



TRANSLATION

KINGDOM OF CAMBODIA
Nation Religion King



ROYAL GOVERNMENT OF CAMBODIA



MID-TERM REVIEW 2008
ON
NATIONAL STRATEGIC DEVELOPMENT PLAN
2006-2010

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

NOVEMBER 2008



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

FOREWORD

In the first two years and a half of implementing the **National Strategic Development Plan, 2006-2010 (NSDP)**, Cambodia has witnessed impressive progress in most areas of socio-economic development in order to build human resources, develop institutional capacity, strengthen infrastructure and create enabling environment to attract both local and foreign investment aiming at ensuring high economic growth and poverty alleviation.

Cambodia has integrated itself into the region and the world and played active role in the dynamic process in the capacity of equal footing and equal rights in various sub-regional, regional, intraregional and global organizations. Along with that, based on the foundation of the careful and consistent implementation of the public financial policy and monetary policy and the free market economy, the Royal Government has ensured stable macroeconomic management and favourable condition for development. High economic growth of two-digit during the last four years created jobs, increased revenues and improved the production and productivity both quantity and quality as well as reducing the poverty rate from around 35% in the year 2004 to around 30% in late 2007, meaning more than 1% per year. The governance in the country has been improved and the extensiveness and quality of the public services have been continuously enlarged and strengthened in order to responding to the insisting needs of Cambodian people.

In fact, progress has been further promoted to be more extensive and competitive in many sectors and the existing challenges have to be tackled by joint efforts. Many governance reforms have to be further accelerated, that include the declaration and the promulgation of the basic law, the increase of efficiency and effectiveness in implementing policy to provide and manage public goods and services, promotion of the skilled ability, improvement of the coordination amongst various ministries/institutions of the Royal Government as well as the improvement of rural infrastructure. In actuality, further focus on rural areas is a necessity, which will transform this area into a more developed centre for economic growth and will also help decrease the high poverty levels prevalent in such areas. Another issue of concern is to ensure the improvement of important indicators in socio-economic sector, especially in the fields of education, health and gender equity, which needs to be further paid attention.

Generally, the world has recently witnessed many sudden tumultuous changes such as the volatility in the prices of oil and a number of necessity commodities, food shortage and the outbreak of the financial crisis. These developments have had negative impact on millions of people in Asia and have put the hard-earned development and poverty reduction into the risk of sliding backward. In fact, the poor has been first adversely affected by high inflation. This can actually push back the people to slide below the poverty line.

Due to the increasing regional and global integration, Cambodia has also been affected by these events and its economic growth will not be as high as in the recent past.

The aforesaid developments are not only big challenges to be overcome, but also provide invaluable opportunities for reshaping Cambodian economic basis to be more sustainable and not to be dependent only on a few sectors quite vulnerable to external shocks. The Royal Government, therefore, places more emphasis on agricultural growth, which has highly untapped potential for rural development, in order to broaden the economic base and make it sustainable in the long run, as well as to rapidly reduce poverty which is high in the rural areas. Results will be achieved through improving agricultural productivity and increasing rural incomes.

The result of the general elections held on 27 July 2008, which was recognized by the local and international public opinions as free, fair, just and transparent has clearly reflected the full and firm support from the majority of people from all walks of lives over the necessity to continue rebuilding the country on the path of development and reforms in all sectors leading to the progress and prosperity. Therefore, the Royal Government of the 4th Legislature is obliged to pursue the historical and noble mission with strong and energetic commitment to speed up the process of development and promote the deep and comprehensive reforms. In this sense, the Royal Government has laid out and determined to successfully implement *the “Rectangular Strategy” for Growth, Employment, Equity and Efficiency -- Phase II* which is the *“Socio-economic Policy Agenda”* of the *“Political Platform of the Royal Government of the fourth legislature of the National Assembly”*.

I am pleased to note that the report of the **Mid-Term Review of the National Strategic Development Plan, 2006-2010**, captures in a holistic, balanced and objective manner of all developments since January 2006. This document demonstrates a full overview of the Cambodian situation in all aspects and provides a guide for future implementation. It stressed on rapid poverty reduction through pro-poor policies and actions. In this regard, it calls for strong and extensive macro-economic growth, which is more competitive and diversified in the rural areas by depending on the increase of agricultural productivity along with improved land management and accelerated rural development.

The Royal Government has decided that the **National Strategic Development Plan, 2006-2010** will be extended to 2013 to make it consistent with *“Political Platform of the Royal Government of the fourth legislature of the National Assembly”*, in which *“Rectangular Strategy--Phase II”*, is the socio-economic agenda. More details of this extension will be reflected in the next review of the **NSDP**.

This Mid-Term Review (MTR-NSDP) is a critical, action-oriented agenda heading for the immediate action. Success of programmes and political platforms will mainly depend on the optimal use of all resources, external cooperation financing and national budget allocations, in a well-coordinated manner in order to make the use of integrated forces achieve result.

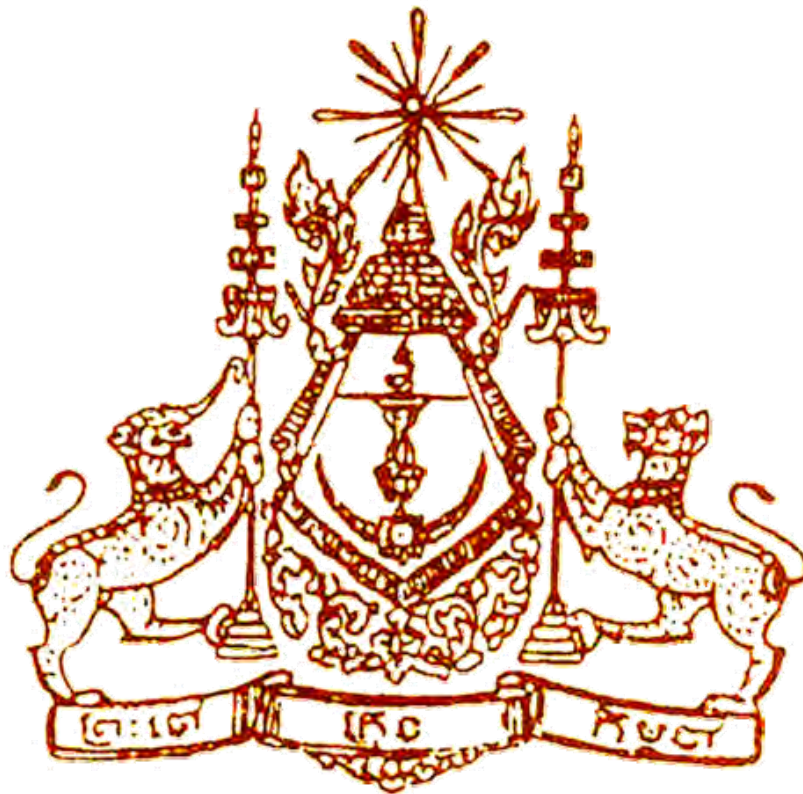
In this regard, I would like to ask all our development partners to fully cooperate by providing all information related to their work and financial outlays to the respective counterpart ministries, including the ongoing Joint Technical Working Groups (TWGs) in order to ensure that the coordinated action for results can be done under Cambodian leadership and ownership.

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 KINGDOM OF CAMBODIA



RECTANGULAR STRATEGY

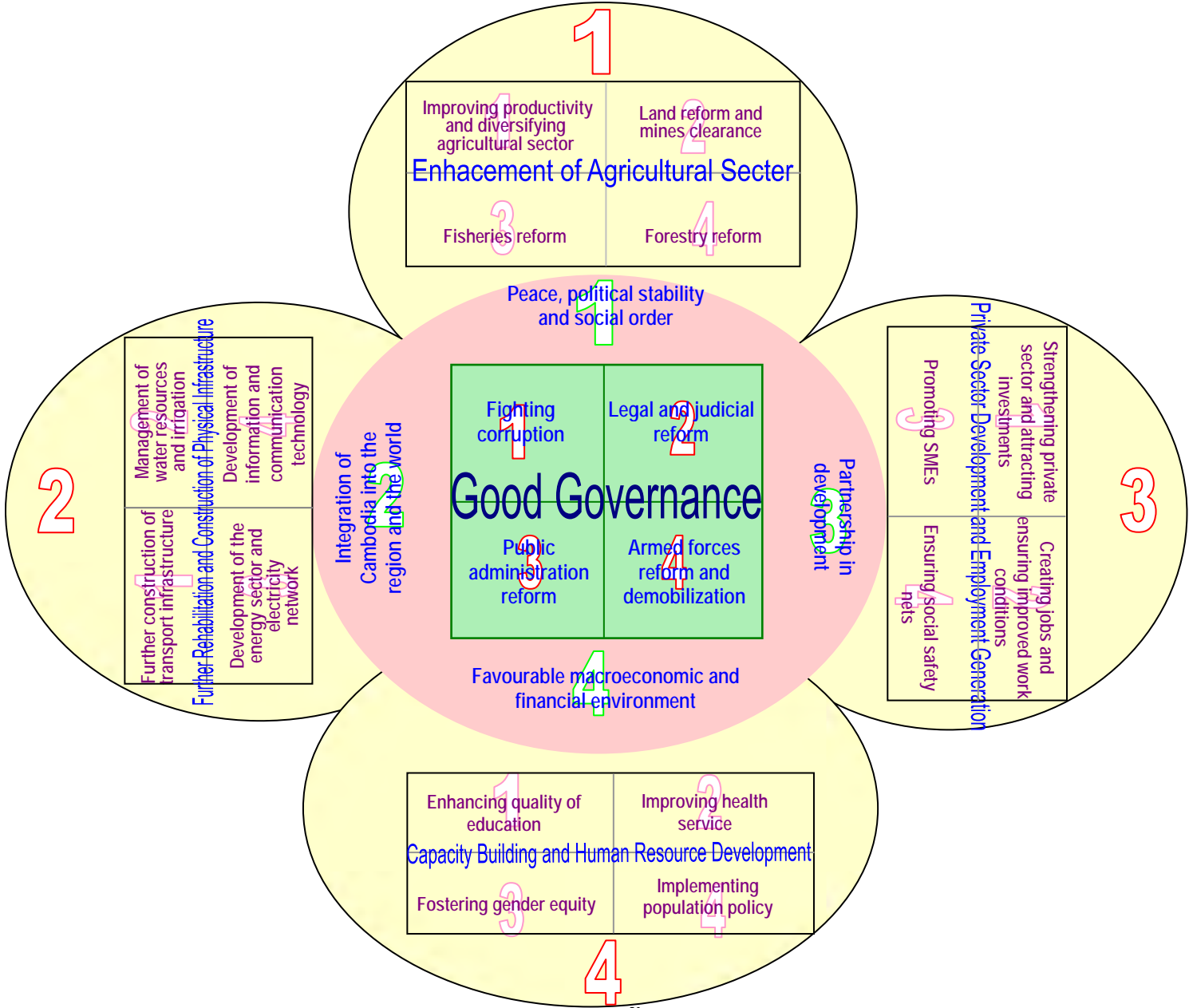


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CAMBODIA AT A GLANCE

GENERAL

Total Geographic area: Sq. Kms.,	181,035
No. of Provinces	24
No. of urban areas, including PNH	162
No. of Districts	185
No. of Communes	1,621
No. of Villages	13,848
Fiscal Year	January-December
Currency	Cambodian Riel (CR)

NOTE: 2005 & 2010 figures shown in NSDP have changed in some places based on updated data or surveys

	Particulars	Unit	2005	2006	2007	2008 Estimates	2010 Projected
	KEY INDICATORS						
1.00	Poverty Headcount		(2004)				
1.01	Total for the Country	% of popn	34.7	N/A	30.1		25.0
1.02	Phnom Penh	%	4.6	N/A	0.8		
1.03	Other Urban	%	24.7	N/A	21.9		
1.04	Rural	%	39.2	N/A	34.7		
1.05	Population below food poverty line	%	19.7	N/A	18.0		13.0
2.00	Gender Issues						
2.02	Women in Labour Force: In agriculture	% of Total LF	52.50	N/A			50.00
2.03	In Industries	% of Total LF	53.50	N/A			50.00
2.04	In Services	% of Total LF	27.00	N/A			37.00
3.00	Population						
3.01	Total : <u>March 2008 Census</u>	Million				13.4	N/A
3.02	Population Density	per sq. km				75	
3.03	Male/Female Ratio	100 Female				94.2	
3.04	age 0-14	% population	39.0			N/A	
3.05	age 15-64	% population	57.0			N/A	
3.06	age 65 and above	% population	5.0			N/A	
3.07	Rural	% population				80.5	
3.08	Urban	% population				19.5	
3.09	Annual Growth rate	%	1.81			1.54	
3.10	Total Fertility rate (per woman)	live births	3.4			N/A	
3.11	Life Expectancy at birth – Male	Yrs	61.0	61.8	62.5	63.1	64.1
	-- Female	Yrs	65.4	66.2	66.9	67.5	68.5
4.00	Macro Economic						
4.01	Annual GDP (<i>constant prices, year 2000</i>)	Billion Riels	22,009	24,380	26,868	28,736	32,759
4.02	: Agriculture	%	29.4	28.0	26.7	26.1	24.8
4.03	: Industry	%	26.8	28.6	28.1	28.3	28.9
4.04	: Services	%	38.5	38.3	38.3	38.7	39.6
4.05	GDP Per Capita	000 Riels	1,862	2,108	2,416	2,892	3,505
4.06	GDP Per Capita	US \$	455	514	594	716	842
4.07	Real GDP % change (constant prices 2000)	%	13.3	10.8	10.2	7.0	7.0
4.08	Inflation -- Year average	%	5.8	4.7	5.9	20.0	4.0
4.09	Exchange rate per US\$	Riels	4,117	4,058	4,000	4,130	4,163
4.10	Gross Foreign Exchange Reserves US\$	mths imports	2.2	2.2	2.9	3.0	3.5
4.11	--- In US\$	US\$ million	915	1,097	1,616	2,134	2,521

	Particulars	Unit	2005	2006	2007	2008 Estimates	2010 Projected
4.12	FDI: Investments -- for the year	US\$ million	381	483	868	944	825
5.00	Fiscal						
5.01	Revenue as % of GDP	% of GDP	10.6	11.4	12.1	12.5	13.1
5.02	Tax Revenue	% of GDP	7.7	8.0	10.2	10.4	11.0
5.03	Total Budget Expenditure	% of GDP	13.2	14.1	14.8	14.6	14.0
5.04	Current Expenditure	% of GDP	7.6	7.9	8.2	8.2	8.5
5.05	Current Surplus	CR Billion	471.0	355.8	1,116.4	1,515.8	1,951.0
5.06	Contribution to FDI (import duty exempted, etc)	% of GDP	5.2	5.6	5.5	5.2	5.5
6.00	Finance Sector						
6.01	Commercial Banks	Nos	15	15	17		
6.02	Loan outstanding	CR Billion	2,317	3,502	6,234		
6.03	Micro-Finance Institutions	Nos	16	16	17		
6.04	Loan outstanding	CR Billion	204.57	357.04	617.90		
7.00	Official Development Assistance (incl. NGOs)				Estimated	Projected	Projected
7.01	Total	US \$ Millions	610	809	719	736	-
7.02	Technical Assistance	US \$ Millions	260	288	210	133	-
7.03	Capital Assistance	US \$ Millions	290	354	399	441	-
7.04	Other than TA	US \$ Millions	60	167	110	162	-
8.00	Agriculture, Forestry and Fisheries						
8.01	Land under crops	000 Ha	2,893	3,048	3,117	3,300	3,500
8.02	Irrigated land area	000 Ha	632	721	773	827	867
8.03	Paddy: cultivated area	000 Ha	2,443	2,541	2,585	2,600	2,650
8.04	Yield per hectare	tons	2.48	2.49	2.62	2.60	2.80
8.05	Fishing Lots	Sq. Kms	4,152	4,150			4,150
8.06	-- Released to Community Fishing	%	56				56
8.07	Fish: Catch (from all sources)	Tons	410,000	516,000	482,000	500,000	450,000
8.08	Forestry cover	% of land area	59	59			60
8.09	-- Reforested (cumulative total from 1985)	Ha	15,729	16,825	26,386		30,000
8.10	Fuel Wood Dependency	% households	84	84			61
8.11	Land Reforms: Titles issued to farmers	% of Total	15.0	17.0	18.2	20.0	24.0
9.00	Rural Development						
9.01	Rehabilitated roads -- (of total 28,000 kms)	Kms	22,700	22,964	23,729		25,000
9.02	Access to Improved drinking Water (rural)	% of popn	41.6	42.6	45.5		45
9.03	Access to sanitation (rural)	% of popn	16.4	16.5	16.7		25
10.00	Industries						
10.01	Manufacturing output	Billion CR	11,132	15,116	16,798	17,973	20,575
10.02	Garment Industry : output	Billion CR	8,916	10,896	11,772	12,596	14,412
10.03	: Labour force	Nos	305,678	307,902	369,813	376,000	393,773
11.00	Energy						
11.01	Energy Used: Gasolene & Diesel	Tons	196,323	227,908			317,350
11.02	Electricity Generated	Gwh	894	1,073	1,505	1,900	2,500
11.03	Transmission net work (115 KVA)	KMs	134	279	323	323	674
11.04	Household consumers	Nos	208,476	250,000	401,262	445,000	650,000
11.05	Per capita consumption/year	Kwhs	62	72	100	124	159
12.00	Transport						
12.01	Primary & Secondary roads	Kms	11,494	11,494			11,494
12.02	Of which paved	Kms	2,100	2,621			4,100

	Particulars	Unit	2005	2006	2007	2008 Estimates	2010 Projected
12.03	Railways	Kms	602	602	602	602	602
12.04	International Ports	Nos	2	2	2	2	2
12.05	International Airports	Nos	2	2	3	3	3
13.00	Telecommunications						
13.01	Telephones in use (landline & mobile)	000's	882	1,179	2,337	2,932	3,700
13.02	Internet users	Nos	8,632	8,960	10,831	13,698	22,500
14.00	Tourism						
14.01	Visitor arrivals	Millions	1.42	1.70	2.05	2.35	3.20
14.02	Estimated Foreign Exchange earned	US\$: million	832	1,049	1,400	1,600	2,223
14.03	No. of Hotel Rooms	Nos	15,465	17,914	20,470	23,645	24,355
15.00	Public Information						
15.01	Khmer Language Newspapers (registered)	Agency	292	420	497	497	500
15.02	English Language Newspapers (registered)	Agency	25	27	27	28	30
15.03	In-country Radio Stations (central & provincial)	Nos	21	22	26	41	47
15.04	In-country TV Channels (central & provincial)	Nos	14	14	14	14	17
16.00	Health						
16.01	Infant mortality rate (under age 1) (IMR)	Per 1,000 live brths	66				60
16.02	Under 5 mortality rate (U5MR)	Per 1,000 live brths	82				75
16.03	Maternal Mortality Ratio (MMR)	100,000 brths	472				243
16.04	Births attended by skilled health personnel	%	44	N/A	46	48	55
16.05	Malaria cases: treated at public health sector	per 1,000	7.3	5.1	4.0		3.5
16.06	Prevalence of smear positive TB	per 100,000	269	N/A	234 *	225	214
16.07	HIV/AIDs: Adult prevalence rate	% 15-49 yrs	0.9	0.9	0.9	<0.6	<0.6
16.08	Referral Hospitals	Nos	69	69	74	76	76
16.09	Health Centres	Nos	965	972	956	985	1,246
16.10	Drinking Water access:(urban)	% of popn	35	37	40		75
16.11	Access to sanitation (urban)	% of popn	55				67
17.00	Education		2005-06	2006-07	2007-08	2008-09	2009-10
17.01	Primary Schools	Nos	6,277	6,345	6,476		
17.02	Net Enrolment: Total	%	91.3	92.1	93.3		100
17.03	Boys	%	93.0	93.2	93.2		100
17.04	Girls	%	89.7	91.0	93.3		100
17.05	Survival rate 1-6 yrs	%	49.3	52.5			100
17.06	Lower Secondary Schools	Nos	911	1,112	1,303		
17.07	Net Enrolment: Total	%	31.3	33.7	34.8		50
17.08	Boys	%	32.1	34.3	33.7		50
17.09	Girls	%	30.4	33.1	35.9		50
17.10	Survival rate: 1-9	%	26.3	29.3			50
17.11	Literacy 15-24 yrs: Total, Male/Female	%	84.7	84.7	84.7		95
18.00	De-Mining Programme						
18.01	Annual Casualties (deaths & injured)	Nos	875	450	352	290	205
18.02	Total cumulative area cleared of mines/ERW	Ha	33,036	37,311	42,312	45,888	50,000

Note: For more details see respective paragraphs in Chapter II and/or refer to websites of relevant ministries/agencies.

