proposed projects that have implications for the Annual Budget are an integral part of information collected in the formulation of the PIP; and (ii) projects included in PIP are prioritized - RGC institutions will assign a sequenced priority ranking to projects for which they are seeking resources to implement over the planning period of PIP, taking into account the overall macroeconomic environment and an awareness of the scope to mobilize external resources based on recent trends.

568. As the quality of PIP information improves, RGC will ensure that only those programs and projects that are part of the PIP are included in a consideration for funding during the formulation of the Budget Strategic Framework. RGC will also ensure that its resource mobilization activities are focused on seeking funding for programs and projects included in PIP. To ensure a better alignment of the development cooperation resources with RGC's public investment priorities, the data collected annually by RGC from development cooperation partners on actual and planned disbursements of their assistance will be analyzed by ministry/agency and each ministry/agency will be provided this information to: (i) review and verify that the information on disbursements are reported for their ministry/agency, and (ii) provide feedback on programs/projects financed that are aligned with NSDP priorities and those that are not.

569. These methodological refinements will on the one hand ensure a closer linkage between Royal Government's policy priorities, the actions, programs and projects that line ministries and agencies plan to carry out to implement the prioritized policies, and the public investment resources required to implement the planned activities. On the other hand, this will forge a closer linkage between the public investment requirements identified through the planning process and the Royal Government's public investment budget and development cooperation resources that will provide a medium term financing outlook for the Royal Government in the implementation of the NSDP. These, linked with and aimed at improved comprehensiveness of the national budget, which covers recurrent and capital budget, will also ensure enhanced allocation efficiency and effectiveness.

570. For the NSDP Update 2009-2013, the allocation of recurrent expenditure by ministry/agency within the framework of the Medium-Term Expenditure is presented in Table 13 in Chapter III. Allocation of capital expenditure and the costs of special measures to mitigate the adverse effects of the global financial crisis and the economic downturn on the real economy and the vulnerable and the poor by sector are presented in Table 23.

**TABLE 25: NSDP UPDATE 2009-2013 ALLOCATIONS BY SECTOR**

Sector	Allocation		% of Total	Rural Areas CR billions	% for Rural Areas	Urban Areas CR billions	% for Urban Areas
	CR billions	US\$ millions					
<b>Social Sectors</b>							
Education: (of which Basic Education to receive 60%) <sup>2</sup>	2,870.0	700	12.2%	1,722.0	60%	1,148.0	40%
Technical and Vocational Training	615.0	150	2.6%	307.5	50%	307.5	50%
Health	2,870.0	700	12.2%	2009.0	70%	861.0	30%
Programs to mitigate the adverse impact of global financial crisis on the vulnerable and the poor	1,025.0	250	4.4%	820.0	80%	205.0	20%
<b>Sub-Total</b>	<b>7,380.0</b>	<b>1,800</b>	<b>31.4%</b>	<b>4858.5</b>	<b>65.8%</b>	<b>2,521.5</b>	<b>34.2%</b>
<b>Economic Sectors</b>							
Agriculture & Land Mgmt: other than crops <sup>3</sup>	1,025.0	250	4.4%	973.8	95%	51.3	5%
Seasonal Crops: Rice & others	1,025.0	250	4.4%	1,025.0	100%	0.0	0%
Rural Development <sup>4</sup>	3,075.0	750	13.1%	3075.0	100%	0.0	0%
Manufacturing, Mining & Trade <sup>5</sup>	1,025.0	250	4.4%	410.0	40%	615.0	60%
<b>Sub-Total</b>	<b>6,150.0</b>	<b>1,500</b>	<b>26.1%</b>	<b>5483.8</b>	<b>89.2%</b>	<b>666.3</b>	<b>10.8%</b>
<b>Infrastructure</b>							
Transportation (Roads, Ports, Rlys., Civil Aviation) <sup>6</sup>	3,075.0	750	13.1%	1,537.5	50%	1,537.5	50%
Water and Sanitation (excluding rural) <sup>7</sup>	1,025.0	250	4.4%	256.3	25%	768.8	75%
Power & Electricity <sup>8</sup>	1,025.0	250	4.4%	512.5	50%	512.5	50%
Post & Telecommunications <sup>9</sup>	307.5	75	1.3%	153.8	50%	153.8	50%
<b>Sub-Total</b>	<b>5,432.5</b>	<b>1,325</b>	<b>23.1%</b>	<b>2460.0</b>	<b>45.3%</b>	<b>2,972.5</b>	<b>54.7%</b>
<b>Services &amp; Cross Sectoral Programmes</b>							
Gender Mainstreaming <sup>10</sup>	205.0	50	0.9%	61.5	30%	143.5	70%
Tourism	205.0	50	0.9%	51.3	25%	153.8	75%
Environment and Conservation <sup>11</sup>	1,025.0	250	4.4%	922.5	90%	102.5	10%
Community and Social Services	410.0	100	1.7%	307.5	75%	102.5	25%
Culture & Arts	205.0	50	0.9%	102.5	50%	102.5	50%
Governance & Administration <sup>12</sup>	2,050.0	500	8.7%	820.0	40%	1,230.0	60%
<b>Sub-Total</b>	<b>4,100.0</b>	<b>1,000</b>	<b>17.4%</b>	<b>2,265.3</b>	<b>55%</b>	<b>1,834.8</b>	<b>44.8%</b>
<b>Unallocated<sup>13</sup></b>	<b>475.6</b>	<b>116</b>	<b>2.0%</b>	<b>237.8</b>	<b>50%</b>	<b>237.8</b>	<b>50%</b>
<b>Grand Total<sup>14</sup></b>	<b>23,538.1</b>	<b>5,741</b>	<b>100.0%</b>	<b>15,305.3</b>	<b>65.0%</b>	<b>8,232.8</b>	<b>35.0%</b>

**Explanatory Notes:**

- (a) Amounts against each sector include: resources available from all sources: RGC & EDPs (spent directly or thro' RGC)  
(b) capital outlays, additional current expenditure, TA, cost of monitoring, data gathering, maintenance of websites  
(c) Rural - Urban figures are indicative and should be adhered to.  
(d) amounts also include all subventions to province, district and commune levels to be implemented by them
- (a) includes youth and sports; (b) of the total, 60% will be earmarked for Basic Education
- Includes fisheries, demining & activities except for "seasonal" crops; excludes forestry shown under Environment & Conservation
- RD: Includes rural roads; markets; irrigation schemes; water supply & sanitation; D&D; projects being implemented under D&D reform framework by NCDD
- Includes: support for diversification of the economic base, employment generation and labour issues
- Excludes rural roads; primary & secondary roads help rural areas -- hence (50%); private sector to be involved; includes add., maintenance costs.
- Excludes activities in rural areas included under Rural Development
- Most investments in this sector should be sought from the private sector
- Most investments in this sector should sought from the private sector
- Mainly for awareness creation and mainstreaming; other individual sectors will incorporate activities in their work.
- Includes Forestry
- Includes: (a) all reforms like Judicial & Legal; Public Administration; Macro-Economy; Fiscal & others  
(b) NIS studies and surveys such as Census 2008, poverty assessment; CSES, NSDP monitoring, etc  
(c) Development cooperation management; (d) various elections; and (e) all other public admin., activities
- Reserve to enable redirection of resources if needed
- Slight difference in total figures (rural, urban) and grand total due to rounding of decimals.