* Estimated Figures

CHAPTER I

INTRODUCTION AND SUMMARY

1.01 Prepared in 2005, through extensive and inclusive multi-layered consultations with all stake holders, Cambodia's National Strategic Development Plan, 2006-2010 (NSDP) was promulgated by a Royal Decree dated 23 June 2006, at the conclusion of different levels of scrutiny within the Royal Government of Cambodia (RGC) and by the National Assembly and the Senate. It represents a broad consensus on Cambodia's future development and reflects the aspirations and priorities of Cambodians in general as well as realistic future potential and practical possibilities. Given that NSDP is a dynamic, live and practical document, its implementation and progress are meant to be regularly assessed and monitored so that appropriate corrections could be made and goals, targets and plans could be adjusted to conform to emerging new data and other realities.

1.02 Commencing in 2006, implementation of the NSDP completed its mid-term of two and half years in June 2008. With regular monitoring and evaluation at the sectoral level, a national level annual progress report (APR) was prepared in 2007 for the year 2006. Each individual sector and ministries have produced their own detailed assessments of work done during the last over four years and their future plans ahead¹.

1.03 This Mid-Term Review (MTR) document now examines in a broad, integrated and holistic manner the progress made in the last over two and half years along with shortfalls and their causes. It also realistically assesses the future along with major thrusts needed, challenges to be overcome and foreseeable risks to be taken into account. Also included are all the developments and progress already reported upon in the APR 2006². This document is not a simple catalogue or compendium of all actions taken and to be taken in all sectors. It is an objective assessment and report on the progress so far and a practical blueprint to look at and pursue future goals in a balanced, integrated and inclusive manner. It synthesises studies and work already done and work to be undertaken. It focuses attention on specific priority areas even as momentum has to be maintained in all other areas for synergistic results. More details of progress, analysis and programmes can be found in the reports of relevant ministries and agencies³.

1.04 Several detailed consultations and discussions with important stakeholders and collective consultations with RGC ministries and agencies as well as External Development Partners (EDPs) were held in preparing and finalising the MTR which draws on and analyses inputs, data, information, views and suggestions from:

- Government ministries and agencies;
- Development Partners (multilateral and bilateral institutions, and non-government organisations including civil society organisations)⁴;
- Official surveys and their findings; and
- Other research studies and publications.

1.05 Most noteworthy events and developments since January 2006 till now (September 2008) are:

- Release of data of the Cambodia Demographic and Health Survey (CDHS, 2005) in 2006.
- Preparation and publication of Cambodia Human Development Report, 2007.

¹ As presented at a National Conference at the end of May 2008.

² Accordingly, in many places information already provided in the APR 2006 would be repeated.

³ See list of websites at Annex IV:2

⁴ In many cases respective TWGs were involved

Peaceful, orderly, free and fair conduct of the second Commune level elections in 2007.

Conduct of Cambodia Socio-Economic Survey (CSES), 2007.

Orderly conduct of Decennial Census, 2008. Preliminary results estimate that the population of Cambodia was 13.4 million in March, 2008 with an annual average growth rate of 1.54% during the past decade¹.

Fourth General Elections to the National Assembly held on 27 July 2008 in a peaceful, orderly manner and unanimously acclaimed as free and fair allowing full freedom for all views to be expressed, without any impediment, by all concerned and all political parties.

RGC for the fourth term of the legislature, 2008-2013, has been formed and has declared that it would continue to pursue the Rectangular Strategy – Phase II as the “**socio-economic policy agenda**” of its “**political platform**”. RGC has also decided that the time-frame for NSDP and sectoral plans need to be synchronised with RS-II².

1.06 Among the outstanding features of achievements during the last over two and half years are:

Internal peace, political and social stability, and security continue to enhance, strengthen and consolidate.

Public Governance continues to improve with legal and public administration reforms in several ways.

Macro-economic stability has further improved and strengthened (all macro-economic data use year 2000 as the base year).

Even after scaling a peak of 13.3% growth in 2005, GDP growth continued at high levels though it shows some decline in the recent past, and still continues to be somewhat narrowly focused, with garment industry, tourism, and construction leading the overall growth.

Fiscal performance has continued to be robust with revenues increasing at a fast pace and allocations for essential social sectors being steadily increased.

Inflation was well under control till 2006 but has shown escalation in late 2007 and 2008.

Private sector has grown significantly with expansion of financial institutions and investments thanks to several positive changes.

The increasing confidence and comfort of the private sector in the future of Cambodia, rapid macro-economic growth, and vastly improved revenue collections, are just few examples bearing testimony to the government's enhanced transparency, predictability and accountability, and clear indicators of decreasing levels of corruption in the system.

Agricultural growth, particularly rice production, after registering unprecedented record levels in 2005, aided by good weather and increased use of RGC created irrigation facilities, continues to be positive though at reduced levels.

All other sectors registered continued growth.

These developments together have reduced poverty levels from 34.7 in 2004 to 30.1% in 2007, as per latest estimates based on CSES, 2007.

Widely acknowledged impressive improvements have occurred in important social indicators; major health indicators emerging from CDHS, such as infant and child mortality rates, and notably HIV/AIDS incidence, are much better than estimated earlier, and in some cases have already reached the targets set for 2010.

Educational indicators have shown improvement.

¹ See para 2.86; details are available at NIS website

² See paras 2.14 to 2.16

1.07 Progress in the past two and half years has however been below expectations or stagnant, or in some cases problems are emerging in the following aspects:

While some Sector strategies have been prepared and are being implemented such strategies and plans are still to be prepared for many sectors¹.

- The already commenced diversification of the economic base into other productive sectors needs to accelerate.

Agricultural production and productivity as a whole have scope to improve significantly.

Public Administration Reforms and Legal Reforms need to make further progress.

Garment industry, a major factor in growth so far, is levelling off.

Alignment of Development Partner resources to NSDP has not proceeded well despite clear undertakings in international fora and in 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 RGC².

Internally within RGC more needs to be done to: (a) enhance and improve inter-departmental and inter-ministerial collaboration; (b) make substantive progress to harmonise NSDP, PIP and annual budget processes³; and (c) to harmonise the data bases of CRDB/CDC and MOP's PIP, vital to better coordinate and monitor DP assistance.

1.08 **By far the most far reaching developments** during this period are four cataclysmic global phenomena, not foreseen by anyone and still evolving and to be fathomed, commencing suddenly in the last part of 2007 and accelerating rapidly and continuing unabated in 2008. These threaten not only future prospects globally and in Cambodia but distressingly also portend erosion of momentum and gains already achieved, especially in terms of poverty reduction:

Galloping increases in international oil prices, declining somewhat from peak levels, have pushed up the cost of most economic activities.

The financial crisis and credit crunch of unprecedented magnitude in major economies continue without any end in sight, resulting in economic slowdown in most countries, some of them on the brink of recession, with worldwide roll-on effects.

Overall global inflation in most essential commodity prices.

Food prices have nearly doubled in the past two years, much of this happening in 2008; rice prices alone have almost trebled since 2007.

1.09 The developments briefly outlined above direct the spotlight on the compelling and inescapable need to pursue with renewed vigour and determination pro-poor, pro-rural priority already enunciated in the NSDP, viz., **agricultural and rural development**⁴. Only this priority can provide immediate and long-term benefits as well as a quick safety net for the poor, predominantly in the rural areas in Cambodia, increase their purchasing power and well-being and diversify and strengthen the overall economy on a sustainable basis. There exists a vast scope for increasing productivity and diversifying production. RGC attaches the highest priority to pursue this goal.

1.10 While pursuing all other goals and targets already outlined and emphasized in the NSDP for speedy poverty reduction especially in remote rural areas, RGC intends to pay

¹ More details at para 2.08 bullet point

² Prime Minister Samdech Hun Sen's foreword to NSDP and APR and several speeches at international and domestic forums

³ See also para 4.10

⁴ NSDP has allocated over 60% of investments to rural areas

specific attention and attach high priority to meet the challenges which are obvious from the foregoing analysis as well as new ones on the horizon. RGC expects full cooperation from all EDPs wherever needed in pro-actively pursuing them. The challenges are to:

Contain the largely externally induced inflation at moderate levels.

Maintain macro-economic stability and growth despite inflation and external pressures.

Provide safety nets to the poor during times of inflationary stress, particularly shortage of the staple rice, through targeted subsidies and tax relief on essential commodities.

Protect fiscal stability and enhancement despite additional pressures on revenues and increased expenditure.

Speed up the processes to diversify the economic base.

Ensure optimal utilisation of all resources for development; for this, speedily try and align all EDP resources to NSDP priorities.

Likewise, harmonise NSDP, PIP and budgetary processes within the government and fuse together the CRDB/CDC and PIP data bases to get a realistic picture and to enable EDPs to redirect resources to NSDP priorities.

Ensure that revenues from oil and gas, indeed all natural resources, which are the common inheritance of all Cambodians, are maximised; and, mechanisms and processes are put in place to use such revenues, expected from 2011, in a wise manner to benefit all Cambodians, present and future.

1.11 Taking all factors into consideration the overall total outlay for public sector investments during 2006-2010 has been increased by 20% from US\$ 3,500 million to US\$ 4,200 million.

1.12 Several imponderable factors still hobble the path ahead needing constant vigilance to be maintained:

The global climate does not improve quickly enough or worse still, deteriorates further.

EDP assistance falls in real terms and does not quickly adjust to NSDP priorities.

Extreme swings in weather bring about natural calamities of more than usual order.

Unknown diseases suddenly appear and spread, like avian flu.

Expected returns from oil and gas resources are further delayed.

1.13 All the aspects of the NSDP, the progress so far and the prospects and programmes, and updated targets and financial outlays for the future, as well as the priorities mentioned above are dealt with in more detail in the following chapters and Annexes:

Chapter II : Progress, Prospects and Proposals

Chapter III : Priority Goals and Targets

Chapter IV : Costs, Resources and Programming

Chapter V : Monitoring and Evaluation

Chapter VI : Conclusion

Annexes:

I:1 Cambodia: Key Macro-Economic Indicators

I:2 Annual Budget Allocations for Current Expenditure

- I:3 Cambodia: Projected Investments, 2006-2010
- II:1 PIP, 2006-2008: Table I: Summary by Sectors
- II:2 PIP, 2007-2009: Table I: Summary by Sectors
- II:3 PIP, 2008-2010: Table I: Summary by Sectors
- II:4 PIP, 2009-2011: Table I: Summary by Sectors
- III NSDP Monitoring Framework
- IV:1 Abbreviations and Acronyms
- IV:2 RGC Ministries and Organisations – Websites



CHAPTER II

PROGRESS, PROSPECTS AND PROPOSALS

2.01 Emerging in January 1979 from its darkest chapter in history, Cambodia started rebuilding itself from ashes in spite of unjust international isolation till 1991. Building on the solid foundations from then, and after the general elections in 1993 following the Paris Peace Accord of 1991, accelerated progress commenced in building institutions and the economy but was constrained by political uncertainties and continued insurgency by outlawed elements. Only since 1998, with peace and stability restored to all parts of Cambodia, real and substantive progress could begin. The National Strategic Development Plan, 2006-2010, builds on this solid platform of stability, peace and economic foundations and outlines goals and plans for sustainable and solid progress in an integrated manner with a clear pro-poor, pro-rural focus.

2.02 In the NSDP RGC reiterated its clear vision to take the country forward based on the following principles¹:

Strict adherence to democracy in governance, where all citizens are able at regular intervals to freely elect their representatives to govern at national and sub-national levels.

Protection of individual and human rights, including full freedom of expression.

Maintenance of peace, political stability, rule of law, equity and social order.

Government at all levels to be fully responsive, responsible, effective, transparent, accountable and predictable.

Government to ensure macro-economic stability, create and maintain key physical and institutional infrastructure, as well as a conducive climate and a regulatory framework for private sector to operate and flourish.

Government to provide essential social services for human capital formation and enhancement -- health, education, cultural development --, and create an environment that enables individuals to seek and realize their full potential and contribute to their own well-being and the country's growth.

Government to ensure sustainable management of nation's environment and natural resources -- forests, fisheries, land, water and bio-diversity -- on which human livelihoods and welfare depend.

2.03 Furthermore, RGC also noted in the NSDP that the next ten years (2006-2015) represented a 'decade of opportunity' and that the time has arrived to focus attention away from mere "high level studies and surveys to concrete and tangible actions to accelerate progress in the lives of Cambodian people"². The strategies and actions to be pursued are:

Factor poverty reduction and gender equity concerns in all activities.

Ensure speedy reforms in all sectors, which will yield long-term benefits, however painful they may be in the short-term.

Foster and facilitate equitable and spatially and sectorally well spread, in depth, robust and sustained macro-economic growth that readily provides opportunities and benefits to one and all.

Significantly increase "*real investments*" for growth such as in infrastructure (urban, rural and national), productive sectors like agriculture and industries, and in human development (health, education).

¹ NSDP, para 4.02

² NSDP, para 4.05

Target the most needy and least served people, including those with disabilities and indigenous people, and areas to help rapidly reduce poverty.

Maintain a judicious balance between top-down (macro level reforms) and bottom-up (grass root) approaches.

Focus on well tried, low-cost activities with potentially high-returns at the grass roots level where speedy changes are possible and will have a profound and positive impact, and/or that will directly benefit the poor.

Optimise factor productivity -- capital, labour, land and natural resources, inputs -- in all activities.

Promote adaptation and use of science and technology.

Rely as much as possible on human labour for all construction work, to boost household incomes, especially in rural areas.

Stress building of institutional and human capacity in all sectors and at all levels to create and sustain a critical mass of expertise and human capital.

Evolve mechanisms to ensure as much funds as possible to be routed through sub-national levels for implementation of development activities.

2.04 Progress on the implementation of NSDP till September 2008 is marked by both outstanding success in some key areas and inadequate progress in some others. Also, new challenges have suddenly emerged in the last one year, sweeping across the whole globe and seriously undermining gains made and even posing a risk of slide back.

2.05 This chapter examines and provides a macro-view of the progress or lack thereof from January 2006 to September 2008, looks at prospects and lays out proposals for the remaining term of NSDP. It is intended to be a broad overview from the national perspective, not a detailed list of all the work being done or to be undertaken by ministries, agencies or development partners including non-government as well civil society organisations and the private sector. More and detailed information and analyses should be sought in annual and survey reports relating to relevant sectors or ministries or agencies¹. It is emphasised that most goals mentioned are essentially quantitative. Qualitative aspects, though critical, cannot be easily measured but would be evident and could be experienced over time through manifest improvements in various ways.

2.06 Using the Rectangular Strategy as the overall framework, as NSDP did, this chapter covers the entire period from January 2006 to September 2008, and includes developments already reported in the APR, 2006². The chapter

highlights and critically analyses all the major developments in all sectors, including causes for success or shortfall;

provides comparative tables or data for each year; and

outlines priorities, strategies, plans and challenges ahead.

2.07 Major achievements and developments during the period include:

Consolidation and enhancement of internal security, stability and peace.

Enhancement in political stability paving the way for better governance, particularly because of the constitutional amendment in 2006 allowing for all legislations to be passed with just over 50% of votes, thus changing for the better a long standing debilitating and retarding provision which needed 2/3 vote.

Continued robust economic growth and budgetary performance.

Second free and fair elections at the commune level in 2007.

¹ See Annex IV:2 for list of RGC ministries and organisations and their websites

² Accordingly, some of the aspects already covered in APR, 2006, would find repetition here as well.

Conduct of the second decennial census in March 2008. The total estimated population, according to preliminary results was 13.4 million and the annual average growth was 1.54% per annum during the past decade¹. In depth analysis of all data will yield valuable information for designing targeted future policies.

Impressive progress in the social sectors; data emerging from the Cambodia Demographic and Health Survey of 2005 revealed better than earlier estimated progress in important health indicators.

Fourth National level elections conducted on 27 July 2008 with free participation of all.

The RGC formed for the fourth legislature term, 2008-2013, has announced that Rectangular Strategy, Phase II (RS-II) constitutes the "socio-economic policy agenda" of its "political platform".

2.08 Among aspects of shortfalls and future challenges are:

Poverty level, especially rural poverty, though reducing, is still high. It needs to decline by one percentage point every year at the minimum.

Economic growth continues to be narrowly based and concentrated in urban centres leading to increase in income inequities between rich and the poor, especially between urban and rural areas.

Land concentration and landless are showing rising trends.

Anarchy by way of illegal land possession, illegal occupation of state land and in protected areas and unlawful logging still persist. At the same time, poverty and internal migration put more pressure on natural resources.

Although there is significant progress in school enrolment, over-age enrolment and quality issues remain important problems.

Drug production and trafficking pose social problems threatening welfare of Cambodian youth now and in the future.

Lack of skilled labour presents an obstacle to accelerating economic development both in the urban and rural areas.

Provision of public health services, though improving fast in some programmes like HIV/AIDs, TB and Malaria control, is still limited in terms of utilisation of other health problems in general. Of particular concern is the continuing high rate of maternal mortality.

Social security net for the poor is still to be institutionalised.

In general, government institutional capacity is still uneven, in part due to low salary and incentive levels.

Sector strategies or plans need to be prepared for many sectors; so far, such strategies have been prepared for some key sectors, viz., agriculture, education, health, nutrition, HIV/AIDs, fisheries, power, trade, governance, legal and judicial reform, and decentralisation.

Agriculture production and productivity as a whole are still to improve significantly to realise full potential.

Although external development assistance to Cambodia has registered some increase mainly because of inclusion of assistance from hitherto 'non-traditional' partners, such assistance from the developed world at the global level is estimated to have decreased (see para 2.30).

Alignment of Development Partner resources to NSDP has not proceeded well despite clear international and country level agreements by major development partners.

¹ See para 2.86 and NIS website

Internally within RGC much needs to be done to: (a) enhance and improve inter-departmental and inter-ministerial collaboration; (b) make substantive progress to harmonise NSDP, PIP and annual budget processes; (c) harmonise the data bases of CRDB/CDC and MOP's PIP, vital to better coordinate and monitor DP assistance¹; and (d) use the PIP to negotiate with DP over the assistance that is required to support government priorities.

Box 2.1 Global Developments impacting on Cambodia

1. International prices of crude oil, the all pervasive energy source, rose in successive big waves from late 2007 and after reaching a record level of US\$ 147 per barrel in July 2008 (a staggering 121% over \$ 66.47 in April 2007), has since dropped to about US\$ 100 (still much higher than in April 2007). This has adversely impacted on the whole spectrum of socio-economic activities. There is no reliable forecast as to if, or when, the volatility might end, and at what level the prices might stabilise.
2. Food shortages have occurred with stocks of essential cereals, particularly rice, the staple food of billions of people, dipping down to unprecedented levels. While Cambodia is self-sufficient and even exports high quality rice, the situation could rapidly deteriorate if bad weather in one wet season reduces rice production.
3. Food prices have sky-rocketed. The price of rice doubled in international markets from the start of 2007 till the first trimester of 2008 and doubled again in the first four months of 2008 alone. The oft-repeated statement worldwide is that "the era of cheap food is over". On the one hand the price increases have not been shared by the rural people in Cambodia who had already sold their disposable surplus of rice early in 2008 at the then prevailing prices. On the other, such increases would put the essential staple out of reach of the poor during the lean seasons. This has serious implications for the majority of people spending 50-60% of income on food alone, and threatens food security and nutrition, especially of the poor. (CDRI has done a study on the impact of rising prices).
4. Inflation the world over, partly fuelled by oil prices, is on a steady increase. In Cambodia, it is expected to have spiked to an unprecedented level of over 20% during the first three quarters of 2008. The prices of essential commodities like cooking oil, construction materials like steel and cement, and other commodities have increased escalating the cost of construction of infrastructure and buildings and setting in motion unabated cost increases, and making it difficult to forecast costs of various development activities.
5. Financial markets everywhere have suffered severe setbacks leading to a massive credit crunch, and the end is not yet in sight. This has slowed down most economies, sending some to the brink of recession, reducing consumption and demand for goods and services. The huge effort being undertaken in the developed countries to bolster financial institutions by infusion of public funds threatens growth in availability of funds for the already reducing level of development assistance at the global level.
6. These factors have serious implications for the Cambodian economy which cannot sustain the high double digit growth of the past few years. For instance, the three main ingredients for fast growth in the past few years, creating jobs and radiating effects in the rural areas, are likely to slacken in pace:
 - Garment manufacturing, facing cost increases (in wages and transport included), competition from nearby countries, and reducing demand overseas, is slowing down. Growth in jobs, especially for women, is at risk, as are multiplier effects.
 - Tourism's rate of growth may be affected because of increases in cost of travel engendered by high fuel prices and in other expenses. Again, job growth and spread effects would suffer.
 - Construction could slow down because of unpredictable increases in cost of essential building materials again affecting jobs involving various skills.
7. A slowing economy, and cutting back on or exempting taxes for employment creating ventures, providing direct subsidies for food, etc., though vital to provide the essential safety net, could impact on the fiscal situation as well.
8. RGC is therefore keeping an extraordinary vigil at very high levels over the global events to ensure that proper and timely steps could be taken to soften their impact on Cambodian people in general and the rural poor in particular, as well as to keep the Cambodian economy moving on an even keel progressing steadily towards the cherished goals.
9. The still evolving situation poses immediate and complex challenges. They have to be turned into important and timely opportunities to invest in rural areas and agriculture to boost production and incomes and enhance livelihoods as discussed in other sections in this chapter.