## CHAPTER VI

### MONITORING, EVALUATION AND KEY INDICATORS/TARGETS

571. Regular monitoring and evaluation of the actions taken by ministries and agencies to achieve the goals and targets of RGC's priority policies for the Fourth Legislature is an integral part of the planning process. An effective monitoring and evaluation protocol that provides periodic assessment of progress and identifies bottlenecks experienced in the implementation of planned actions/programs/projects is an important feedback mechanism for policy makers and the managers in line ministries and agencies (responsible for the implementation of planned actions/programs/projects) to periodically realign and refocus the development efforts to achieve the targeted goals and objectives. The monitoring and evaluation activities that need to be carried out fall in two distinct categories. The first category includes regular monitoring and evaluation of the implementation of planned actions/programs/projects by implementing ministry/agency. These monitoring and evaluation reports provide important information on progress made and constraints/bottlenecks experienced in the implementation of planned activities. The findings of these monitoring and evaluation reports provide the necessary information required by program managers to realign and refocus activities to achieve the targeted goals and objectives of actions/programs/projects that are being implemented. The second category consists of periodic monitoring and evaluation of progress in achieving the overall development results and outcomes of NSDP 2009-2013, as well as, identifying the challenges faced in achieving the targeted results and outcome – based on the “core monitoring indicators/targets of NSDP Update 2009-2013”.

572. The Royal Government would like all ministries and agencies and development cooperation partners who are financing any action/program/project to give a high priority to carrying out periodic monitoring and evaluation of the implementation of the action/program/project and to promptly provide copies of these reports to the Ministry of Planning after they have been finalized to enable the Ministry of Planning to reflect the findings of these studies in its overall assessment of progress in achieving the targeted development results and outcomes of NSDP Update 2009-2013.

573. Establishing “core monitoring indicators/targets” is an important part of the NSDP planning process. Over the last two years many reviews, discussions and consultations on NSDP 2006-2010 monitoring indicators have taken place, and lessons have been learned in carrying out work to monitor implementation of NSDP 2006-2010. Learning from past experiences, it was agreed that it is critical to ensure that the core monitoring indicators/targets for NSDP Update 2009-2013 meet two important criteria: (i) that each proposed indicator/target is measurable and to ensure that data to monitor the indicator/target is readily available or can be collected within acceptable time frame, (ii) an RGC institution has been identified and has agreed to monitor and evaluate progress on the indicator/target. A Sub-Group of the TWG-PPR was established to develop a potential list of core monitoring indicators for NSDP 2009-2013 building on the work that has been done. The Ministry of Planning provided the following guidelines to the Sub-Group for preparing its recommended list of potential core indicators/targets:

- The NSDP 2006-2010 targets and indicators included a selection of CMDGs and additional targets and indicators on RGC's reform programs and key socio-economic development priorities. Based on lessons learned in carrying out work on actual monitoring of these indicators, where there is evidence that an indicator needs

further refinement or is not easily measurable appropriate, action will be taken to refine it or to eliminate it from the list (*Cambodia at a Glance and Tables*), as necessary. Also, based on revision of targets and indicators of global MDGs, that became effective as of 1 January 2008, the targets and indicators of relevant CMDGs will be updated to incorporate any changes in the global MDGs.

- Any new indicator, that is, an indicator that is not included in the final list from step #1 must meet the following criteria to be considered for inclusion as an indicator in NSDP Update 2009-2013:
  - i. **Identify WHO will be Responsible for Monitoring the Indicator:** A line Ministry/Agency that will be responsible for monitoring the indicator must be identified, and the willingness of the concerned Ministry/Agency to carry out this work must be secured.
  - ii. **Assurance** that data required to monitor the proposed indicator is available from administrative statistic or could be collected by NIS.
  - iii. **Assurance** that the Ministry/Agency taking the responsibility has the **capacity** and **resources** available to carry out the analysis and report monitoring results.
- The consolidated list of indicators compiled based on outputs of steps 1 & 2 will constitute the potential list of monitoring indicators that could be included in NSDP Update 2009-2013.
- The final list of indicators that will be included in the NSDP Update 2009-2013 will be established by a decision of the four central agencies, i.e., MoP, MEF, CRDB/CDC, and SNEC to ensure relative balance between various goals of the CMDGs, RGC's reform programs, and other key socio-economic development priorities.

574. The Sub-Group has worked hard to try to complete this task and the Ministry of Planning would like to thank them for their efforts. Unfortunately, because of time constraints the Sub-Group was unable to complete the task. Therefore, for the time being, the “core monitoring indicators/targets of NSDP 2006-2010” have been left unchanged (Table 24). It is, however, a high priority of the Ministry of Planning to continue work on developing an update set of “core monitoring indicators/targets” for NSDP Update 2009-2013, and to complete this task before work on the first overall assessment of progress on the implementation of NSDP Update 2009-2013 is carried out.

575. The practical considerations that have a bearing on establishing a schedule for the overall assessments of progress by the Ministry of Planning include: (i) the likely date of approval of NSDP Update 2009-2013 by the Legislature is around the end of the first quarter of 2010; and (ii) the mid point of the NSDP Update 2009-2013 is mid 2011. In practical terms, therefore, the first assessment of progress that could be carried out is for the years 2009 and 2010 in early 2011. However, given the fact that a mid-term review of NSDP Update also needs to be carried out in mid 2011, the Ministry of Planning has decided to focus on preparing a more comprehensive mid-term review of NSDP Update 2009-2013. The work on the preparation of the mid-term review will begin on 1 April 2011 and completed by the end of September 2011. The work on the preparation of the next progress assessment report will begin in September 2012 and completed by the end of December 2012. The work on the preparation of NSDP 2014-2018 will begin in January 2013 with a target completion date of end of December 2013.



**TABLE 26: NSDP 2006-2010's CORE INDICATORS (TARGETS)**

(\*) - CMDG goals and targets

Targets/Indicators		2005	2010	CMDG- 2015
<b>Eradicate - Poverty &amp; Hunger (*)</b>				
1*	Poverty levels % of population -- 2004 -- in 59% of country covered by 1993/94 survey	34.7 (28.0)	25	19.5
2*	Poverty levels % rural population -- 2004 -- in areas covered by 1993/94 survey	39.2 (33.7)		
3*	People below food poverty line % -- 2004 -- in areas covered by 1993/94 survey	19.7 (14.2)	13	10
<b>Enhance Agricultural Production and Productivity</b>				
4	Paddy yield per hectare (tons)	1.97	2.4	
5	Irrigated area – including supplemental irrign., (% of rice area)	20	25	
6	Land Reforms: Land Titles to farmers -- % of Total agri. land	12	24	
<b>Improvements in Health (*)</b>				
7*	Infant Mortality Rate per 1,000 live births	66	60	50
8*	> 5 Mortality Rate per 1,000 live births	82	75	65
9*	Maternal Mortality per 100,000 live births	N/A	243	140
10*	Births attended by skilled health personnel -- %	N/A	70	80
11*	HIV/AIDS prevalence, % of adults 15-49	1.9	1.9	1.8
12*	Malaria Cases - fatality %	0.36	0.2	0.1
13*	TB smear positive cases, per 100,000	N/A	214	135
14*	Married women using modern birth spacing methods (%)	20.1	44	60
15	% of health facilities providing RH services	33	45	70
<b>Improvements in Education (*)</b>				
16*	Net Enrolment: Primary Schools -- Total; Boys; Girls --%	91.9; 93.0; 90.7	100	100
17*	Net Enrolment: Lower Sec. Schools -- Total; Boys; Girls -- %	26.1; 27.1; 24.8	75	100
18*	Survival rate % : 1-6:	53.1	100	100
19*	Survival rate % : 1-9:	30.18	76	100
20*	6-14 years out of school (%)	18.7	11	0
<b>Rural Development</b>				
21	Rural Roads rehabilitated – Kms (out of total 28,000)	22,700	25,000	28,000
22*	Safe Drinking water access -- % rural population	41.6	45	50
23*	Sanitation access -- % rural population	16.4	25	30
<b>Environmental Sustainability (*)</b>				
24*	Forest Cover -- % of total area	60	58	60
25*	Fuel Wood dependency: Households -- %	83.9	61	52
26*	Access to safe water source -- % of urban population	75.8	85	80
27*	Access to improved sanitation -- % of urban population	55	67	74
<b>Gender Equity (*)</b>				
28*	Mainstream gender in all spheres	To be developed		
29*	Female share of wage employment -- agriculture, industry, services (%)	52.5; 53.5; 27.0	50; 50; 37	50; 50; 50
30*	Level of awareness that violence against women is a crime (%)	4.5	25	100
<b>Reforms</b>				
31	Accelerate Governance Reforms	To be developed		
<b>Sustain high Macro-Economic Growth (*)</b>				
32	Annual GDP Growth at constant prices - %	7.0	6.0	
33	Per Capita GDP at constant prices (000 Riels)	1,400	2,243	
34	Rate of Inflation %	6.2	3.0	
<b>Improve Budget Performance</b>				
35	Total Government budget revenues - % of GDP	11.80	13.80	
36	Total Government budget expenditure -- % of GDP	14.9	16.5	
<b>Accelerate Industrial Growth &amp; Employment</b>				
37	Annual Growth in manufacturing - constant prices (%)	10.2	7.2	
38*	Working children aged 5-17 years -- %	22.3	10.6	8
<b>Tourism</b>				
39	Annual Tourist arrivals nos -- 000s	1,300	3,120	
<b>De-mining, Victim Assistance (*)</b>				
40*	Casualties (deaths and injuries) nos.	797	200	0
41*	Area affected cleared of mines and UXOs -- %	50.3	77	100
<b>Infrastructure</b>				
42	Length of paved roads (primary & secondary) out of 11,310- kms	2,100	4,100	
<b>Energy</b>				
43	Per capita use of electricity - Kwh	54	89	