2.09 On the global front a most disturbing and destabilising situation, unforeseen and still evolving and not fully fathomed, has arisen since the last part of 2007 and has accelerated and worsened in 2008. This has cast a dark shadow not only on the future prospects all over the globe but also future safeguard of gains already achieved, particularly in poverty reduction and achievement of MDGs. Inevitably, it has wide-ranging and short as well as long-term implications for Cambodia as well, necessitating re-emphasis on certain already pronounced priorities to counteract adverse impact on the vulnerable. The major features and implications of this which feed into each other are elaborated in Box 2.1.

¹ See para 4.10

2.10 While RGC will continue to maintain very high level vigilance on the evolving situation and take appropriate measures to mitigate effects in Cambodia, it is clear that quick solutions with long-term effects are needed which could be jump-started and will have a stabilising effect on the economy by diversification of the base. The private sector has grown rapidly in the favourable climate engendered by RGC's progressive policies, and can in the long term adjust to emerging external environment. But the rural and agricultural sectors, where majority of Cambodians live and are poor, remain vulnerable. There is immense unrealized potential in the agricultural sector where productivity gains can boost sustainable outputs, employment and incomes besides encouraging other rural based activities including in processing. **RGC therefore attaches high priority to boosting the rural and agricultural sectors** in pursuance of its pro-poor focus. With poverty reduction as the major goal, while momentum of progress in all sectors would continue to be maintained, special focus will be on continued macro-economic and sustainable diversified growth with increasing opportunities and benefits in the rural areas where poverty incidence is high. Issues to be urgently addressed include those relating to: land allocation and land titling; encouraging proper land use for growing the best suited crops; supplemental and other irrigation; use of better quality inputs, especially seeds; enhanced outreach through extension services; improved post harvest management and value added efforts; better rural infrastructure including increased access to improved water supply and sanitation facilities; and, enhancement of health and education. These are addressed in more detail in the relevant sections of this chapter.

POVERTY REDUCTION

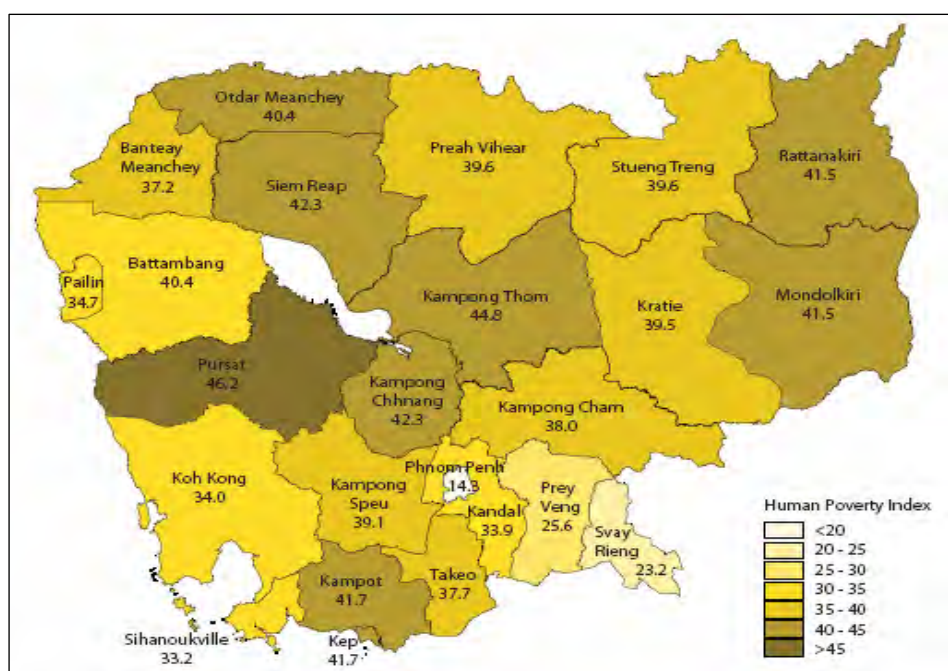
2.11 Fast and high level of sustained economic growth, facilitated by private sector investment taking advantage of RGC's pro-active policies providing the enabling environment, has had the desired radiating effect into rural areas as well. Direct and indirect employment of many hitherto unemployed people without any particular skills has seen young people moving into centres of such growth and remitting funds back home to help families in rural areas. Infrastructure development, investment in rural areas, and other pro-poor efforts of RGC have helped in steady decline of poverty levels. Preliminary derived analysis of data from the smaller scale 2007 Cambodia Socio-Economic Survey¹, estimate that overall poverty level has decreased from 34.7% in 2004 to 30.1% in 2007, a reduction of more than 1 percentage point per year. Poverty levels have declined at all sub-national levels: in Phnom Penh (0.8% from 4.6%), other urban areas (21.9% from 24.7%), and rural areas (34.7% from 39.2%, decreasing by about 16%). A more comprehensive 2009 survey to follow will provide more updated understanding of the poverty situation.

2.12 However, poverty continues to be high, over 50% in some remote areas still not benefiting from the general progress in the country (see map). Globally induced factors along with domestically caused pressures pushing inflation (box 2.1) not only threaten rate of decline in poverty but indeed even a slide back due to possible dropping of people on the cusp of poverty below the line. Urgent measures are necessary and will be taken to ensure safety nets for the most vulnerable through subsidies and targeted labour intensive work like food for work programmes. But, on present trends, much more concerted efforts would be needed to reduce overall poverty levels to 25% by 2010 and 19.5% by 2015.

2.13 RGC will ensure that the macro-economic climate remains healthy to support poverty reduction. It is only the totality of its pro-poor policies and efforts in all sectors that can have positive impact on the poverty situation. In particular, targeted attention towards underserved people and areas, as well as special grass root level promotional and support schemes are expected to bear fruit. But the quickest results can be obtained only by direct poverty reduction intervention through innovative schemes (see Box 2.2).

¹ CSES 2007 covered only 3,600 households against 12,000 households covered by CSES 2004

Cambodia: Poverty Map, 2004



Box 2.2 Poverty Alleviation: Need of the Hour

1. The global factors sketched in Box 2.1 have serious negative implications for global poverty levels which will affect Cambodia as well. Poor do not have the elasticity of income to withstand inflationary pressures and their access to food and nutrition could be further affected. There is a risk that many just above the poverty line now may slide below it. RGC will use a mix of fiscal and other measures to ensure that this does not happen.
2. Poverty reduction in Cambodia has so far occurred through trickle-down and spread effects of a strongly growing economy largely centred on urban activities. While macro-economic growth is vital for uplifting the poor, more immediate and direct action is also necessary as urged in the NSDP.
3. The approach to poverty is still top-down without much attention to grass roots level action. Many studies have already been conducted, some repeated without any useful added information or knowledge. Specialists produce attractive reports, discussed among the elite to consider "policy options". But most of these do not provide any immediate benefits to the poor. And, areas where poverty prevails are well known (see map above).
4. It is now time to begin widespread grass root level practical action and to drastically reduce or highly selectively prioritise attention to extended, exhaustive and expensive 'policy' oriented studies, limiting them to those that can lead to concrete action. There is need to move away from time worn 'comfort zones' of studies and technical assistance masking everything under a convenient, all embracing, poverty 'label'. Bold innovative programmes of direct action to uplift the poor are needed, which would also help accelerate the much needed 'transfer of net resources'.
5. In the NSDP one effort was suggested – providing a jump start package of better quality seeds and inputs as a one off grant to the poor. Many in senior leadership positions and senior officials in Cambodia have long been engaged in personal and private efforts to uplift people in rural areas. Such private efforts need to continue and further multiply and expand to many more remote areas with high incidence of poverty.
6. In addition, EDPs could also, for instance, set apart funds for this purpose in all "poverty related" projects they undertake or support. Such amounts could go to a Poverty Alleviation Fund to provide to the poor in the most affected areas both subsidies and development assistance – inputs, etc., for productive purposes. Private sector could also be encouraged to contribute "tax-free" to this Fund, which could be modelled after or be even part of the already established multi-donor budget support programme of the MEF.
7. The message is "start doing something now". Dramatic, quick and highly satisfying results await which no studies could ever expect to produce!

2.14 **The Rectangular Strategy (RS)** for growth, employment, equity and efficiency is a holistic and integrated document proclaimed by RGC during the early part of its third mandate in 2004. RGC for the fourth term, 2008-2013, has reaffirmed RS's continued relevance and has declared that it would pursue, Rectangular Strategy, Phase II (RS-II) as its "**socio-economic policy agenda**". RS-II (para 12) states that "*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". RS-II (para 110) declares that the Royal Government is strongly committed to achieve its prioritized goals 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% percentage point per annum, and improvement of main social indicators, especially in education, health and gender equity.

Increased outreach, effectiveness, quality and credibility of public services.

2.15 Furthermore, RS II (para 40) states that "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) Labour-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**".

2.16 RGC's Socio-Economic Policy Agenda articulated in RS and RS-II is to be implemented through the NSDP which articulates and prioritizes macro-level plans, strategies, programmes, targets, and goals and makes realistic overall financial outlays to achieve them. Sectoral Development Strategies as well as other policy documents, plans and investment programs further expand these priorities and goals and provide details of sub-targets to be pursued through action plans and the three-year rolling Public Investment Programmes. EDP resources and the national budget are to be used in a synergistic manner to carry out all activities pursuant to the aforesaid programmes and plans. The hierarchical roles, inter-relationships and linkages among these stratified documents are thus clear. RGC therefore recognises the need, and has decided to take action, to further synchronise their time frames to coincide with that of RS-II in order that goals and targets have common time-horizons, and duplicated and overlapping monitoring and reporting could be avoided¹.

2.17 NSDP proposals and programmes were presented following the RS framework with Public Governance at its core. Accordingly, the progress of NSDP during the last over two and half years along with prospects and proposals for the future are presented below using the RS-II framework

CORE OF RECTANGULAR STRATEGY: GOOD GOVERNANCE

2.18 Good public governance, at the core of RS, 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

¹ Para 15 of RS-II

eroded by disruptive elements. The most noteworthy developments in the last over two and half years have been:

A major constitutional amendment paving the way for legislations to be passed through a simple majority in the National Assembly in place of the previous need for a 2/3 vote which had resulted in delays and difficulties in forming new governments after elections and in generally delaying the legislative process.

The second commune level elections held in April 2007 for all the 1621 communes in which 68% of the electorate voted in a peaceful, free and fair atmosphere.

The fourth General Elections were held in July 2008 for the fourth term of the national assembly, 2008-2013. With 75.2% of the electorate participating without any impediments, the elections were widely acclaimed to have been held in an open and free atmosphere enabling all to participate before and at the elections in a free and fair manner.

As already stated, RGC for the fourth legislature term, 2008-2013 has been formed and has announced that Rectangular Strategy, Phase II (RS-II) constitutes the “socio-economic policy agenda” of its “political platform”.

2.19 Four major reform areas in public governance constitute and 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 deconcentration)*; and (iv) *reform of the armed forces*. Major developments that have taken place in the last two and half years are:

2.20 **Fighting Corruption:** A comprehensive Anti-Corruption Law, after various stages of intense scrutiny, is going through the final stages of approval within the government. It will be made to conform to the overarching Penal Code to be passed by the legislature before being enacted. Meanwhile, the already existing legal framework and institutional mechanisms are being invoked to reduce and prevent corruption. In this regard, the structure of Anti-Corruption Unit has been re-organised through a Sub-Decree on Anti-corruption issued in 2006. An Office for Receipt of Complaint functions at the Council of Ministers with the aim of enhancing public participation in the supply and receipt of corruption-related information. In addition, disciplinary actions have been taken on civil servants, and customs, police and judicial officers 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. Already, the ever increasing private sector investments, macro-economic growth, and galloping increases in government revenues, resulting from enhanced transparency and predictability in government work, and streamlining of procedures and processes within the government, bear ample testimony to increasing confidence and comfort of the private sector about the country, a sure sign that corruption levels are decreasing¹. It is however important to note that eradicating corrupt policies is a long-term and challenging endeavour that requires adequate means including appropriate institutional framework, and enhanced human and financial resources.

2.21 **Legal and Judicial Reform:** The Plan of Action (April 2005) for implementing the Legal and Judicial Reform Strategy (June 2003) has been implemented based on the Objectives and Activities from the Seven Strategies articulated in the NSDP. Some fundamental laws and codes have been already adopted and promulgated, viz., the Civil Procedure Code (2006), the Code of Criminal Procedure (2007) and the Civil Code (2007). Other important laws adopted were: Counter-Terrorism law (2007) and the Law on Suppression on Human Trafficking and Sexual Exploitation (2008). Other laws and

¹ See also para 2.68

regulations on different legal and judicial procedures have been drafted. Based on experience gained in the model of pilot court in Kandal Province, the scheme is being extended to three more provinces (Phnom Penh, Banteay Meanchey and Kompong Cham). A study on alternative dispute resolution mechanism at local level has been conducted. Capacity development for judges and strengthening law enforcement at the court have been carried out. Strict and timely disciplinary action is being taken on delinquents in the system. The Code of Ethics for judges and prosecutors has been adopted (2007) and the Code of Ethics for other law enforcement officials is being drafted. The challenge still remains to speed up the judicial reform process, in particular, enactment of the remaining eight fundamental laws, including the Penal Code, capacity building for the legal and judicial professionals, and increasing the public awareness of and access to the justice system.

2.22 Public Administration Reform: The Council for Administrative Reform (CAR) together with other ministries has developed and implemented a medium-term strategy and action plan to enhance remuneration and a redeployment policy in priority sectors (education, health and agriculture). The low average monthly remuneration of civil servants has increased by 114% from US\$ 30 in 2004 to US\$ 64.2 in 2008, and it is intended to maintain an increase of 20% per year for the present. In addition, the incentives to enhance civil servants performance and accountability have been introduced through Priority Mission Group (PMG) and Merit-Based Pay Initiative (MBPI) schemes. The allowance system continues to complement base salary to improve support to priority operational requirements. The overall size of the Civil Service has increased slightly since 2002 (from 165,000 in 2002 to 179,192 in 2008 excluding non-permanent staff). With only 31% of women in the civil service, increasing their representation continues to be an issue. However, as a measure to enhance the status of women, the financial support policy on social insurance to civil servants was amended to include death and maternal leave. Among other aspects are:

Civil service reform, including increase in overall salary levels, takes on an urgency because of the continued large numbers of expatriates substituting for Cambodians in many areas. Capacity development has to accelerate through selected incentives and targeted training.

An Access to Information Framework has been adopted to facilitate easier public access to government records and data.

2.23 Decentralisation and Deconcentration (D&D): The Strategic Framework for D&D is being followed. The Organic Law on the Administrative Management of Capital, Provinces, Municipalities, Districts and Khans, drafted in close consultation with an advisory group comprised of the public, civil society, and EDPs, was approved in 2008 and is now beginning to be implemented. It addresses issues of provincial, municipal, district, khan and commune management. A ten year implementation programme for D&D, called the National Programme for Sub-National Democratic Development, is under formulation for implementation commencing in 2010. Other developments include:

All the work of D&D is now under the overall direction and coordinating role of the Ministry of Interior (MOI). The National Committee for the Management of Decentralisation and Deconcentration (NCDD), was established in 2006¹ and has developed a reform programme with institutional structures at national and sub-national levels, and has been smoothly implementing planned activities.

To improve the function of commune and sangkat councils other regulations have been passed such as the guidelines on the procedures for village head selection and the guidelines on the provision of voter information sheet.

¹ RGC's Seila programme was completed in 2006 and merged into NCDD in January 2007

The RGC has increased budget allocations to commune-sangkat fund (CSF) from 1.5% in 2002 to 2.7% in 2008 and has mobilised external resources to implement D&D reform-related projects and programmes at different levels (Province, District, Commune and Sangkat).

2.24 **Reform of the Armed Forces:** Based on the “Defence White Paper”, the reform and 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.

ENVIRONMENT FOR IMPLEMENTATION OF THE RECTANGULAR STRATEGY

2.25 There are four main aspects addressing this issue, viz., (i) *peace, political stability and social order*; (ii) *integration of Cambodia into the region and the world*; (iii) *partnership in development*; and (iv) *favourable macro-economic and financial environment*. As a cross-cutting and overarching issue for the intangible but critically important 'social capital formation and enhancement' Religion and Culture belong to this group and are discussed here.

2.26 **Peace, political stability and social order** are the very bed-rock on which any development or progress could be attempted, take place and sustained over time. RGC'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. The constitutional amendment mentioned in para 2.07 has further strengthened the democratic process. Four general elections to elect members of the National Assembly, two for members of the commune and one for members of the senate have been held. A dynamic stability prevails where freedom of expression and free speech continue to increase. RGC will make every endeavour to ensure that these hard earned gains continue to enhance and get fully integrated into the Cambodian society and psyche.

2.27 **Integration of Cambodia into the region and the world:** Cambodia's active participation and cooperation in international, regional and sub-regional bodies is progressing well and enhancing satisfactorily, contributing to socio-economic progress of the country. At the regional level these include ASEAN and many other sub-regional bodies in which Cambodia plays an important role towards establishing ASEAN 2015. Cambodia's membership in WTO has opened up many possibilities for Cambodia to avail of its competitive advantages. The major aim of all these activities is to consolidate and enhance mutually supportive cooperation arising from integration for achieving RGC's priority goals and strategies to reduce poverty and overall growth in prosperity. RGC will actively pursue its association with the region and the world.

2.28 **Partnership in Development:** 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 growth¹. 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.

2.29 *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 assistance².

2.30 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 2006³, 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

¹ Also covered at paras 2.67 & 2.68

² Arrived at the third high level forum in September 2008 (the first two were in Paris and Rome)

³ Report released by UN SG on 4 September 2008

highest levels in RGC¹; as such, much needed EDP resources continue to be spent in traditional and pre-conceived ways, resulting in studies and duplicating technical assistance², and not adding to much needed 'net transfer of resources' for Cambodia's priorities.

Box 2.3
Alignment, Use and Accountability of EDP resources

1. NSDP 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.
2. NSDP 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.
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 people of Cambodia to account for all external assistance provided to the country and to monitor "total resources" being spent pursuant to NSDP priorities.
4. NSDP 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.
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.
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.

2.31 Favourable Macro-Economic and Financial Environment: It is widely known and acknowledged that apart from deepening political and social stability, internal peace and security, and facilitated by those factors, most impressive achievements have taken place in the sound and progressive management of the economy in the county. These have not happened by sheer chance or natural evolution but through careful thought, preparation and pro-active, purposive and concerted and unrelenting vigil and efforts on RGC's part assisted by EDPs in several respects.

2.32 The macro-economic data assumed for 2005 as the base year for NSDP, 2006-2010 underwent dramatic upward changes due to more precise assessments made after finalisation of the NSDP. Among the most notable factors are:

GDP growth registered a phenomenal 13.3% in 2005 almost doubling the earlier estimate of 7% assumed in framing the NSDP, in spite of volatility imposed by external factors like continuing high oil prices, and in part due to surge in agricultural growth. Since then, GDP has continued to grow at a very healthy double digit level, but is expected to decline in 2008 to 7% because of inflationary pressures.

Very high growth in agriculture (crops) of 27.60%³ in 2005 against 8.0% assumed in NSDP, facilitated both by returns from investments in irrigation and very favourable weather conditions. The growth rate has dropped since but is still satisfactory.

¹ Prime Minister Samdech Hun Sen's foreword to NSDP and APR and several speeches at international and domestic forums

² 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".

³ National Account of Cambodia 1993-2007, Bulletin No. 12, NIS/MOP

The base figures for 2005 assumed in NSDP have thus increased. Accordingly, the targets for the NSDP period have also increased, even though they are based on the revised higher base figures.

All macro-economic figures have accordingly undergone a revision and are reflected more fully in table 2.1 and at annexes I:1 and I:2.

Per Capita GDP rose from 1.86 million riel in 2005 to 2.42 million Riels in 2007 and is expected to rise to 3.50 million Riels in 2010 (against the NSDP estimate of 2.24 million riels). It is noteworthy that per capita GDP jumped from US\$ 394 in 2004 to US\$ 594 in 2007.

Budget revenues have been growing at the rate of 26% per annum in recent years. Even with increased current budget expenditure, current budget surpluses have been growing (e.g., three times of the 2006 level in 2007).

The garment industry continues to lead in terms of overall contribution in the industrial and services sectors followed by tourism and construction.

The exchange rate has remained stable at about 4,000 Riels to one US\$.

Gross foreign reserves jumped from US\$ 915 m in 2005 to more than US\$ 2 billion in 2008.

Foreign investments (FDI) multiplied seven times from US\$ 121 million in 2004 to US\$ 868 million in 2007.

RGC's contribution to facilitate FDI by way of exemptions on import duty on capital goods, etc., has averaged over 5% of GDP every year.

Table 2.1: Key Macroeconomic Data¹
(In percent of GDP unless otherwise indicated)

	Particulars	2005	2006	2007	2008 e	2009 f	2010 f
1	Annual GDP (constant prices) – bn. riels	22,009	24,380	26,868	28,736	30,607	32,759
2	Agriculture %	29.4	28.0	26.7	26.1	25.5	24.8
3	Industry %	26.8	28.6	28.1	28.3	28.5	28.9
4	Services %	38.5	38.3	38.3	38.7	39.1	39.6
5	GDP per capita -- '000 Riels	1,862	2,108	2,416	2,892	3,217	3,505
6	GDP Per Capita -- US\$	455	514	594	716	778	842
7	Real GDP (% change)	13.3	10.8	10.2	7.0	7.2	7.0
8	CPI Inflation (%) -- Year-average	5.8	4.7	5.9	20.0	10.0	4.0
9	Budget Revenue as % of GDP	10.6	11.4	12.1	12.5	12.8	13.1
10	-- of which Tax revenue	7.7	8.0	10.2	10.4	10.7	11.0
11	Budget Expenditure as % of GDP	13.2	14.1	14.8	14.6	14.3	14.0
12	-- of which Current	7.6	7.9	8.2	8.2	8.2	8.5
13	Budget Current Surplus -- billion riels	471.0	355.8	1,116.4	1,515.8	1,742.0	1,951.0
14	Contribution to FDI (exemptions)	5.2	5.6	5.5	5.2	5.5	5.5
15	Riel/US\$ average rate	4,117	4,058	4,000	4,130	4,143	4,163
16	Gross Foreign Reserves (US\$ m)	915	1,097	1,616	2,134	2,260	2,521
17	Foreign Direct Investment (US\$ m)	381	483	868	944	718	825

Sources: NIS & MEF; e: estimates; f: forecasts; See Annexes 1:1 for more details

2.33 *Inflation* was well contained till the last quarter of 2007 despite spiralling increases in international oil prices. But global inflationary pressures (Box 2.1) are having an effect on Cambodia, especially in terms high increases in prices of oil for transport and energy, imported essential products like cooking oil and construction materials like cement and steel. In addition, the fast expanding finance sector and speculation in the property market have contributed to domestic pressures. The rate of inflation escalated to over 20% in the first three quarters of 2008 and will largely be influenced by external factors in the future though mitigating efforts are being made through appropriate policies². Other measures being pursued are:

¹ Also see annexes I:1 and I:3

² It is recognised that some of the policies could themselves be expansionary and add to inflation.

In order to reduce the impact of high oil prices on the consumers and the economy in general, tax relief for fuel is being provided and would amount to US\$ 350 million in 2008.

Separate subsidy on price of oil consumed for electricity was about US\$ 12 million in the first half of 2008.

The import duty on essential agricultural materials has been reduced.

Both to cushion the industry against competition and to assist the workers to meet inflationary costs, RGC not only provided tax exemptions to garment factories but also, from April 2008, started providing salary supplements of US\$ 6 per person per month to about 360,000 workers (mostly women). The total cost during 2008 will be about US\$ 20 million.

The portion of their deposits that commercial banks have to hold with the National Bank as reserve requirement has been doubled from 8% to 16% in order to curtail money supply in the economy. In addition, limits have been placed on commercial banks exposure to real estate lending, and a three-fold increase has been made mandatory for capital bases of such banks.

2.34 Public Finance Management: Firm political and management leadership combined with progressive, prudent and strict budgetary policies both on the revenue and expenditure sides increased government revenues to 12.1% of GDP in 2007 from 10.6% in 2005 and expenditure to 14.8% from 13.2% 2005. The Public Finance Management Reform Programme (PFMRP) implemented since February 2005 is a comprehensive programme to cover both the revenue and expenditure sides of public finance, addressing fundamental problems in the system concerning increased accountability and enhanced performance. A steady progress been made in management of state assets including tangible and intangible properties, as well as state enterprises and joint ventures in a transparent and efficient manner both to safeguard the interests of the state and to enhance steady flow of revenues. Measures were put in place to have strict rules and regulations in order to follow clear, transparent, and equitable public bidding procedures in disposal or lease of state property or rights, indeed in award of all state contracts. A Medium-Term Expenditure Framework (METF) is being put in place in a gradual manner to ensure that targeted and appropriate budget allocations are made to all sectors.

2.35 The long-term goal continues to be to achieve stable, steady, more diverse and pro-poor economic growth. The already achieved macroeconomic stability has played a major role in providing the foundation for the very strong growth in recent years and consequently for poverty reduction and will be sustained and strengthened in the future. Cambodia has gained confidence and experience by successfully managing the economic scenario even during externally imposed economic factors such as the East Asia crisis in 1997, the massive structural and external changes that have taken place since then, and increasing international oil prices beginning in 2004, escalating since mid 2007. RGC expects that it would be able to deliver on the macro-economic projections outlined above and that benefits could be widespread to alleviate poverty. Among major goals and measures to be pursued are:

Maintain GDP growth at 7% or above per annum, leading to per capita income registering about USD 870 in 2013.

Achieve further progress in implementing the Public Financial Management Reform Program (PFM) which seeks to install and ensure much higher standards of management and accountability in the mobilization of all government current and capital resources and effectiveness and efficiency in the use of resources in their application to the operation of the Government's NSDP and other priority programs. The medium-term expenditure framework (METF) will help in multi-year programming.

Programme budgets have been introduced for 7 Priority Action Programme (PAP) ministries (MOEYS, MOH, MWA, MAFF, MRD, MLMUPC, and MOJ) which will have impact on the poverty situation. The allocations to and timely use of funds in these ministries will be closely monitored to ensure achievement of expected results against indicators to improve result-orientation.

Ensure progressive increases in allocations and ensuring timely disbursements to priority pro-poor sectors, in particular to Agriculture and Rural Development.

Box 2.4
Challenges in Public Finance Management

1. Continuing deterioration in the global situation mentioned in box 2.1 pose the biggest challenges and risks to economic stability and growth in the immediate future. Already high level attention is being devoted to keep a constant vigil and take corrective action where possible but adverse impact on Cambodia could not be altogether avoided. Inflation has already spiked to over 20% during the first three quarters of 2008. GDP growth is expected to decline from double digit levels of the past few years but will still remain fairly high at 7% in 2008 and in the foreseeable future.

2. For reasons already mentioned in box 2.1 diversification of the economic base, both sectorally and geographically, needs to accelerate urgently. The greatest potential for growth and diversification lies in expanding agriculture not so much in area covered but in productivity. Targeted rural development efforts will facilitate this along with many other related initiatives – more of this under “agriculture” later in the chapter.

3. Budget revenues have been growing at a healthy rate and will continue to be positive. However, it will be increasingly difficult to maintain in the immediate future, the presently healthy current budget surpluses for investment. This is due to slow down in the rate of economic growth as well as the tax relief already being provided for oil and other essential commodities, likely targeted tax incentives to promote diversification, and the necessary spending on direct subsidies to cushion the harsh impact of inflation on the vulnerable. However, RGC is determined to maintain macro-economic stability and sufficient surpluses in the current budget, and will pursue a judicious mix of measures, including austerity in expenditure, selective taxes, etc.

4. Increasing inequality, an unavoidable corollary to growth, is evident – increasing disparities in growth of income and consumption levels, as well as economic opportunities between urban (where most growth is now concentrated) and rural areas, more pronounced in remote areas; and, between high and low income groups. These could be addressed by more and focused attention to rural areas and agricultural production and by ensuring that adequate safety nets exist to arrest a slide back of low income groups into poverty.

5. RGC attaches very high priority to maximum and sustainable mobilisation of revenues from all natural resources, especially oil and gas, to benefit all Cambodians. A big challenge ahead is to carefully plan for and set in place mechanisms for the judicious, proper and full recovery and use of such revenues from extraction of oil and gas resources, anticipated from 2011. (*MEF has done considerable advance work by studying all available options in this regard*). There is an urgent need to set up a regulatory body to ensure proper standards to be maintained in exploiting these resources. Also, a string of high priority projects need to be kept in the pipeline to utilise the resources, including, to name a few: infrastructure, particularly rural roads to connect remote areas; rural drinking water supply and sanitation; hydro electricity generation and transmission including rural electrification; civil service reforms to provide better compensation, or better than liveable wage, especially for those serving in interior areas like teachers, nurses, extension workers and others.

2.36 Finance Sector: The financial and banking system has been steadily improved through new regulatory framework and strengthened enforcement of laws and regulations and through setting up of bank-operation facilities such as credit-sharing information. The key objectives of monetary policy are to maintain price stability and bolster the development of the banking system, both achieved to a remarkable degree. Well coordinated efforts involving the concerned institutions (the NBC, MEF & MOJ) will continue to improve and consolidate gains in the Financial Sector which plays a crucial role in macro-economic stability and is vital for the pace and direction of economic growth and to enhance mobilisation of idle financial resources for productive investment. The Financial Sector Development Strategy, 2006-2015 envisages the development of a sound, market-based financial system in next five years. Among major features are:

The Finance sector has grown along healthy lines and has deepened and expanded as it is maturing under pro-active measures adopted by the National Bank. Private sector deposits grew from 14.6% of GDP in 2005 to 26.6% of GDP in 2007. Loans from commercial banks grew three fold from US\$ 598 million in 2005 to US\$ 1,595 million in 2007. The commercial banking sub-sector now consists of 17 fully licensed and 6 licensed specialised banks.

Financial sector reform will also focus on strengthening prudential supervision and the legal framework for financial sector regulation. The key legislative measures include the enactment of the Negotiable Instruments and Payment Transactions Law, and the Secured Transaction Law.

Pro-active action will be pursued in regard to the Insurance Sector, creation of a Capital market and the establishment of a special financial centre to mobilise broader financial resources.

The year 2006 was observed as the Year of Micro Finance and conferences and workshops on micro finance were organised with the aim of promoting better understanding and improving the efficiency of micro-finance institutions and enhancing the public knowledge of this sector.

The micro-finance sub-sector has experienced vigorous development with competition and commercial innovation. It is expanding rapidly both in terms of the number of customers and credit volumes, in which some institutions are expanding their credits by 200% per annum starting from a low base. The sub-sector now consists of 17 registered institutions. However, an enormous portion of the poor and remote rural areas are without effective access to financial services. The need to expand this framework to other types of financial institutions such as financial service cooperatives, credit unions, and village savings banks is being explored.

2.37 RGC is well aware that, based on experiences the world over and on its own past experience, high economic growth would continue to be driven by market impulses, opportunities, compulsions and constraints. Growth induces changes in known and tested economic situations and brings continuing structural adjustments in the population and the economy. Skills tend to be created to meet emerging market demands sometimes skewing the higher and vocational education system which ideally should cater to creating a wide variety of skills to serve the nation in the long term. But, for now, the garment industry, construction and tourism constitute the main growth areas but are vulnerable to global factors. Although these bases for growth are very welcome in the sense of creating employment for a large number of people, such dependence on only a few sectors come with implications in regard to long-term economic sustainability. Policies need to focus on the following important issues among others:

Fast growth also accelerates rural-urban migration in search of employment and ancillary occupations, decreasing the available labour for important seasonal agricultural activities in rural areas, although the very poor could benefit due to shortage of labour in rural areas at these times.

Younger people tend to migrate leaving rural and remote areas with ageing populations with reduced productivity.

While, as already witnessed between 1993 and 2004, growth has a significant impact on reducing poverty levels in the country as a whole, such levels continue to remain high in remote areas. This would continue and accentuate if growth is not managed properly.

2.38 Conscious of these and other attendant factors of changes which are necessary corollaries of economic growth, RGC will continue to keep a constant vigil as the situation evolves and will use pro-active policy instruments and incentives to diversify growth sectorally and geographically and will provide safety nets to ensure that already marginalised people are not further marginalized and rendered more vulnerable. The strategies envisaged for various sectors are mentioned in the following paragraphs.

2.39 **Religion and Culture:** Religious and cultural issues are the bedrock for building, strengthening, and maintaining the very vital "*social capital*" that no amount of economic development can alone create or sustain. RGC continues to accord high priority to protecting and enhancing the country's rich and unique cultural heritage in order to maintain, strengthen and develop the social fabric, and also to attract "cultural tourists" to observe and admire Cambodia's past and present culture.

RECTANGLE 1: ENHANCEMENT OF AGRICULTURE SECTOR

2.40 The four sides of this rectangle are: (i) *improving productivity and diversifying the agricultural sector (including animal husbandry, food security and nutrition, and rural development)*; (ii) *land reform and mines clearance*; (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; issue 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.

2.41 **Improving productivity in and diversifying the agricultural sector:** Production of rice, the major crop sustaining most of the rural people in Cambodia, after reaching a peak in 2005-06 season, has been steadily increasing thereafter, though at a lesser rate (about 6% per year). The increase in crops was 27.6% in 2005 followed by 5.3% in 2006, and 8.2% in 2007 (see Annex I:1). The good harvests have been due to: absence of any major natural disasters like droughts, floods and pests; increased use of better inputs; increased area under irrigation; and, improving on-farm management. There is increasing use of low cost and high yield approaches like SRI (system of rice intensification), organic farming methods, and IPM (integrated pest management). Diversification into cash crops is increasing and marketing of agricultural products is improving, thanks in part to more favourable pricing conditions.

Table 2.2: Progress and Targets for the Agriculture Sector

	Particulars	2005	2006	2007	2008 Est	2010 Targets
1	Rice Production (million tons)	5.98	6.26	6.72	6.98	7.25
2	Rice Yield per hectare, tons	2.48	2.49	2.62	2.60	2.80
3	Fish catch (Inland, Marine, Aquaculture) - MT	410,000	516,000	482,000	500,000	450,000
4	Irrigated area including supplemental irrigation (000 ha)	632	721	773	827	867
5	Land Reforms -- no. of titles issued to farmers -- % of total land	15	17	18.2	20.0	24
6	Forest area (% of total land area)	59	59			60
7	Fuel wood dependency (firewood, charcoal): households%	83.9	83.9			61

Source: MAFF & MOWRM

2.42 Increase in productivity of rice per hectare has not been very significant, hovering a little above the level of 2005, viz., 2.48 MT/ha, and is well below the figures for many neighbouring countries. There is immense potential to increase productivity which will need more proactive efforts. Farmers, most of them poor, still lead subsistence lives. Increase in productivity through improved cultivation¹ would directly benefit poor farmers and go a long way towards poverty reduction and more balanced food consumption ushered by increased incomes, in turn ensuring enhanced nutrition.

¹ NSDP suggested in the foot note to para 4.04 a scheme for a one-off grant of improved seeds and fertilisers to poor farmers. Prior to the high level Rome meeting on 1 June 2008, the World Bank President is reported to have said: "it is crucial we focus on specific action", that the World Bank would create a Trust Fund for providing seeds and fertilisers to small-scale farmers. "This is not an issue ... where you need some research breakthrough. People know what to do", he said. Similar views have been expressed by the UN Secretary-General.

Box 2.5 Important Needs in Agriculture

1. Cambodia's off- and on-farm activities must expand for increase in incomes of rural people constituting 80.5% of the population, predominantly engaged in agriculture, and for poverty alleviation.
2. The country is well endowed with plenty of water and fairly fertile land resources suitable for a variety of long-term and annual crops. Major crops grown now however are limited to seasonal cereals, mainly rice, which accounts for use of 90% of farm land. The additional potential for growing other crops is still to be fully harnessed. For instance, over 70% of vegetables, fruits and even flowers for the burgeoning tourism industry and for local consumption are imported when they could be easily grown in the country to provide employment and income.
3. Although the country is self-sufficient in rice production, there are some imbalances among provinces and districts (5 out of 24 provinces do not produce enough rice for local consumption). A considerable quantity, especially high quality rice, is exported every year and some of standard quality is imported particularly in areas bordering neighbouring countries.
4. Major increases in rice production in the last decade have arisen from area expansion along with gradual increases in yield. At about 2.6 t/ha, rice yields per hectare in Cambodia, although at all time high for the country, are still below figures for neighbouring countries which use more chemical fertilisers and better cultivation practices. Also, the average yield of 2.6 t/ha masks the fact that a large number of farmers, about 50% holding less than 1 ha, produce much less per ha; only 20% of them produce more rice than they eat. *The urgent need to increase productivity in rice is self-evident and compelling. A pro-poor focus is of utmost urgency.*
5. The major of the two rice crops is grown in the rainy or wet season. Even a small increase in yield per ha in the wet season crop therefore holds immediate and immense potential for raising incomes and poverty reduction. Use of high yielding variety seeds alone could make this possible with all other factors remaining equal (like vagaries of nature, methods of plantation and so on).
6. Even as programmes like SRI, and integrated agriculture (including other farm activities like animal husbandry and aquaculture) need to be propagated and expanded, a priority should therefore be to distribute, as a free issue if need be, as much HYV seeds as possible throughout. Distribution of seeds to poor farmers could be done using agencies like NGOs with outreach in rural areas. EDPs could pay special attention and devote some resources to such grass-root level help. (see footnote of para 2.42).
7. Agricultural extension services need to expand as a priority to poorer provinces and communes. A low cost "extension" scheme could be launched to place a "Community Development Volunteer" in each agricultural commune. (S)he could be provided minimum pre-crop season training and asked to conduct field demonstrations to grow crops through better practices and to educate farmers in these methods.
8. Use of irrigation is still low at about 30% of area under rice (2,585,000 ha in 2007). Wet season rice needs only minimal supplemental irrigation during occasional prolonged drought in the growing season. Low cost, community based lift irrigation (along with effective rain harvesting) for this purpose and for enabling raising of two crops, needs priority attention.
9. Micro-finance is expanding but still touches only a small fraction of the rural people, that too traders. Better and cheaper, innovative credit facilities for the farmers need to be in place and expand soon.
10. To increase the bargaining and sustaining power of farmers, including for better prices for inputs and produce, vis-à-vis money lenders and traders, various ways of organising them like farmers' organisations or cooperatives need to be explored and implemented along with investments in common assets like processing and storage facilities.
11. Production of cash crops – maize, soy beans, cassava – is expanding mainly for export under "contract farming" where the trader assists in production – inputs and extension – and buys the produce at a pre-determined price. More needs to be done to increase production of such crops through multiple cropping in off-rice seasons or otherwise. Concerted efforts are necessary to grow flowers, fruits and vegetables within the country near the tourist destinations to take advantage of this lucrative market.
12. Rubber, Cambodia's traditional export, has revived. Large areas leased away under the economic land concession scheme need to quickly start planting long-duration commercial crops which have high demand and command high prices. More processing units should be established within the country for all agricultural produce. To add to employment and supplemental income, traders should be encouraged to set up processing units as close to the producing areas as possible within the country.
13. *These jump-start measures could provide immediate returns and alleviate poverty dramatically.*

2.43 The immediate challenges in the sector are: 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; 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.

2.44 Animal husbandry mainly consists of cattle, pigs and poultry, with its contribution to the economy somewhat stagnating at the same level (about 4.0%). This sub-sector needs to grow both for local consumption to improve nutrition and to serve the fast growing tourism industry. Introduction and propagation of high yielding species and expanded veterinary services will receive particular attention.