## CHAPTER VII

### CONCLUSIONS

576. The NSDP Update 2009-2013 presents a roadmap for the implementation of RGC's priority policies for the Fourth legislature that have been articulated in Rectangular Strategy Phase II. It has been prepared to accomplish two primary goals. First, to synchronize the time period covered by the NSDP Update with the term of the Fourth Legislature of the Royal Government in order to ensure that the actions, programs, and projects of all Ministries and Agencies are aligned to implement the prioritized policies of the RGC that are outlined in Rectangular Strategy Phase II. The second goal is to ensure that the roadmap to implement these prioritized policies by Ministries and Agencies has taken into account the potential impact of the global financial crisis and the economic downturn in advanced economies on Cambodia's economy. These negative developments in the external environment have resulted in declining demand for Cambodia's export and have increased macro-economic and financial risks, presenting unexpected new challenges for Cambodia. The Royal Government is taking systematic and sequenced measures to mitigate the negative impact of the International Financial Cataclysm and the economic downturn in the advanced economies on Cambodia's financial and economic system, and to protect the hard earned achievements. These external developments have made it necessary for all Ministries and Agencies to re-examine their plans to implement the prioritized policies of the Rectangular Strategy - Phase II for the Fourth Legislature. This NSDP Update 2009-2013 has been prepared to accomplish these two primary goals.

577. As has been noted many times earlier, NSDP Update is the implementation tool or roadmap for the implementation of RGC's priority policies for the Fourth Legislature that are outlined in the Rectangular Strategy – Phase II (RS II). The NSDP Update has been prepared using a methodology that has been further refined (see para #10). Briefly, these refinements were aimed at compiling information through a bottom-up process to address the issues of *who* is responsible, *what* actions will be taken, and *how* much it will cost to implement the proposed actions; as well as a top-down perspective based on econometric analysis of economic trends. In addition to refinements in the methodology, the Ministry of Planning (MOP) has taken concrete steps to ensure the active participation and ownership of inputs from line ministries and agencies (LMs&As), while at the same time also ensuring that development cooperation partners, NGOs, and other civil society stakeholders are provided opportunities to actively participate in the process of preparation of inputs by LMs&As.