2.45 Food Security and Nutrition: Proper nutritional status of all Cambodians, particularly the vulnerable is an important element recognised in the NSDP as a cross-cutting issue which depends on the synergy of growth and output from many sectoral activities as outlined in the Strategic Framework for Food Security and Nutrition. NSDP envisages that targeted efforts in various sectors will ensure that “poor and food-insecure Cambodians, by 2010, have substantially improved physical and economic access to sufficient, safe and nutritious food at all times to meet their dietary needs and food preferences to an active and healthy life”. Overall food security outcome (improved nutritional status) has been improving steadily during the last two and half years, thanks to the fast growing economy; agricultural growth; food availability and affordable accessibility; a healthy food intake through health and nutrition education; micronutrient supplementation and fortification programmes (iron, vitamin A); and, continued enforcement of universal iodisation and food safety standards. The progress so far made would be sustained in the future although the high increases in food prices threaten food security and nutrition for the very poor and vulnerable (see box 2.1), which needs to be monitored closely. Of particular importance is to track periodic progress or changes in 'stunting' and 'underweight' among children (as sub-indicators).

2.46 Rural Development¹, as a vital ingredient for enhancement of agriculture and poverty reduction, is cross-sectoral. Since 2006, it is a priority sector among other 6 priority sectors of the RGC under PFMRP for budget allocations and timely disbursements. Capacity development, establishment of Village Development Committees (VDCs), provision and enhancement of rural infrastructure (rural roads, small bridges, canals, schools, health centres, access to improved sources of drinking water, sanitation), enhancement of health and hygiene in rural areas, and development of the rural economy, which are the main activities in this sector, have undergone remarkable progress, and will continue to remain as the priorities and challenges ahead.

2.47 Rural infrastructure (construction, improvement and maintenance) is vital for any progress in rural areas, to take extension services and inputs to the interior and to facilitate market access to outputs from the interior. In 2006 and 2007, capacity development efforts extended to 23,404 people; 266 VCDs were established; new roads for a length of 1030 km were constructed; 1,604 km of rural roads were repaired; 3,761 km of rural roads were regularly maintained; and, 96 small bridges and 726 culverts were built. In addition, 54 new school buildings were built; 3 old school buildings were repaired; and 3 community markets were established (2 in Kampong Thom and 1 in Phnom Penh).

2.48 Health and sanitation in rural areas: In 2006 and 2007, 3,022 of all types of water supply wells were constructed and 1,332 of all types of wells were repaired. For this purpose, rural communities in water scarce areas were also provided with 62 ponds.

Table 2.3: Progress in Rural Development

	Particulars	2005	2006	2007	2010 Target
1	Rehabilitation of rural roads – out of total 28,000 kms	22,700	22,964	23,729	25,000
2	Access to improved drinking water -- % of rural population	41.6	42.6	45.5	45
3	Access to Sanitation -- % of rural population	16.4	16.5	16.7	25

Source: MRD

¹ All figures for rural development activities presented in this section show only those provided by MRD.

2.49 Development of rural economy: Low-interest-rate micro-credits of 13.020 million riels were given to rural people. In addition, rice and animal banks were operational to help poor people. Small scale irrigation systems were also constructed to supply water for agriculture. New dams of 22.74 km length and new canals of 41.31 km length were constructed; dams for a length of 5.29 km and canals for a length of 136.27 km were repaired; and 4 water gates were built.

2.50 The immediate challenges in rural development in the context of poverty alleviation are:

Continue to support commune/sangkat councils in order to implement rural infrastructure projects such as rehabilitating and constructing rural roads, small bridges, culverts, water wells, small irrigation schemes, schools, and sanitation facilities.

Promote “one village one product” in order to create jobs and basic skills.

Conduct studies on “model village” in rural communities to improve rural livelihoods.

Improve and increase sustainable access to safe water in particular in rural communities with scarce safe water.

Strengthen the functioning of VDCs in order to promote participation of local communities in rural development.

Promote the efficient use of rural credits through expanded micro-finance at lower interest rates.

Provide indigenous people with protection and vocational training.

Deal with resettlement problems in accordance to legal procedures and by peaceful means for those who are affected by road construction and provide them with appropriate resettlement costs.

Facilitate and guide formation of farmers’ organisations to enable them to get cheaper inputs and better prices for produce; and help create common processing and storage facilities.

Accelerate rehabilitation, improvement (e.g., laterite roads to paved ones) and construction of all rural roads, particularly roads to connect areas with increased agricultural production and those with high poverty incidence especially in remote locations.

Accelerate provision of sanitation.

Take up labour intensive programmes for such efforts to put more income in the pockets of the poor to enable them to survive any food crisis.

Facilitate small scale and processing industries by extending electricity to rural areas.

2.51 **Land reform and mines clearance:** RGC attaches high importance to land reforms for poverty reduction and sustainable socio-economic development. Accent 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. Major efforts in attaining this priority and in overcoming these challenges are:

The required policy and legal framework for effective implementation of the Land Law has been developed and approved, such as: Sub Decree on State Land Management; Guiding Circular 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; etc. Besides, 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, an Authority for Land Dispute Resolution has been established in order to promote the efforts in resolving land conflicts.

The land dispute resolution mechanism through the Cadastral Commission has resolved so far 1,400 land dispute cases involving more than 7,500 households, relating to a land area of 2,500 hectares.

Efforts are continuing to improve and implement land registration procedures for systematic titling and sporadic titling. According to CSES 2007, overall 37% of agricultural land owned or operated by households is now secured by land titles (against 23% in 2004); for the poorest these figures are 31% in 2007, up from 16% in 2004.

The number of land titles issued through registration for systematic and sporadic titling procedures were: In 2006: 280,207 and 11,754 respectively; and in 2007 the figures were: 251,387 and 8,335 respectively. Till now, a total of 1.379 million land titles have been issued, of which land titles to farm lands account for 18.2% of the total agricultural land parcels.

Joint holding of property between husband and wife has been promoted. As a result, of the total registered land titles 68% of land parcels were registered as joint property while 25%, 5% and 2% respectively were registered as belonging to wife, husband and state property.

Through the implementation of policy on in-place development, newly established villages, new settlements and the distribution of mine-cleared land areas including land areas re-taken from illegal occupancy, a total land area of 12,000 hectares has been distributed to 27,000 landless households as their legitimate property from 2002 to 2007.

Transparency and accountability in the provision of services in land and construction domain, including land valuation system, have been improved.

2.52 The immediate challenges ahead are to control and curb further illegal land occupancy and land concentration for unproductive purposes. Actions being considered include:

Review of already granted large economic concessions by strengthening the control mechanism for contract implementation; verify the size of authorised 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 all 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; in some cases cancellation of the concessions as may be found appropriate; the setting up of 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.

Accelerate the countrywide land systematic land registration system in particular in the economically potential areas through establishment of a special operation agency.

Pursue implementation of RGC's Guiding Circular on the Plan on Distribution of Social Land Concessions to 416 families in each province to reach 10,000 families by 2010.

Box 2.6
Issues in Land Management

1. 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, decentralised and fair manner).

2. 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.

3. Although cadastral surveys, the basis of land allotments globally, have not progressed to any significant extent, at the

end of 2007 about 2.46 million hectares were under small farmer cultivation; 943,069 hectares granted to 57 companies under signed agreements and a further 64,208 ha to 9 companies under unsigned agreements, as economic land concessions for commercial production of mainly non-paddy crops and plantations.

4. Some priority actions needed include:

Speedy grant of 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 Monduliri are being started to register lands held by such minorities.

Continue and accelerate issue of land titles under systematic and sporadic procedures.

Provide land to the poor landless where-ever possible.

Start the process of cadastral mapping of all land, a necessary pre-requisite for orderly maintenance of land records and land titling.

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 quickly use up this newly acquired "wealth" for consumption and are left without any source of livelihood.

2.53 Continued efforts in de-mining operations have contributed to improve social and economic conditions of poor farming households in remote areas and to promote rural development in the areas affected by mines and Explosive Remnants of War (ERW). 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. The number of victims (injured and killed) has decreased sharply from 875 cases in 2005 to 352 in 2007. The land areas rendered mine-free have been converted for social and economic purposes such as cropping areas, residential areas, and different social and economic infrastructures.

2.54 **Fisheries reform:** Constituting 75% of total animal protein diet of Cambodians, fish and fish products (fish paste) are important, even only, sources of such nutrition for the vast majority of rural population. About 4.5 million people earn a living out of fishing. This sector contributes about 7% of GDP and employs 10.5% full time and 34% part time of the total employed. The major inland fishing areas are in Mekong and Tonle Sap basins, the latter also forming a unique eco-system for fish breeding. Inland aquaculture is gradually increasing and could be an important aspect of integrated farming as rice yields increase and part of the farm land could be released. The inland fisheries face decline as development engendered expansion and disputes and pollution destroy catchment areas and breeding grounds. Coastal marine fish catches go mainly for exports, mostly sold in the high seas in an unprocessed form. Much value-added could be realised if some processing could be done, also providing employment.

2.55 The Fishing Law defines three levels of fishing, viz.,

Small-scale fishers using small, traditional, family-type gear, with rights to fish anywhere except in the two areas already mentioned.

Medium-scale fisheries where people holding licences can use smaller gear compared to the larger operators and subject to seasonal restrictions.

Large scale fishing allowing concessionaires exclusive rights for two years to commercial fishing in designated lots.

Since 2005, active efforts have continued in managing the sector using tools such as the Strategic Framework of fishery reform which can provide a platform for EDPs to align their support under a government owned three year rolling programme. Considerable achievements include the preparation and amendment of regulations to enforce the law on the establishment of fishery communities, aquaculture development, research, conservation, crackdown on illegal fishing, etc. Many areas are reserved for community fishing using low cost, traditional methods. So far, 510 fishery-related communities have been established – 448 covering natural water bodies and 62 fish refuge ponds for broad stock preservation. Of these, 470 are in fresh water areas and 40 in coastal areas, together involving around 400,000 people. Frictions and disputes arise between lot-holders and local community from time to time and are being addressed. RGC's priority continues to be to provide and ensure access to fisheries resources for the poor to sustain their nutrition and for poverty reduction.

2.56 **Forestry Reform:** Forest land in the country constitutes a healthy 59% of total land area. The Forest Law categorises forests as permanent forest reserves and private forests. The former is part of non-transferable State Public property consisting of: (i) production forests; (ii) protected forests (for bio-diversity, environmental protection and maintenance of water bodies); and (iii) conversion forests (idle areas mainly covered by secondary forest vegetation). Three management regimes govern this sector: (i) forest concessions; (ii) community forestry (CF); and (iii) conservation and reforestation. RGC's emphasis is on rationalising and strict monitoring of forest exploitation to safeguard and ensure sustainability, creating adequate forest reserves for domestic consumption and protecting the environment to mitigate effects of drought, floods and land erosion. A National Forestry Programme (NFP) is being developed to reach a national target of forestry cover at 60% of the land area as envisaged in the CMDGs. It focuses on strengthening forestry law enforcement and governance, speeding up forest demarcation, enhancing the effectiveness of forests and wildlife management and conservation, building up and implementing the community forestry programme, increasing reforestation, institutional capacity building, human resource development, and forestry research and extension.

2.57 The development objective of forestry reform is to manage and utilise forestry resources in a sustainable manner in order to optimise their contribution to poverty alleviation and socio-economic development. In the process of preventing, suppressing and eventually eliminating anarchy in utilisation of these precious resources, RGC has taken many steps and achieved several significant results: Community Forestry (CF) has been promoted for over a decade and guidelines were finalised in early 2006, and there are now more than 100 CF groups covering an area of about 200,000 hectares; a logging moratorium has been imposed on all existing logging concessions; 2,158 cases of forest crimes have been entered into the case tracking system; 606 offenders have been arrested and sent to courts; 1,636 illegal saws, 2,776 m³ of round and squared logs and 14,925 m³ of sawn-wood, as well as 3,044 kgs and 6,971 heads of wildlife, were confiscated; 215,521 hectares of forest land have been reclaimed from land grabbing and encroachment; several annual bidding coupes have been prepared to meet domestic timber demands; tree planting and forestation activities have all been significantly increased; a sub-decree has been issued on the procedures for using state forest land for tree planting to facilitate and

encourage local individuals, communities and the private sector to participate in such activities; the capacity development of local communities has been implemented in parallel with legalisation of existing forestry communities and establishing new community forestry. The Royal Government also supports and promotes the implementation of international forest management regimes at national and regional levels, especially the use of forest carbon credits under the Clean Development Mechanism (CDM) and the Reduced Emissions from Deforestation and Degradation (REDD). A project for carbon credit for community forestry has been launched, as a first world pilot one, in Otdar Meanchey Province. Among other issues are:

Some forest concessionaires continue to indulge in practices violating the terms of concessions, including excessive logging. A high level of vigilance is needed and is being maintained.

Traditionally, forests have also been an important, even main, source of livelihood for people living on the fringes, especially in the north east, parts of the west and mountain areas of the country.

2.58 Environment protection, conservation and enhancement: Protection and conservation of the unique eco-system Cambodia is blessed with and sustainable use thereof for the benefit of all Cambodians is the major objective in this endeavour. Continuing progress is being steadily achieved in this field. In 2006-07, three eco-tourism destinations have been established and two more destinations are being developed. A law on protected area was promulgated in 2008 to empower the Ministry of Environment to effectively manage the national protected areas system. More fishery communities in multi-purpose use areas and Tonlé Sap Lake, and protected area communities, have been set up and are contributing to drastic reduction in earth-filling of natural bodies of water and prevention of illegal land encroachments and forest depletion. In 2006-07, a further area of 3,606 ha of illegally-occupied lands was taken back in protected areas. Till 2007, 73 protected area communities have been established; the boundaries of 18 protected areas have been marked; and, official mapping of these protected areas has been conducted. However, environmental protection and natural resource management continue to face constraints in regard to institutional and legal framework, in particular the weak coordination among concerned agencies and authorities. The management of factory solid and liquid wastes has improved contributing to reduction in their environmental impact and will need continued further efforts as industrial development progresses.

2.59 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.

RECTANGLE 2: REHABILITATION AND CONSTRUCTION OF PHYSICAL INFRASTRUCTURE

2.60 Physical infrastructure provides the vital sinews for economic progress. This RS growth rectangle addresses: (i) further construction of transport infrastructure; (ii) management of water resources and irrigation; (iii) development of the energy sector (including oil and gas) and electricity net work; and (iv) development of information and communications technology. Not only infrastructure influences the pattern of growth, but lack of it prevents access to health and education, trade liberalisation and easier access to markets. 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.

The significant improvements achieved in these areas during the NSDP so far have enabled positive improvements in education, health, tourism, trade, rural development as well as Cambodia's integration into the region and the world.

2.61 **Further construction of transport infrastructure:** Cambodia has 11,494 km length of national and provincial roads, consisting of 2,097 primary national roads, 2,705 km of secondary national roads, and 6,692 km of provincial roads¹. Most national primary roads have been designated as Asian/ASEAN or GMS highways for facilitating international transportation, trade and tourism across borders.

2.62 The major developments in physical infrastructure (including transport infrastructure and urban water supply) in the last two and half years have been:

A Master Plan for Development of Road Network, 2006-2010 has been prepared.

An Inter-Ministerial Committee has been established in 2006 to coordinate road repair and maintenance work.

Road transport continues to remain dominant in the transport sector. The total length of paved primary and secondary roads was 2,512 km in 2007, increasing from 2,100 km in 2005. Only 110 km of provincial roads are paved, the rest are laterite surfaced. The construction and improvement of all the roads (and bridges) was accelerated in 2006-2007.

A Traffic Law is in place. The formulation of an adequate and efficient legal system for the transport sector and its enforcement continue to remain a priority.

Road traffic safety measures have been strengthened through (a) making the General Secretariat of the National Committee of Road Traffic Safety functional, (b) the production of TV spots on road traffic safety, and (c) the publication of road-traffic-safety-related documents.

In response to the rapid increase in transport vehicles (automobiles and motorcycles), from 446,950 vehicles in 2003 to 868,800 vehicles in 2007, vehicle registration and the issuance of driving licences have been delegated to provincial departments of public works and transport.

RGC has established a committee for controlling vehicles transporting goods and passengers over the prescribed limit.

Railway transport carries only a small part of passengers (persons/km) and goods (tons/km) but plans are underway to make this infrastructure more useful and productive, also in the context of the proposed regional railway network. A major achievement has been the reconstruction and re-connection of the rail link between Sisophon and Poipet which had been almost entirely damaged. Plans and estimates have been prepared for reconstruction of the entire length of the two main rail lines connecting Phnom Penh.

Inland waterway transport is not high. Dredging of all major waterways, particularly Mekong and Tonlé Sap rivers, has continued to facilitate river transport and will remain the immediate priority. Higher freight rates and inadequate work efficiency are considerable challenges in waterway transport.

Progress has been made in developing the two international ports (autonomous Sihanoukville sea-port and the Phnom Penh river port). A total of 1.81 mt of goods was handled at Sihanoukville port in 2007, increasing by 21% from 2004; the total volume of containers was 252 TEU in 2007, an increase of 18.3% from 2004. The services for completing docking formalities have been improved.

Upgrading of the three international airports has boosted further development of tourism sector, which contributes to socio-economic progress through its multiplier effects. Eight domestic airports were repaired and maintained, especially their major

¹ Source: TWG: Infrastructure and Regional Integration: January 2008

parts such as runway, parking, and marking airport boundary according to the annual plan; two of them are being given priority for renovating their complete infrastructure. Compared to 2006, the number of passengers on international flights increased by 28% in 2007. Human resource development in civil aviation skills will remain a priority for the improvement in this sector in the years ahead.

A sewage-water treatment plant in Sihanoukville has been established and the construction of another plant is ongoing.

Urban Water Supply: Efforts have been made to expanding the capacity for providing safe from standardised supply system in 94 in urban centres. In Phnom Penh safe water production has increased from 63.26 million cubic metres in 2006 to 79.70 cubic metres in 2007. In 2008, 90% of Phnom Penh population had access to safe water. Water usage fees of 16,000 poor households were subsidised based on actual levels of their living conditions.

In 2007, 40% of urban population had access to safe water. Clean water producing capacity of Water Supply Authority of Battambang has been increased to 11,500 cubic metres per day while the capacities of Water Supply Authorities of Siemreap and Sihanoukville have been upgraded to 8,000 cubic metres per day and those of Pausat, Kampong Tom, Kampong Cham, Kampot, and Svay Rieng provinces have also been increased, ranging from 2,500 to 3,500 cubic metres per day. The total volume of produced safe water of all above-mentioned urban centres has increased from 9.7 million cubic metres in 2006 to 10.6 cubic metres in 2007.

2.63 Water resource management and irrigation: Concerted efforts and investments in this area in 2006 and 2007 have resulted in significant achievements as follows:

The Law on Water Management was adopted in 2007.

Many of the existing irrigation and drainage systems particularly in high poverty incidence areas and along the border areas have been rehabilitated and reconstructed, with irrigating capacity for 141,277 hectares (112,210 hectares for wet-season rice cultivation and 29,067 hectares dry-season rice cultivation).

Surface water storage capacity has been expanded and water harvesting technologies promoted.

Use of underground water through tube-wells for irrigation is increasing.

Measures on mitigation and management of vulnerability to flood and drought have been developed and applied.

Farmer Water User Communities have been strengthened and expanded with increasing membership and participation of women.

21 Meteorological and 12 rain water measurement stations have been installed to be able to provide to the public high quality, effective and real-time hydro-meteorological forecasts.

12 hydrological stations along major rivers have been repaired; 13 water-level measuring boards have been repaired or installed; and, 3 water-flow measuring instruments have been installed in Battambang, Pausat and Kampong Chhnang.

2.64 Development of the energy sector and electricity network: RGC attaches high priority to expansion and proper maintenance of this essential infrastructure throughout the country by encouraging and attracting private sector investments and participation in all aspects, viz., generation, transmission and distribution, as well as to making electricity available at reduced costs than now. The major developments in this sector during the last two and half years were:

The Power Strategic Plan guides action in this sector. A Rural Electrification Master Plan has been launched. Today, approximately 25% of all households have access to electricity (from all sources).

Continued efforts in pursuing the NSDP medium term strategy for energy sector and electricity have improved the country's electrification situation especially in the rural areas, where small-scale private services operate according to the Law on Electricity. Electricity generation increased from 894.52 Gwh in 2005 to 1,505 Gwh in 2007. Electricity imported from Thailand and Vietnam for use mainly in the bordering areas has also increased. (i.e., Thailand from 56.83 in 2005 to Gwh to 90.30 in 2007; Vietnam from 25.40 Gwh in 2005 to 72.50 in 2007

High cost of electricity is of continuing concern as it reduces the competitiveness of Cambodian products. More in-country generation capacity by tapping the vast hydro-electric potential, with a mixture of coal and oil and/or gas based thermal units will need to be planned and installed. Selective import of electricity from Thailand, Laos and Vietnam will need to expand not only for consumption in the border areas but also to feed into a future national grid.

2.65 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. As already mentioned (box 2.04) 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.¹

2.66 **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. Important developments in the last two and half years and some challenges ahead are:

More private investors have joined this sector and have substantially contributed to its development.

In April 2008 the total number of telephones in use was: 2.932 million or more than 20% of the population (of which 2.894 million or 98.7% were mobile phones and

¹ See also Box 2.4

only 38,128 fixed lines), more than double of 2006 at 1.179 million and more than three times of 2005 at 0.882 million. This exponential expansion has occurred especially in rural areas along with more access to e-mail and internet in all 24 provinces and municipalities.

Use of computer technology and internet are also spreading fast along with increasing expertise among young people.

As technology advances and changes occur in an exponential manner in IT, RGC will ensure that regulations and the regulatory authority keep pace to assure maximum benefits to all and to stop leakage in revenues. It will further constantly improve and upgrade facilities for nationwide coverage.

RGC will also continue to implement the Government Administrative Information System and E-Government.

In regard to the coverage, efficiency and quality of government mass media (radio, TV and the press agency) have been expanded and improved. About 70% of Cambodian population are able to receive news, education, and entertainment through the existing mass media, both government and private, thus helping to enhance national identity and solidarity.

RECTANGLE 3: PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT GENERATION

2.67 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) *creating jobs and ensuring improved work conditions*; (iii) *promoting SMEs*; and (iv) *ensuring social safety nets*. 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.

2.68 **Strengthening the private sector and attracting investments**: The major features in strengthening the private sector and attracting investments in the last over two and half years have been:

Private sector investments and involvement are growing at a rapid pace as evident from the macro-economic and monetary indicators¹ thereby affirming the increasing confidence and comfort of the private sector in engaging in Cambodia. This is ample 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 policies², and creating an enabling environment including steadily decreasing corruption³.

The Government-Private Sector Forum, chaired by the Prime Minister, continues to meet every six months. This and the Steering Committee and various sub-committees have provided the 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 the strengthening and enhancing trade activities have been added as priority areas for consideration.

¹ CMB at a Glance, 4.00-6.00; Table 2.1 and Annex I:1

² Paras 2.31 to 2.38

³ See also para 2.20

To enhance export-led, pro-poor growth through diversification, private sector investment in some specific, priority sectors has been encouraged, facilitated and provided with government support. Labour-intensive industries and export-oriented processing and manufacturing, tourism and related activities, and human resource development have been so far the main targets of private sector investment.

Trade has become a major source for economic growth, and an important factor for macroeconomic stability, and poverty reduction.

Export of garments registered increases in 2006 & 2007, viz., over US\$ 2.6 billion in 2006 and US\$ 2.9 billion in 2007. 1.5 million tons of rice was exported in 2006, double the level of 2005; equal quantity was exported in 2007.

To attract both foreign and domestic investments in the country, mainly export-oriented Special Economic Zones (SEZs) are being approved to provide “one stop services” to complete administrative procedures. Some of the SEZs have initiated operations and have commenced production.

2.69 RGC's Trade Integration Strategy points out to some of the new challenges such as the “competitiveness paradigm”. The ability of Cambodian producers and exporters to compete on the basis of tariff preferences and advantages is fast eroding. The country must therefore increasingly adjust to compete based on the strength of its domestic supply capacity. The challenges continuing now and likely to arise are:

Garment industry, the leader in 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), higher freight charges (due to increased fuel prices), and nearby countries starting to compete for the same markets even as demand is declining in such markets. Already, to cushion the sector from such handicaps, 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. (About 360,000 workers, mostly young women, are now employed in 301 factories).

Construction, another important contributor to growth so far, is showing signs of slowing down with international inflation on imported building materials such as cement and steel, causing some adverse effects.

Worldwide rice shortages have pushed prices to unprecedented levels and exports are being restricted. Therefore overall export levels might decline in the short-term.

Apart from oil and natural gas, the large potential for mineral exploitation is beginning to attract overseas investor interest¹. Careful regulations and procedures need to be in place to ensure environmental sustainability, in-country value-added processing, and maximising revenues to the state.

RGC will actively promote private sector investments for expansion and diversification of manufacturing and industrial production to take advantage of the country's natural endowments², including value-added work in agriculture such as agro-processing.

Exports of other Cambodian products still encounter many challenges and to address these issues, several initiatives and reform measures have been introduced.

2.70 Tourism: This sector is second only to the garment industry in boosting economic growth and in providing employment to a large number of Cambodians in numerous related fields -- hospitality, transport and others, besides providing employment and income to a large number of people in auxiliary and service sectors. Tourism has been growing at an exponential rate in the recent years. RGC's continued pro-active actions in implementing its

¹ Exploration for bauxite has commenced in north-eastern provinces which also have become a potential new source for semi-precious stones.

² 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.

tourism policies based on the basic principles articulated in the NSDP (the implementation of an open sky policy, strengthening intra-regional tourism, strengthening capacity to tackle any form of tourism-related criminal activities) and in improving physical infrastructure (roads, airports, ports) as well as providing a climate of peace and law and order have resulted in the remarkable progress in this sector. Cambodia received 1,700,041 international visitors in 2006, an increase of 19.59% over the 2005 figure; this figure was 2,015,128 for 2007, an increase of 18.53% over 2006, contributing an estimated foreign exchange earning of US\$ 1.4 billion and to generation of 300,000 jobs. A campaign has been launched (September 2008) to promote tourism under an easily recognisable and catchy brand name "*Cambodia: Kingdom of Wonder*". RGC will continue to stress on and strive for attracting tourists to wider and more diverse destinations so that many more parts of country could benefit.

2.71 Among the challenges ahead are:

Increase in cost of travel to Cambodian destinations arising from high oil prices and increases in prices within the country induced by external inflation may lead to a decline in the rate of growth of tourist arrivals.

Further improvement of physical infrastructure connecting to major tourist destinations.

Strengthening promotion measures and legal framework for handling tourist services.

Attracting tourists to more and diverse destinations, including eco-tourism, since tourism is now largely confined to Siem Reap (for culture and heritage); Phnom Penh (capital's attractions) and Sihanoukville (for recreation).

Better addressing the issue of spreading the benefit of tourist-spending to local companies and providers of goods and services, instead of allowing bulk of the revenue being repatriated or used to purchase goods from abroad; of special importance is to establish strong backward linkages between tourism and agriculture (see box 2.05).

Mitigation of 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 subsidence and damage to ancient monuments) and Sihanoukville.

2.72 **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 problem¹. Of every 100 job seekers in Phnom Penh, 72 are 15-24 years old. An additional 275,000 job seekers are expected to enter the labour market each year with serious implications of youth unemployment and increased poverty. Employment, or gainful occupation both in the formal and informal sectors, arises from investments largely in the private sector which responds to market impulses. RGC's role and success in this regard is outlined in earlier paragraphs (paras 2.67 & 2.68). The intended increased focus on rural development and agricultural productivity will generate more rural employment opportunities directly and indirectly through increased demand for goods and services. Developments so far have been:

Stress on labour intensive efforts for infrastructure creation especially in rural areas to provide seasonal and supplemental income to the poor.

RGC has played a crucial role in creating job opportunity for all Cambodians especially the poor. With RGC's assistance, 9,526 Cambodians have secured jobs outside the country in 2007 compared to the 2006 figure of 3,636.

Technical and vocational education and training networks have been established to serve both men and women equitably, especially those who are poor, disabled and/or

¹ ILO, Policy Brief on Youth and Employment in Cambodia, 2007.

belong to vulnerable groups and to respond to labour market needs. In 2007, 23,478 students graduated from public technical vocational education and training institutions (excluding the figures of students trained at NGO and private training centres), increasing from the 2006 figure of 7,256 students. A survey on gender disparities in vocational training was conducted in many provinces and municipalities and gender mainstreaming in the curriculum of technical and vocational training has started.

Safe, proper and hygienic workplace conditions and fair and just contractual terms for the labour force, including setting minimum wage and holidays, reducing inequality in wages between men and women, resolution of disputes and disagreements through peaceful means without causing disruption to production and loss of wages to employees, have been constantly addressed and ensured.

Efforts in reducing the proportion of child labour for dangerous jobs have been carried out through various projects/programmes and policy measures. In addition to higher enrolment in schools, 16,000 children have been provided with informal education and vocational training. A five-year plan on the elimination of the severest form of child labour, 2006-2012, and other regulations pertaining to child labour and labour-related issues have been formulated and drafted.

2.73 Development of SMEs: The 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.

2.74 Social Safety Nets: Clearly targeted social sector interventions are critical to provide social safety nets to the most vulnerable. The major developments and challenges are:

The number of homeless has been reduced. Appropriate measures have been taken to mitigate the influx and misery of homeless into urban centres.

Along with establishment of centres for victims of trafficking, non-discriminatory rehabilitation and health care education services have been provided to workers and victims of sexual trafficking.

1,985 children in conflict with the law and drug-addicted children, 1,238 drug-addicted people, and 693 homeless and 838 street children have been assembled, re-integrated into communities and provided with health and moral education services and vocational training. Children’s four basic rights and foster care policy for children are being implemented. A draft law for inter-country child adoption has been prepared for consideration of the National Assembly. Cambodia adheres to The Hague Convention for Inter-Country Child Adoption.

The draft law on The Protection and Enhancement of Amputees’ Rights has been sent to the National Assembly for approval.

The earlier efforts to provide social security were further consolidated and formalised in January 2008 through the Royal Decree on Social Security scheme and a sub-decree on the establishment of the National Social Security Fund for civil servants.

The Cambodian Veterans Association has been established aiming at enhancing solidarity, mutual care, and improving living conditions of veterans.

A programme for Identification of Poor Households through standardised procedures has been started to enable the government and EDPs to provide targeted services and development assistance.

An immediate looming challenge is to commence targeted and direct subsidies and tax exemptions to cushion the effects of ever increasing prices of essential commodities, induced by external factors, on the poor and to avert any increase in poverty levels (see box 2.01).

RECTANGLE 4: CAPACITY BUILDING AND HUMAN RESOURCE DEVELOPMENT

2.75 The last, but not the least, of the "growth" rectangles of RS covers predominantly social sectors, viz., (1) *enhancing quality of Education*; (2) *improving Health service*; (3) *fostering Gender Equity*; and (4) *implementing Population policy*. Progress has been very impressive in both education and health sectors, where cooperation and coordination mechanisms among various stakeholders started even before introduction of the TWG mechanism in late 2003. Sectoral strategies in both are well developed, being implemented and are being properly monitored.

2.76 **Education:** This sector is a necessary and critical element for human development and poverty reduction. Strategies and priorities to address challenges in education sector are explicitly articulated in the Education Strategic Plan (ESP), 2006-2010 on which a mid-term review was completed in 2008. ESP envisages achieving the targets set in the National Plan for Education for All, 2003-2015. Significant progress has been made in the recent past in the realisation of the major priorities of ESP 2006-2010 especially in increases in number of primary and lower secondary schools, in enrolment level in lower secondary education (enabling the completion of basic education up to standard 9), and in adult literacy (15-24). Nevertheless, it is recognised that there are still gaps relating to the availability of all the educational facilities for providing education to children from the very poor households and households in remote areas. Table 2.4 shows the latest data of this sector.

Table 2.4: Education Sector: Key Progress and Targets

Targets and Indicators			2005-06	2006-07	2007-8	2010-11 (Target)	2015-16 (Target)
1	Primary Schools(1-6):	Nos	6,277	6,365	6,476		
2	Longest distance to a school	Kms	2.00			1.5	
3	Net Enrolment %:	Total	91.3	92.1	93.3	100	100
4		Male	93.0	93.2	93.2	100	100
5		Female	89.7	91.0	93.3	100	100
6	Net Enrolment %:	Urban	91.2	93.2	92.7	100	100
7		Rural	91.7	92.2	93.6	100	100
8		Remote areas	83.7	86.0	88.4	100	100
9	Survival Rate: 1-6 years	%	49.3	52.5	N/A	100	100
10	Lower Secondary Schools (7-9)	Nos	911	1,122	1,303		
11	Longest distance to lower sec. school	Kms	8				4
12	Net Enrolment % :	Total	31.3	33.7	34.8	50	100
13		Male	32.1	34.3	33.7	50	100
14		Female	30.4	33.1	35.9	38	100
15	Net Enrolment %:	Urban	50.1	53.5	55.9	75	100
16		Rural	28.6	30.7	31.5	50	75
17		Remote	6.0	9.0	11.1	50	
18	Survival rate %: 1-9:		26.3	29.3	NA	50	100
19	Literacy rate - 15-24 years	%	84.7	84.7	84.7	95	100

Source: MoEYS

2.77 The major developments and variations since 2005 are:

The Education Law was promulgated in December 2007. Follow up action plans and legislative instruments are now under preparation.

A mid-term review of ESP 2006-2010 was conducted in March 2008 and recommendations from that exercise are now being implemented.

A revised National Curriculum and Learning Standards were officially approved in 2006. Guidelines have been issued on the application of the new curriculum and learning standards for basic education. The preparation of action plans for instructing teachers on the application of new curriculum and for students in upper secondary schools to select subjects have been finalised. A programme is being prepared for developing and supplying basic school books.

Access to schooling has improved. CSES suggests that from 2004 to 2007 enrolment rates amongst the poorest families have increased rapidly (so they are now identical to those among the richest), reflecting likely rapid decline in out-of-pocket costs of schooling.

The number of primary and lower secondary schools increased substantially from 6,180 in school year 2004-2005 to 6,476 in school year 2007-2008 and from 800 to 1,303 for the same period of time respectively.

- 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 2007-2008, there were 531 such schools, an addition of 39 schools over 2004-05.

The expansion of school services has included more accessible facilities for disabled children by way of ramps, toilets, etc.

The overall net enrolment rate for primary schools (by sex and areas) and survival rates for grades 1-6 and 1-9 have all registered steady growth since 2005-06.

Number of female teachers at primary level reached 51.9% of the total.

The transition rate from primary to lower secondary schools in 2006-07 was 78.9%, lower than the target of 90.0%; in particular the rate for girls was 78.5%, lower than the target of 88.0%.

Lower secondary education has achieved a remarkable success, especially an increase in number of schools and net enrolment rate (see Table 2.4).

The transition rate from lower to upper secondary schools in 2006-07 was 71.5%, higher than the targeted rate of 65.0%; in particular the rate for girls was 71.0%, higher than the targeted rate of 67.0%.

Equitable access to and the quality of public education services in urban and rural areas had been promoted for boys and girls.

During 2006-2008, 4 buildings of dormitories with the accommodating capacity of 560 students were established for poor students, in particular female students.

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 66 institutions offering higher education of which 24 are in the public sector and 42 are privately owned and run.

However, establishing an adequate mechanism for managing and evaluating the quality of tertiary and vocational education continues to be a challenge.

2.78 The goals and priorities set for the education sector in the NSDP continue to remain valid and will be vigorously pursued through the ESP, 2006-2010. As a priority sector under PFMRP, allocations and utilisation from the national budget have increased both in absolute and relative terms¹. The challenges ahead include actions to:

¹ See Annex 1: 3

Address the structural problem of overage enrolment which is associated with poor learning and high repetition and drop-out rates.

Ensure that the time allotted for teaching in schools is fully and properly used.

Ensure attendance rates in primary and secondary levels to match enrolment rates.

Reduce repetition levels at these levels.

Improve transition rates from primary to secondary and beyond.

Improve quality of education at all levels, including quality and competence of teachers.

A major looming challenge arises from the vulnerability of school feeding programme so necessary to attract and retain poor students in primary schools; any reduction in, suspension or removal of, this programme for reasons of high cost of food prices would not only arrest but would also reverse gains already achieved.

Address issues of too-rapid expansion of tertiary education in the private sector giving rise to problems of lack of qualified faculty members, low quality of some degrees and thus future employability of graduates. As Accreditation Committee of Cambodia begins work in 2008 some improvement can be expected in these areas.

2.79 **Health:** Progress in this sector has been impressive. The 2005 Cambodia Demographic and Health Survey (CDHS), conducted according to rigorous international standards, has updated data on fertility, family planning, infant, child and maternal mortality, maternal and child health, nutrition, malaria, knowledge of HIV/AIDS, prevalence of HIV, women's status and domestic violence. It was the first survey in Cambodia to provide population-based prevalence estimates for HIV. Its findings, released in 2006, have updated and/or changed the 2005 baseline data for important health indicators assumed in preparing the NSDP. Table 2.5 below presents the latest data. It is to be noted that impact indicators relating to maternal and child mortalities cannot be estimated annually but are measured every five years using the CDHS. It is clear that on the basis of progress so far Cambodia appears to be on track to reach targets set for 2010 and 2015, except maternal mortality.

Table 2.5: Health Sector: Key Progress and Targets

Targets and Indicators		2005	2010 (Target)	2015 (Target)
1	Infant Mortality Rate, per 1,000 live births	66	60	50
2	Under five Mortality Rate, per 1,000 live births	83	75	65
3	Under 1 yr. olds immunised against DPT3-HepB-- %	83	92	95
4	Under 1 year olds immunised against measles -- %	80	85	90
5	Maternal Mortality, per 100,000 live births	472	243	140
6	HIV/AIDS prevalence, % of adults, 15-49	0.9	<0.6	<0.6
7	Malaria: treated at public health sector – 1,000 popn	7.3	3.5	3.0
8	Prevalence of smear positive TB, per 100,000 population	269	214	135

Source: MOH; Prevalence of smear positive TB, per 100,000 population (source: National TB Prevalence Survey in Cambodia 2002)

2.80 CDHS 2005 noted that, while there are clear variations between urban and remote or rural areas, the gross national averages indicate that:

There was a “remarkable decline” in infant mortality, which dropped down by 30% since 2000.

Two-thirds of children aged 12-23 months have received all the basic recommended vaccinations.

68% of women received antenatal care from trained health personnel at least once during their last pregnancy compared to only 38% in 2000.

44% of births were attended by trained birth attendants, an increase from 33% in 2000.

HIV prevalence at only 0.9%¹ is less than half of 1.9% assumed earlier for 2005.

The maternal mortality rate has not improved significantly from 2000, but this is considered a slow-changing indicator. Given that more and more births are being attended by trained personnel at a health facility, clear progress here is likely to show in 2010.

2.81 Among other important developments during the last two years were:

At the end of the Health Sector Strategic Plan (HSP 2003-2007), a new plan for 2008-2015 has been developed and is being implemented in close cooperation with all EDPs; the implementation of Minimum Package of Activities (MPA) is progressing well.

Interim indicators since 2005 suggest that health access and delivery have continued to improve and Cambodians now have much better health centres; and, child nutrition has continued to improve.

The number of health centres providing full MPA increased to 447 in 2007.

The number of referral hospitals with Complementary Package of Activities increased to 74 in 2007 from 69 in 2005.

Fee exemptions for poor patients are now available in 36 Operational Districts (OD) through equity funds, up from 7 in 2003. Six national hospitals and nine ODs also receive Government subsidies for the poor.

Malaria cases treated at public health facilities have declined from 7.3 per thousand in 2005 to 4.0 per thousand in 2007.

Budget allocations and disbursement for the health sector have registered growth and stability.

About 130 NGOs are involved in supporting the health sector, majority of them operating in remote areas.

2.82 RGC attaches the greatest importance to promoting good health (including reproductive, maternal, child and new born health) and nutrition and the prevention, timely detection and treatment of diseases among the population as a means of human development, so essential for any other sustainable progress. Allocations from the national budget, both in absolute and relative terms, will continue to increase under the PFMRP. Among continuing challenges are:

Improve and increase staffing in many remote health facilities including availability of skilled birth attendants (midwives) by addressing recruitment and deployment problems.

Improve and enhance financial flows and logistic support for drugs and commodities to all health facilities

Improve enforcement of health legislations and compliance with standard guidelines and practice and quality assurance.

Better integrate private sector (including NGOs) providers and their services into the national health policy implementation framework.

2.83 HIV/AIDS: Apart from showing significantly lower level of infection than originally estimated (decreasing to 0.9%² in the age group 15-49, from the earlier assumed level of 1.9%), the CDHS 2005 has also confirmed that RGC's advocacy, educational and promotional programmes have yielded very encouraging results, e.g., HIV/AIDS awareness levels in the population are very high and more than 80% of women and men of age 15-49 know the three major methods of preventing HIV infection. The well-integrated plans and programmes related to HIV/AIDS covering awareness creation, prevention, testing,

¹ CDHS put this figure at 0.6% but subsequent agreement among all concerned revised it to 0.9%

² CDHS put this figure at 0.6% but subsequent agreement among all concerned revised it to 0.9%

advocacy and support services and provision of supplies have involved all stakeholders in a highly coordinated manner. While the target set for reaching <0.6% prevalence by 2010 is well within reach, the road ahead will be more difficult as the core has been reached and as, disturbingly, intra-household infections are rising with an increase in the husband-to-wife and mother-to-child transmissions.