578. To further refine the “core monitoring indicators/targets” for reporting progress on the implementation of NSDP Update, the MOP had established a Sub-Group of the TWG-PPR, Chaired by MOP. As noted in Chapter VI, the Sub-Group has worked hard to complete this task. Unfortunately, the Sub-Group was unable to complete this task; however, the Sub-Group will continue to do its work and will complete the task before the first overall assessment of progress on the implementation of NSDP Update is carried out.

579. The uncertainties in the global financial markets and the timing of economic recovery in advanced economies, the increased incidences of natural disaster caused by global climate change, and epidemic have serious implications for a small country like Cambodia. The Royal Government recognizes that in this challenging environment the implementation of NSDP Update to achieve the goals and targets of its priority policies, in particular

continued progress in reducing poverty in rural areas will require periodic adjustments in resource allocations to respond to on-going and emerging challenges caused by changes in the external environment. However, the Royal Government is confident that with the continuing support of its traditional and non-traditional development cooperation partners, the domestic private sector and international investors, as well as improvements in the delivery of public services by all line ministries and agencies, we will achieve the development goals and targets set for the Fourth Legislature.

## ANNEX I

## ABBREVIATIONS &amp; ACRONYMS

ADB	Asian Development Bank
AIDS	Acquired Immuno Deficiency Syndrome
APR	Annual Progress Report, 2006 (on NSDP)
ASEAN	Association of South-East Asian Nations
CAR	Council for Administrative Reform
CDC	Council for the Development of Cambodia
CDCF	Cambodia Development Cooperation Forum
CDHS	Cambodia Demographic and Health Survey, 2005
CDM	Clean Development Mechanism (Forestry)
CDRI	Cambodia Development Research Institute
CF	Community Forestry (Forests)
CHDR	Cambodia Human Development Report, 2007
CIB	Cambodia Investment Board
CMB	Cambodia
CMDGs	Cambodia Millennium Development Goals
CPA	Complementary Package of Activities (Health)
CR	Cambodian Riel (Currency)
CRDB	Cambodia Rehabilitation and Development Board
CSES	Cambodia Socio-Economic Survey, 2007
CSF	Commune/Sangkat Fund
D & D	Decentralisation and Deconcentration
DCR	Development Cooperation Report
DP	Development Partner (internal and external, including NGOs)
EDP	External Development Partner
EITI	Extractive Industry Transparency Initiative
ELC	Economic Land Concession(s)
ERW	Explosive Remnants of War
ESP	Education Sector Plan, 2006-2010
FDI	Foreign Direct Investment
FTA	Freestanding Technical Assistance
GDCC	Government-Development Partner Coordination Committee
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-Region
GWH	Giga Watt Hour
Ha	Hectare(s)
HIV	Human Immunodeficiency Virus
HSP	Health Sector Strategic Plan
IMF	International Monetary Fund
IPM	Integrated Pest Management
IT	Information & Communication Technology
JMI	Joint Monitoring Indicator
M	Metre
MAFF	Ministry of Agriculture, Fisheries and Forestry
MBPI	Merit Based Pay Initiative
MEF	Ministry of Economy and Finance
METF	Medium-Term Expenditure Framework
MF	Monitoring Framework (Chapter V)
MLMPUC	Ministry of Land Management, Urban Planning and Construction
MOC	Ministry of Commerce
MOEYS	Ministry of Education, Youth and Sports
MOH	Ministry of Health