2.84 **Gender Equity:** Elimination of gender imbalances and proactive promotion of women's rights and equality between men and women in all development sectors are crucial in the agenda for progress in Cambodia, through the implementation of the Five-Year Strategic Plan for Women (2004-2009), called *Neary Rattanak-II* which embraces all sectors.

2.85 Since the preparation of NSDP, vigorous efforts have been made to promote gender mainstreaming in the entire spectrum of Cambodian society, including in national policies and programmes, sectoral plans and commune development and investment planning and budgeting. The efforts to promote women's rights and roles will continue to be implemented earnestly. However, the awareness of and national capacity for analysing gender equality issues including literacy rate among adult women, and the financial resources needed to enhance gender equality at the sector level, are still limited. This requires firm commitment and close collaboration among all stakeholders. Some important developments have been:

To date, Gender Mainstreaming Action Groups have been established in 25 ministries and institution, of which 15 have established their sectoral plans and 6 of them have received national budget and/or support from development partners to implement their plans.

The proportion of women elected as commune/sanghat council members has increased from 8% in 2002 elections to 15% in 2007 elections. RGC is in the process of appointing a female deputy and district governor in all provinces and municipalities. In addition, a *Guideline on Quotas for Women in Recruitment to Civil Servants* has been issued

Efforts have continued to support income generation for women through increase in job-opportunities, support for SME development and development of Women's Development Centres to provide vocational and entrepreneur skills and business advisory services in 11 provinces.

A *National Action Plan to Combat Violence Against Women* has been developed and is being implemented in accordance with the Law on the Prevention of Domestic Violence and Protection of Victims adopted in 2005. However, violence against women remains high in Cambodian society.

The Law on Suppression of Trafficking in Humans and Sexual Exploitation was adopted in late 2007, consistent with the UN "Palemro Protocol.

2.86 **Population Issues:** 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 RGC is developing the capacity of human resources for integrating population-related issues in the development planning processes at all levels for planners and policy makers. CDHS 2005 has provided updated data showing positive results of implementation of this policy. Key developments in the last two and half years are:

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. Data processing of all enumeration questionnaires is now in progress and will, over time, yield valuable information for future policy formation or adjustment.

Preliminary results released in early September reveal that on the national basis: 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 average annual rate of population growth since the last census in 1998 was 1.54%, less than 1.8% estimated earlier, but still slightly above the average for the region at 1.3%; the sex ratio was 94.2% males to 100 females, up from 93 in 1998; the average family size has decreased to 4.8 from 5.2 in 1998; the urban population was 19.5%, up from 17.4% in 1998; conversely, the rural population was 80.5%, down from 82.4%.

The preliminary figures cited above points to the success in implementation of the population policy of the government.

Almost all women are familiar with some methods of contraception; and, 40% of married women were currently using a contraceptive method and 27.2% of married women were using modern birth spacing methods.

Women aged 15-49 begin having children at a median age of 22; teenage childbearing is quite rare, only about 8% of women of age 15-19 had begun childbearing; the median age of first marriage has been at 21 for women; the intervals between births is relatively long in Cambodia.

Total Fertility Rate has decreased from 4.0 live births per woman in 2000 to 3.4 live births per woman in 2005 (CDHS, 2005). The average number of wanted children per woman is 3.3.

Age structure of Cambodian population has changed compared to that in 2000. CDHS figures show that the proportions of population aged 15-64, under 15, and 65 and above are 57%, 39%, and 5% respectively; more details will emerge from analysis of 2008 census data.



CHAPTER III

PRIORITY GOALS AND TARGETS

3.01 As affirmed in the NSDP, the Royal Government is clear in its long term vision and commitment to achieve a socially cohesive, educationally advanced, and culturally vibrant Cambodia without poverty, illiteracy and ill health where all Cambodians live in harmony free of hunger, inequity, exclusion, and vulnerability, and where all citizens are able to reach their full potential in their chosen vocations to contribute to further progress of the country and for an increasingly higher standard of living. *NSDP is about the immediate, medium-term future steps and targets to move rapidly towards the long-term vision of Cambodia.*

3.02 *Poverty reduction in the fastest possible manner is RGC's foremost priority.* Given that 90% of the poor live in rural areas, priority attention is needed through NSDP to speed up development in rural areas. In this context and by themselves, achievement of CMDGs, especially for poverty reduction and human development, is of high priority, but this crucially depends on the totality, synergy and outputs of many other developments and circumstances, such as, to mention a few: peace, political and social stability; rule of law; maintenance of public order; critical reforms in public administration and sectors; enhanced gender equity; the steady, sustainable, strong, equitable, balanced and well distributed (among geographic regions, sectors, and between men and women) macro economic growth involving all other sectors, each with its own goals and targets. NSDP clearly notes that there can be no significant progress without, for instance:

Robust and equitable macro-economic growth.

Inflation being kept under vigilant watch and check.

Agriculture productivity and production registering significant increases.

Environment and natural resources being protected and enhanced.

Infrastructure being constantly improved extended and strengthened.

Significant industrial growth generating employment and incomes.

Essential reforms in public administration including legal and judicial reforms, and sectoral reforms.

Fast growth in private sector investments in diversified areas to make progress broad-based and dynamic, by reducing transaction costs, and by streamlining procedures.

Unhindered growth in international trade to facilitate exploitation of Cambodia's comparative advantages in supply of goods and services to overseas markets at competitive terms and in turn create backward linkages in increased and diversified employment and incomes.

Services sector (including tourism) growing fast to provide employment and incomes; etc.

3.03 NSDP has considered all critical aspects of Cambodia's socio-economic needs, priorities, goals and targets, and synthesised CMDGs with other factors including cross-cutting elements to move the country speedily forward on the road to equitable overall socio-economic development with priority attention to poverty reduction as well as to significant reduction in regional disparities and between the rich and the poor. *As a broad framework to guide and steer the development process, it has identified priority goals and targets leaving detailed sub-goals, targets and strategies to be identified and articulated by different sector strategies and plans.* The broad goals and targets itemised with poverty reduction as the foremost priority provided in Table 3.2 of NSDP continue to remain valid. Table 3.2 below reproduces Table 3.2 of NSDP with modifications arising from all available latest data for 2005, 2006 and 2007.

3.04 Data and other information provided under various sections in Chapter II have pointed out the progress so far made and the proposed future programmes. Many targets have been revised mostly upwards in Table 3.2 below to show the realistic levels to be reached 2010. On trends so far and the likely progress in the next few years it appears that while some goals and targets including CMDGs will be reached or exceeded, there would be some where such achievement would be difficult to make, as shown below in Table 3.1

Table 3.1: Status of Achievement of Key Targets

Will be Achieved or Exceeded	Likely to Fall Short
Infant Mortality Rate: per 1,000 live births 60 (2010) & 50 (2015)	Poverty headcount: 25% in 2010 & 19.5% in 2015
> 5 Mortality Rate: per 1,000 live births 75 (2010) & 65 (2015)	Food Poverty headcount: 13% (2010) & 10% (2015)
% Births attended by health personnel %: 55 (2010) & 80 (2015)	Maternal Mortality Rate, 243 (2010) & 140 (2015)
HIV/AIDS Prevalence rate: <0.6% (2010)	Survival rate 1-6: 100% (2010); 100% (2015)
Primary School Net Enrolment Rate: 100% (2010)	Secondary School Net Enrolment Rate: 50% (2010); 100% (2015)
Lower Secondary School NER: 50% (2010)	Survival Rate, years: 1-9: 50% (2010) & 100 (2015)
Access to improved drinking Water - % rural population: 45% (2010) & 50% (2015)	Access to Sanitation facilities – % rural popn: 25 % (2010) & 30% (2015)
Annual GDP growth – 7% (2010)	
GDP Per Capita (000 riels) – 3,505 (2010)	

Note: Only very highly important indicators are shown above, as extracted from Table 3.2; figures are targets as shown in Table 3.2

3.05 RGC remains strongly committed to reaching the overall goals and targets indicated at Table 3.2 and those to be disaggregated and expanded at sector and sub-national levels. RGC is confident that most are achievable if proper investment and human development resources are available. For success, RGC would vigorously pursue all the prioritised strategies and focused actions through the framework of the Rectangular Strategy - II.

Table 3.2: NSDP's Macro-Goals and Critical Indicators (Targets)¹

(*) - CMDG goals and targets

Major Goals: Targets/Indicators		2005	2010	CMDG- 2015
Eradicate - Poverty & Hunger (*)				
1*	Poverty levels % of population -- 2004	34.67	25	19.5
2*	Poverty levels % rural population -- 2004	39.2		
3*	People below food poverty line % -- 2004	19.7	13	10
Enhance Agricultural Production and Productivity				
4	Paddy yield per hectare (tons)	2.48	2.80	
5	Irrigated area – including supplemental irrigation., (% of rice area)	63	87	
6	Land Reforms: Land Titles to farmers -- % of Total agri., land	15	24	
Improvements in Health (*)				
7*	Infant Mortality Rate per 1,000 live births	66	60	50
8*	Under 5 Mortality Rate per 1,000 live births	82	75	65
9*	Maternal Mortality per 100,000 live births	472	243	140
10*	Births attended by skilled health personnel -- %	44	55	80
11*	HIV/AIDS prevalence, % of adults 15-49	0.9	<0.6	<0.6
12*	Malaria Cases – treated at public health facilities –per 1,000 population	7.3	3.5	
13*	TB smear positive cases, per 100,000	269	214	135
14*	Married women using modern birth spacing methods (%)	20.1	40	60
15	% of health facilities providing RH services	33	45	70
Improvements in Education (*)				
16*	Net Enrolment at Primary Schools (%):			
	Total	91.3	100	100
	Boys	93.0	100	100
	Girls	89.7	100	100
17*	Net Enrolment at Lower Sec. Schools (%):			
	Total	31.3	50	100
	Boys	32.1	50	100
	Girls	30.4	38	100
18*	Survival rate % : 1-6:	49.3	100	100
19*	Survival rate % : 1-9:	26.3	50	100
20*	6-14 years out of school (%)	12.3	11	0
Rural Development				
21	Rural Roads rehabilitated – Kms (out of total 28,000)	22,700	25,000	28,000
22*	Access to improved drinking water -- % rural population	41.6	45	50
23*	Sanitation access -- % rural population	16.4	25	30
Environmental Sustainability (*)				
24*	Forest Cover -- % of total area	59	60	60
25*	Fuel Wood dependency: Households -- %	83.9	61	52
26*	Access to safe water source -- % of urban population	35	75	80
27*	Access to improved sanitation -- % of urban population	55	67	74
Gender Equity (*)²				
28	Mainstream gender in all spheres			
a	Concerned ministries/institutions have formulated their Gender Mainstreaming Action Plan	2	27	
b	Concerned ministries/institutions have implemented their Gender Mainstreaming Action Plan	2	15	27
29*	Female share of wage employment (%):			
	agriculture	52.5	50	50
	industry	53.5	50	50
	services	27.0	37	50
30*	Level of awareness that violence against women is wrongful behaviour and a crime (%)	4.5	50	100
a	Court and administrative orders issued	0	90	
b	Access to services	0	500	
Reforms				
31	Accelerate Governance Reforms	To be developed		
Sustain high Macro-Economic Growth (*)				
32	Annual GDP Growth at constant prices - %	13.3	7.0	
33	Per Capita GDP at constant prices (000 Riels)	1,862	3,505	
34	Rate of Inflation %	5.8	4.0	
Improve Budget Performance				
35	Total Government budget revenues - % of GDP	10.60	13.1	
36	Total Government budget expenditure -- % of GDP	13.2	14.0	
Accelerate Industrial Growth & Employment				
37	Annual Growth in manufacturing - constant prices (%)	9.7	7.8	
38*	Working children aged 5-17 years -- %	22.3	10.6	8
Tourism				
39	Annual Tourist arrivals nos -- 000s	1,420	3,200	5,000

Major Goals: Targets/Indicators		2005	2010	CMDG- 2015
De-mining, Victim Assistance (*)				
40*	Casualties (deaths and injuries) nos.	875	205	0
41*	Area affected cleared of mines and ERW -- %	50.3	77	100
Infrastructure				
42	Length of paved roads (primary & secondary) out of 11,494- kms	2,100	4,100	
Energy				
43	Per capita use of electricity - Kwh/year	62	159	

¹ See explanatory information at paragraph 3.13 of NSDP.

² Gender related targets have been shown separately under health and education.

CHAPTER IV

COSTS, RESOURCES, AND PROGRAMMING

COSTS / RESOURCES NEEDED / FINANCIAL OUTLAY

4.01 Adequate financial resources are essential for successful and timely implementation of NSDP strategies and achievement of NSDP targets. NSDP mainly considered public sector outlays but also estimated likely private sector investments (Chapter V of NSDP). This chapter presents: (1) the progress so far made during three years, 2006-2008 in overall outlays envisaged in NSDP; (2) the *revised* total needs for the entire NSDP period, 2006-2010 based on emerging realities; (3) revisions to sectoral allocations under NSDP; and (4) other related issues.

4.02 Expenditure on public sector development work in Cambodia for the first three years, 2006-08 of NSDP is estimated at US\$ 2,250 million, or about the same level of pro-rata figure of US\$ 2,100 million assumed in the NSDP (out of a total outlay of US\$ 3,500 million for five years). The expenditure was from two sources (see also Table 4.1):

US\$ 650 million from RGC's outlays for development from annual current budget surpluses. Such surplus for the three years 2006-08 would amount to about US\$ 700 million¹, almost double of what was estimated in para 5.12 of NSDP. Assuming that part of it would have been used for non-NSDP priorities, the contribution to NSDP priorities could be taken as US\$ 650 million. A major part of domestic development expenditure was on infrastructure (roads, including rural, irrigation, rural development, education and health).

US\$ 1,600 EDP expenditure. The total is estimated at US\$ US\$ 2,264 during the three years, 2006-08. This included both free standing TA (FTA)² and programmes and projects outside NSDP priorities. (a) The FTA would be about US\$ 630 million, against the target of US\$ 500 million assumed for five years in the NSDP, with a pro-rata figure of US\$ 300 million for three years, or US\$ 330 million in excess. (b) In the absence of clear information about alignment of EDP programmes to NSDP, it is conservatively assumed³ that about US\$ 334 m (i.e., 20% of the balance, US\$ 1,634 viz., 2,264 minus 630) was non NSDP-priority assistance. Deducting excess FTA of US\$ 330 million and US\$ 334 million as above, the balance of funds that could be assumed to have been spent on NSDP priorities would amount to US\$ 1,600 million (2,264 m less 634 m).

Table 4.1 : Estimated Public Sector Development Expenditure, 2006-2008 (US\$ million)

1	Domestic resources (budget current surpluses)	700	
	Less likely non-NSDP expenditure	50	650
2	External resources from EDPs -- Estimated expenditure	2,264	
	Less Freestanding TA (FTA) ⁴ and other non-NSDP	664	1,600
3	Estimated Expenditure on NSDP priorities. 2006-2008		2,250

4.03 For the total period of five years of NSDP, 2006-2010, taking into account all the emerging factors, including the anticipated growth levels, the estimates for realistic levels of total investments have been revised upwards from a total of US\$ 6,401.10 million as in NSDP (para 5.02 of NSDP) to US\$ 12,079.50 million, most of the increases attributable to

¹ See Table 2.1

² See 7.01 and 7.02 of Cambodia at a Glance

³ This could be well above 20% since as stated at para 4.09 below, 45% of PIP is still unfunded.

⁴ In para 5.15 NSDP estimated that 44.1% of EDP resources were spent on FTA.

investments in the private sector, both domestically and externally financed – see detailed revised figures at Annex I:3. However, given the trend in the first three years, 2006-08 (Table 4.1), and allowing for higher inflation since late 2007, it can be assumed, for the present, that the overall expenditure in the public sector covered by NSDP during five years, 2006-2010 would be about US\$ 4,200 million, US\$ 700 million or 20% more than the level estimated in para 5.06 the NSDP, viz., US\$ 3,500 million including a maximum of US\$ 500 million for TA as at para 5.14 of the NSDP.

**Table 4.2: Levels of Public Sector Investments Needed, 2006-2010 (five years)
(US Dollar Million)**

1	Public Sector Investments as per Annex I:3	2,933
2	Addl. needs for priority sectors: agriculture, infrastructure and social sectors	767
3	Freestanding TA	500
4	TOTAL OUTLAY, 2006 – 2010	<u>4,200</u>

4.04 The following sources are expected to contribute to the total of US\$ 4,200 million in public sector outlay:

US\$ 1,200 million from domestic resources (current budget surpluses), adding the likely surpluses during 2009-10 to the US\$ 650 million shown in para 4.02. This is much more than US\$ 775 million anticipated in para 5.12 of NSDP but is based on more realistic and latest estimates, given the level of such surpluses in the first three years and anticipated in the next two.

US\$ 2,750 million from external sources (EDPs, including non-traditional EDPs), projecting from US\$ 1,600 million shown at para 4.02.

US\$ 250 million additionally from mainly non-traditional EDPs.

4.05 In order to ensure that there is no gap in resources for investments, it is highly important that both domestic budget allocations and EDP support are fully aligned to NSDP priorities. The *critical challenges ahead* are therefore to ensure that (where possible through the already established TWG mechanisms):

All ongoing programmes and activities funded by EDPs are critically re-examined and made to align to NSDP priorities¹.

In particular, the free standing technical assistance components are reduced as much as possible, in order to achieve maximum transfer of net resources for investment².

All new programmes supported by domestic or external resources clearly adhere to NSDP priorities.

EDPs provide assistance mostly in the form of grant, restricting loans (mainly in concessional form) to clearly capital investment projects.

EDPs, both bilateral and multilateral, start providing debt relief for past debts as soon as possible.

All modes of delivery of external assistance use the procedures and processes adopted already by RGC for its work, with the view to ultimately resort to “budget support” as the most preferred mode of providing external assistance³.

4.06 Projections for private sector investments in various spheres of economic activity have been raised to US\$ 9,146.70 million⁴ during 2006-2010 compared to US\$ 4,016.5 million assumed in the NSDP document. Such an increase of over 100% may seem overly

¹ Para 5.25 of NSDP clearly called for EDPs to not only indicate the bulk amount they pledge as assistance to Cambodia, but also to specify: the amounts to be earmarked for each sector; the programmes or projects with financial allocations for each; amounts for FTA component, etc.

² See foot note of para 2.30 (under second bullet point)

³ Para 5.17 of NSDP which urges that assistance programmes need to be better aligned and harmonised through methodologies like SWAP to achieve cohesion and synergy and to avoid overlap and/or duplication.

⁴ See Annex I:3

optimistic but is realistic in view of the actual situation emerging in the last two and half years and is based on the anticipated high increases in private sector investments expected to take place from domestic and foreign resources¹. RGC will strive its best to progressively and proactively improve the investment climate in Cambodia through various targeted efforts including better infrastructure, reform and strengthening of the financial sector to release dormant funds for productive investments, and support through facilitating legal and regulatory framework to provide a stable and level field for competitive activities.

4.07 NSDP allocations and details of overall financial outlay: The NSDP allocations made in table 5.2 of the NSDP document are now revised on the basis of the revised estimates of public expenditure for the NSDP period (para 4.03 above). In view of the high priority attached to agriculture and rural development, allocations for them are now increased by using up "unallocated" funds in table 5.2 of NSDP. The new outlay of US\$ 4,200 is now allocated as in table 4:3 of this document. As shown therein, compared to the original NSDP allocations (Table 5.2 of NSDP), the overall allocations to rural areas increases from 62% to 63%, and for agriculture from 10% to 13.57%; and, for all other sectors increases are proportional.

PROGRAMMING OF NSDP OUTLAY

4.08 The revised financial allocation projections made now for various sectors for five years, 2006-2010 (table 4.3) are broad directions or indications for moving forward. In order to become operational, they have to be further broken down into clear proposals for specific capital and current expenditure on an annual basis. For this purpose, the following instruments have been put in place:

the three-year rolling Public Investment Programme (PIP) prepared by MOP, consisting of investments and technical assistance, both from domestic budget and external resources, but excluding current expenditure.

the three-year rolling Medium-Term-Expenditure Framework (MTEF) comprising budget expenditures, both capital and current (done by MEF).

the annual Budget (comprising investments and current expenditures), prepared by MEF; and

regular consultations conducted between RGC and EDPs by CRDB² and line ministries and agencies to ensure that EDP assistance is fully channelled to the NSDP priorities.