MOI	Ministry of Interior
MOINF	Ministry of Information
MOJ	Ministry of Justice
MOP	Ministry of Planning
MPA	Minimum Package of Activities (in health sector)
MRD	Ministry of Rural Development
MT	Metric Ton(ne)
MTR	Mid-Term Review
MWA	Ministry of Women's Affairs
NBC	National Bank of Cambodia
NCDD	National Committee for the Management of D & D
NER	Net Enrolment Rate (schools)
NGO	Non-Government Organisation
No.	Number
NSDP	National Strategic Development Plan, 2006-2010
OD	Operational District (MOH)
ODA	Official Development Assistance
PAP	Priority Action Programme (for ministries)
PFMRP	Public Finance Management Reform Programme
PIP	Public Investment Programme
PMG	Priority Mission Group
REDD	Reduced Emissions from Deforestation and Degradation (Forestry)
RGC	Royal Government of Cambodia
RS	Rectangular Strategy
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SNEC	Supreme National Economic Council
SRI	System of Rice Intensification
SWAP	Sector Wide Approach
TA	Technical Assistance
TV	Television
TWG	Technical Working Group
UN	United Nations
US \$	United States Dollars
VDC	Village Development Committee
WB	World Bank
WTO	World Trade Organisation

## ANNEX II

## Royal Government of Cambodia

## Websites of Ministries and Agencies

Short Title	Full Title of Ministry/Organisation	Website (www)
CAR	Council for Administrative Reforms	car.gov.kh
CDC	Council for the Development of Cambodia	???
CIB-CDC	Cambodia Investment Board	cambodiainvestment.gov.kh
CMAC	Cambodia Mine Action Centre	cmac.org.kh
COM	Office of Council of Ministers	pressocm.gov.kh
CRDB-CDC	Cambodia Rehabilitation and Development Board, CDC	cdc-crdb.gov.kh
MAFF	Ministry of Agriculture, Fisheries and Forestry	maff.gov.kh
MCFA	Ministry of Culture and Fine Art	mcfa.gov.kh
MEF	Ministry of Economy and Finance	mef.gov.kh
MIF	Ministry of Information	information.gov.kh
MIME	Ministry of Industry, Mines and Minerals	mine.gov.kh
MLMUC	Ministry of Land Management, Urban Planning & Construction	mlmupc.gov.kh
MLVT	Ministry of Labour and Vocational Training	mlv.gov.kh
MOC	Ministry of Commerce	moc.gov.kh
MOD	Ministry of National Defence	mond.gov.kh
MOE	Ministry of Environment	moe.gov.kh
MOEYS	Ministry of Education, Youth and Sports	moeys.gov.kh
MOFA & IC	Ministry of Foreign Affairs & International Cooperation	mfaic.gov.kh
MOH	Ministry of Health	moh.gov.kh
MOI	Ministry of Interior	moi.gov.kh
MOJ	Ministry of Justice	moj.gov.kh
MOP	Ministry of Planning	mop.gov.kh
MOPNH	Municipality of Phnom Penh	phnompenh.gov.kh
MOSALVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation	mosalvy.gov.kh
MOT	Ministry of Tourism	mot.gov.kh
MOWA	Ministry of Women's Affairs	mwva.gov.kh
MPAI	Ministry of Parliament Affairs and Inspection	mnasrl.gov.kh
MPT	Ministry of Post and Telecommunication	mptc.gov.kh
MPWT	Ministry of Public Works and Transport	mpwt.gov.kh
MRC	Ministry of Religions and Culture	morac.gov.kh
MRD	Ministry of Rural Development	mrd.gov.kh
MWRM	Ministry of Water Resources & Meteorology	mowram.gov.kh
NAA	National AIDS Authority of Cambodia	naa.org.kh
NBC	National Bank of Cambodia	nbc.org.kh
NCDD	National Council for Decentralisation and Deconcentration	ncdd.gov.kh; seila.gov.kh
NIS	National Institute of Statistics (MOP)	nis.gov.kh
SCA	Secretariat for Civil Aviation	civilaviation.gov.kh
SNEC	Supreme National Economic Council	snecc.gov.kh
SPS	State Secretariat for Public Services	sspf.gov.kh