4.09 Four PIPs have been prepared 2006-2008, 2007-2009, 2008-2010, and 2009-2011 respectively³. They have attempted to clearly align sector projects to NSDP priorities. But, many projects included in the PIP for the period 2008-2010 or about 45% of funds required (US\$ 1,049 million out of the needed US\$ 2,325 million) are yet to be identified or secured. While Table 4:3 indicates the most preferred allocations under NSDP, PIPs at Annex II provide details of programmes or projects (including several shown as high priority but still to be funded) envisaged by RGC as necessary investments in the public sector.

4.10 More combined and concerted efforts are needed to: (a) coordinate the work of preparation of important documents, viz., PIP, MTEF, Budget and the AER and to bring synergy, proper sequencing, coherence and harmony among them; and (b) urgently reconcile, adjust and harmonise the data in PIPs prepared by MOP and the ODA data base maintained by CRDB⁴. This process and the overall monitoring of NSDP progress are to be conducted, as envisaged in paras 5.20 and 5.23 of the NSDP, by close coordination and cooperation among the four main central agencies, viz., MOP, MEF, SNEC and CRDB. However, much more active progress needs to take place, with urgency, in this regard. For this, one of these institutions needs to take the initiative and lead.

¹ The ongoing global credit crunch will have an impact on future FDIs and local investments

² CRDB prepares the annual Aid Effectiveness Report (AER) which also tracks EDP assistance.

³ Annex II: 1 to 4

⁴ PIPs ideally contain both domestic and externally aided investments while the ODA data base relates only to external assistance.

Table 4.3 : NSDP Allocations by Sector, 2006-2010
(Amount in millions of US\$)

Sector	Amount	%	Rural	%	Urban	%	Notes
							1
Social Sectors							
Education: Basic 60%	670	15.95%	402	60	268	40	2
Health	720	17.14%	504	70	216	30	
Sub-Total	1,390	33.10%					
Economic Sectors							
Agriculture & Land Mgmt: other than crops	200	4.76%	190	95	10	5	3
Seasonal Crops: Rice & others	370	8.81%	380	100	0		
Rural Development	420	10.00%	420	100	0		4
Manufacturing, Mining & Trade	100	2.38%	12	15	68	85	5
Sub-Total	1,090	25.95%					
Infrastructure							
Transportation (Primary & Secondary Roads)	690	16.43%	350	50	350	50	6
Water and Sanitation (excluding rural)	180	4.29%	19	10	171	90	7
Power & Electricity	160	3.81%	80	50	80	50	8
Post & Telecommunications	75	1.79%	35	50	35	50	9
Sub-Total	1,105	26.31%					
Services & Cross Sectoral Programmes							
Gender Mainstreaming	40	0.95%	12	30	28	70	10
Tourism	45	1.07%	13	25	38	75	
Environment and Conservation	120	2.86%	99	90	11	10	11
Community and Social Services	100	2.38%	75	75	25	25	
Culture & Arts	40	0.95%	20	50	20	50	
Governance & Administration	270	6.43%	54	20	216	80	12
Sub-Total	6150	14.64%					
Unallocated	Nil						
Grand Total:	4,200	100%	2,665	63%	1,536	37%	13

Explanatory Notes:

- (a) Amounts against each sector include resources available from all sources: RGC & EDPs (spent directly or thro' RGC)
(b) they include 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 Env & Conservation
- RD: Includes NCDD, rural roads, markets, irrigation schemes; water supply & sanitation; D&D; local governance
- Includes: employment generation and labour issues
- (a) Includes additional maintenance costs; (b) many primary and secondary roads will help rural areas -- hence (50%)
- Excludes activities in rural areas included under Rural Development
- Most investments in this sector should come from private sector
- Most investments in this sector should come from 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 poverty assessment; CSES, NSDP monitoring, etc
(c) Development cooperation management; (d) various elections; and (e) all other public admin. activities
- Slight difference in total figures (rural+urban) and grand total due to rounding of decimals.

CHAPTER V

MONITORING AND EVALUATION

5.01 Periodic and regular monitoring of implementation and progress of NSDP has been recognised as the key¹ to ensure that NSDP activities proceed along the intended path and at the required pace in order to achieve the set goals and targets. Such monitoring is also needed to assist in realigning or adjusting goals and targets taking into account emerging trends and realities.

5.02 Pursuant to Chapter VI of NSDP which outlines the objectives and processes for monitoring and evaluation, an NSDP Monitoring Framework (MF), was developed and agreed upon among all the four central agencies, viz., MOP, MEF, SNEC and CRDB (see Annex III). This is being actively pursued. Through two successive and intense workshops in 2008 among all the stakeholders the list of indicators was further discussed and reviewed. It was recognised that the NSDP mentions only the broad, overarching and critical goals and targets in table 3.2, leaving it to the respective sectors to develop more detailed sub-indicators they would need to monitor on a periodic basis, for their own management purposes and to report very important developments for inclusion in the NSDP annual progress reports. The review in 2008 also developed many such sub-indicators. An Agricultural Census as well as a more comprehensive CSES will be conducted in 2009 and an Economic Census is planned for 2011.

5.03 MF recognises that not all of the 43 goals and targets in table 3.2 could be monitored or measured on an annual basis since the needed data would be available or can be derived only from periodic surveys such as the CDHS and CSES. Accordingly, as described in the MF only 26 measurable indicators would be monitored mainly through data being collected by the ongoing administrative machinery of various line ministries and agencies and by the National Institute of Statistics or as may emerge from periodic surveys. It is not intended to set up separate tracking surveys for this purpose. In addition, line ministries and agencies would continue to gather other important data relevant to their functioning including on detailed CMDGs and sub-indicators. They would further conduct more detailed and clearer analysis of causes for success or failure in order to enable them to make informed choices and decisions on policy, plans and programmes to be pursued and other administrative actions to be taken to achieve their sectoral goals and targets.

5.04 Administrative data is collected at various levels including at the commune level. The NIS, as part of its mandate under the Statistical Master Plan, will progressively ensure improvement in the quality, standard and reliability of the data collection, analysis and presentation at all these levels through capacity development measures.



¹ Chapter VI of NSDP

CHAPTER VI

CONCLUSION

6.01 Progress in the implementation of NSDP during the last over two and half years, 2006-September 2008, has been satisfactory as outlined and discussed in the previous chapters. Continued enhancement of peace, political and social stability, improving law and order, and the very robust and favourable macro-economic growth, has facilitated this progress. However, there are many areas where more action is called for. The challenges have been accentuated further by the volatile global economic situation described in Box 2.1.

6.02 The challenging situation arising from the still evolving adverse global factors also present an immediate set of opportunities to reduce poverty by widening and diversifying the base of economic growth, and making the longer term future prospects more sustainable and less vulnerable to external shocks, through greater attention to rural areas and to improving agricultural productivity.

6.03 It has been noted in Chapter III that while some key targets for 2010 and as CMDGs for 2015 would be achieved or are within reach, some are unlikely to be achieved (Table 3.1). RGC intends to steadfastly pursue measures to achieve as many targets as possible within the set time frame.

6.04 There are still many imponderable external and internal factors which pose risks in the future, viz.,

Continuing global economic volatility and inflation.

Expected resources not being available, especially from EDPs.

World and regional political and security situation deteriorating due to terrorism, etc.

International trade barriers not being removed at the expected rate.

Outbreak of epidemics.

Natural calamities occurring at higher intensity than usual, such as repeated drought or flood affecting crop production and damaging infrastructure and property.

6.05 Much has been achieved so far but the path ahead is increasingly challenging and difficult, needing innovative approaches. With renewed determination and sense of purpose, RGC is confident that it could implement all aspects of NSDP subject of course to changes to be made from year to year to take into account ongoing realities, and availability of required resources. RGC expects full cooperation from all stakeholders (EDPs, civil society and internally from all ministries and agencies) in realising the goals of NSDP to improve the lives of all Cambodians, particularly in rapidly reducing poverty.



ANNEX I : 1**CAMBODIA : KEY MACRO-ECONOMIC INDICATORS**

Particulars	2005	2006	2007	2008	2009	2010
GDP (constant 2000 prices) Bn. Riels	22,009	24,380	26,868	28,736	30,607	32,759
-- Agriculture %	29.4	28.0	26.7	26.1	25.5	24.8
-- Crops %	15.0	14.2	14.0	13.8	13.6	13.3
-- Livestock & Poultry %	4.5	4.4	4.2	4.1	4.1	4.1
-- Fisheries %	7.7	7.3	6.6	6.4	6.1	5.9
-- Forestry %	2.2	2.1	1.9	1.8	1.7	1.6
-- Industry %	26.8	28.6	28.1	28.3	28.5	28.9
-- Manufacturing %	19.8	20.8	20.5	20.7	28.5	28.9
-- Garments alone %	14.6	15.9	15.9	16.1	16.4	16.6
-- Construction %	6.4	6.9	6.7	6.6	6.7	6.9
-- Services %	38.5	38.3	38.3	38.7	39.1	39.6
-- Trade %	8.7	8.4	8.4	8.4	8.4	8.1
-- Tourism (hotels & restaurants) %	4.3	4.4	4.4	4.6	4.7	4.9
-- Transport %	6.8	6.2	6.1	6.0	5.9	5.8
-- Other Services %	8.5	9.0	9.1	9.4	9.7	10.1
GDP Per Capita - 000 riels	1,862	2,108	2,416	2,892	3,217	3,505
GDP Per Capita - US\$	455	514	594	716	778	842
Real GDP - % increase	13.3	10.8	10.2	7.0	7.2	7.0
CPI Inflation in Riels (year-average) %	5.8	4.7	5.9	20.0	10.0	4.0
CPI Inflation in Riels (year-end) %	6.7	2.8	10.8	15.0	4.5	4.0
Riel/US\$ Parity (exchange rate)	4,117	4,058	4,000	4,130	4,143	4,163
Foreign Direct Investment (US\$ Mln)	381	483	868	944	718	825
Gross Foreign Reserves (mths of import)	2.5	2.5	3.3	3.6	3.5	3.5
Gross Foreign Reserves (US\$ million)	915	1,097	1,616	2,134	2,260	2,521
Exports (US\$ million)	2,910	3,692	4,088	4,557	5,090	5,698
Imports (US\$ million)	3,927	4,749	5,424	6,482	7,167	8,013
Current Account Balance (% of GDP)	-4.2	-2.0	-3.0	-7.7	-7.8	-8.2
(including official transfers)						
Fiscal Sector (% of GDP)						
Budget Revenue	10.6	11.4	12.1	12.5	12.8	13.1
-- Tax Revenue	7.7	8.0	10.2	10.4	10.7	11.0
-- Non-Tax Revenue	2.2	2.1	1.8	1.9	1.9	2.0
Budget Expenditure	13.2	14.1	14.8	14.6	14.3	14.0
-- Current Expenditure	7.6	7.9	8.2	8.2	8.2	8.5
-- Capital Expenditure	5.2	5.7	6.0	6.0	5.7	5.1
Current Surplus (CR billion)	471.0	355.8	1,116.4	1,515.8	1,742.0	1,951.0
Contribution ro FDI (exemptions)	5.2	5.6	5.5	5.2	5.3	5.5
<i>Source: NIS for 2005, 2006 & 2007; MEF for 2008-2010</i>						
<i>Continued next page</i>						

ANNEX I : 1**CAMBODIA : KEY MACRO-ECONOMIC INDICATORS**

Particulars	2005	2006	2007	2008 e	2009 p	2010 p
<i>Continued from previous page</i>						
GDP at Constant 2000 prices by Economic Activity (Annual % change)						
Agriculture, Fishery and Forestry	15.7	5.5	5.0	4.4	4.3	4.0
Crops	27.6	5.3	8.2	5.4	5.1	4.2
Livestock & Poultry	5.6	8.2	3.7	5.5	5.8	6.5
Fisheries	5.6	3.8	0.8	2.5	2.5	2.5
Forestry & Logging	5.1	7.0	1.1	1.1	1.1	1.1
Industry	12.7	18.3	8.4	7.5	7.3	8.5
Mining	26.3	15.9	6.4	7.1	5.0	7.3
Manufacturing	9.7	17.4	8.9	7.9	7.5	7.8
Food, Beverages & Tobacco	9.0	3.3	3.1	6.0	4.9	6.6
Textile, Wearing Apparel & Footwear	9.2	20.4	10.0	8.4	8.4	8.4
Wood, Paper & Publishing	10.0	8.4	4.9	6.2	7.3	9.0
Rubber Manufacturing	-9.0	3.3	9.6	5.1	4.8	2.8
Other Manufacturing	17.3	15.0	6.7	5.9	3.1	4.5
Electricity, Gas and Water	12.5	31.7	11.5	7.6	4.2	5.6
Construction	22.1	20.0	6.7	6.2	7.1	10.7
Services	13.1	10.1	10.1	9.0	8.9	8.6
Trade	8.5	7.1	9.5	7.1	5.0	5.1
Hotels & Restaurants	22.3	13.7	10.2	10.0	10.2	10.5
Transport & Communications	14.5	2.1	7.2	6.3	3.6	5.1
Finance	19.6	24.0	22.2	14.8	17.4	19.9
Public Administration	5.9	-1.2	0.1	2.2	2.1	2.4
Real Estate & Business	7.8	10.9	10.7	6.8	8.2	7.6
Other Services	18.3	17.2	12.1	10.1	10.1	11.8

Source: Ministry of Economy and Finance, 12 September 2008

ANNEX I:2

**CAMBODIA: ESTIMATED BUDGET CURRENT EXPENDITURE
ALLOCATION BY SECTORS & PRIORITY MINISTRIES
(In percentage of central government current expenditure)**

Particulars/Sectors	2005	2006	2007	2008p	2009p	2010p
General Administration	18.1	18.9	26.4	15.0	14.1	13.3
of which, Justice	0.60	0.56	0.48	0.65	0.64	0.68
Rest of General Administration	17.48	18.39	25.78	14.34	13.46	12.60
Defence & Security	22.93	22.09	18.87	15.65	15.82	15.97
Social Services	36.64	37.17	31.74	36.40	37.93	39.45
of which, Health	11.4	11.1	10.5	11.6	12.2	12.9
Education	17.83	18.92	15.12	17.84	18.97	20.09
Women's Affairs	0.53	0.56	0.46	0.60	0.63	0.66
Labour and Vocational training	4.85	4.59	3.96	4.26	4.01	3.77
Rest of Social Services	2.02	2.03	1.69	2.09	2.08	2.06
Economic Services	9.05	10.20	7.33	8.54	8.61	8.68
Agriculture, Forestry & Fishery	2.39	2.38	1.77	1.90	2.01	2.11
Rural Development	1.125	1.275	1.036	1.376	1.450	1.523
Urbanization and Construction	0.40	0.54	0.47	0.56	0.59	0.62
Rest of Economic Services	5.13	6.01	4.03	4.71	4.57	4.42
Contingency Reserves & Debt Service	13.30	11.59	13.51	24.41	23.54	22.62
Central Government Current Expenditure (Billion Riels)	1,967	2,355	3,264	3,487	3,978	4,553

Source: Ministry of Economy and Finance

ANNEX I:3**CAMBODIA: PROJECTED INVESTMENTS, 2006-2010**
(Million US\$)

Particulars/Sectors	2006	2007	2008	2009	2010	Total
Agriculture, Fishery & Forestry	237.3	293.5	359.3	389.8	420.4	1,700.3
Crops	195.5	242.9	294	319.9	345.6	1397.9
Livestock & Poultry	12.1	14.8	20.1	22.1	24.4	93.5
Fisheries	15.3	18.7	23.3	24.8	26.4	108.5
Forestry & Logging	14.4	17.1	21.9	23	24	100.4
Industry	826	1,257	1,275	1,392	1,521	6,271.6
Mining	56.1	101.7	80.7	85.2	97.9	421.6
Manufacturing	386.8	624.8	547.7	590.9	672.8	2823
Food, Beverages & Tobacco	36.5	51.7	49.4	53.9	61.1	252.6
Textile, Wearing Apparel & Footwear	162.3	250.3	229.2	250.4	284.6	1176.8
Wood, Paper & Publishing	9.4	12.4	13.5	15.2	17.3	67.8
Rubber Manufacturing	14.3	22.9	19.7	20.8	23.1	100.8
Other Manufacturing	164.3	287.5	235.9	250.7	286.8	1225.2
Electricity, Gas and Water	106.9	150.7	155.2	169.6	184.4	766.8
Construction	276.6	380	491.3	546	566.3	2260.2
Services	581	729.9	827.9	928.2	1040.6	4107.6
Trade	109.4	126.1	148.5	169.9	191	744.9
Hotel & Restaurants	79.9	111.7	115.6	128.9	148	584.1
Transport & Communications	98.2	119	147.2	161.3	175.8	701.5
Finance	14.3	18.9	23.9	29.9	37.2	124.2
Public Administration	116.8	145.9	168.5	180.2	191.3	802.7
Real Estate & Business	102.3	129.0	137.0	156.4	178.3	703.0
Other Services	60.1	79.3	87.2	101.6	119	447.2
Total	1,644.70	2,280.60	2,462.10	2,709.70	2,982.40	12,079.50
Total Investment	1,644.70	2,280.60	2,462.10	2,709.70	2,982.40	12,079.50
Public Investment	417.30	520.90	639.40	681.20	674.00	2,932.80
Domestic Financed	59.3	64.9	155.5	177.5	197.7	654.9
Foreign Financed	358.0	456.0	483.9	503.7	476.3	2,277.9
Private Investment	1,227.40	1,759.70	1,822.70	2,028.50	2,308.40	9,146.70
Domestic Financed	752.4	892.7	1140.7	1,310.50	1,482.70	5,579.0
Foreign Financed	475.0	867.0	682.0	718.0	825.7	3,567.7
Total Domestic Financed	811.70	957.60	1,296.20	1,488.00	1,680.40	6,233.90
Total Foreign Financed	833.00	1,323.00	1,165.90	1,221.70	1,302.00	5,845.60

Source: Ministry of Economy and Finance

1. Public Sector Investment (Capital) as per MEF Projections	2,933.00
2. Additional Expenditures:	
-- Agriculture, Infrastructure, addl. Current expenditure	767.00
Technical Assistance, Training & Surveys	500.00
Total NSDP Outlay:	4,200.00

ANNEX II:1

PUBLIC INVESTMENT PROGRAMME (PIP), 2006-2008 (*1)

TABLE 1 : SUMMARY BY SECTOR (US\$ 000)

Sector	NSDP Target (*2) %	Total Planned Programme 2006-08		Available Resources On-Going and Committed Projects				Additional Funds Needed (*3)	
		Amt	%	Government Amt	EDPs Amt	Total	%	Amt	%
Social Sectors									
Health	17.14	353,359	17.89	127,172	185,372	312,544	88.4	40,815	11.6
Education	15.71	315,108	15.95	110,743	172,969	283,712	90.0	31,396	10.0
Sub-Total	32.85	668,467	33.85	237,915	358,341	596,256	89.2	72,211	10.8
Economic Sectors									
<i>Agriculture & Land Mgmt</i>	10.00	210,692	10.67	6,919	118,225	125,144	59.4	85,548	40.6
-- Crops	5.71	121,505	6.15	2,563	50,577	53,140	43.7	68,365	56.3
-- Other than crops	4.29	89,187	4.52	4,356	67,648	72,004	80.7	17,183	19.3
Rural Development	10.00	204,736	10.37	17,326	127,256	144,582	70.6	60,154	29.4
Manufacturing, Mining & Trade	2.29	54,318	2.75	211	24,357	24,568	45.2	29,750	54.8
Sub-Total	22.29	469,746	23.78	24,456.00	269,838.00	294,294	62.65	175,452.00	37.35
Infrastructure									
Transportation	15.71	330,488	16.73	14,282	199,724	214,006	64.8	116,482	35.2
Water & Sanitation	4.29	96,119	4.87	3,541	64,241	67,782	70.5	28,337	29.5
Power & Electricity	3.43	87,315	4.42	4,000	70,845	74,845	85.7	12,470	14.3
Posts & Telecommunications	1.71	36,954	1.87	3,250	1,193	4,443	12.0	32,511	88.0
Sub-Total	25.14	550,876	27.89	25,073	336,003	361,076	65.55	189,800	34.45
Services & Cross-Sectoral									
Gender Mainstreaming	0.86	16,520	0.84		15,700	15,700	95.0	820	5.0
Tourism	0.86	17,295	0.88		10,525	10,525		6,770	
Environment & Conservation	2.86	66,595	3.37	2,453	55,455	57,908	87.0	8,687	13.0
Community & Social Services	2.29	40,666	2.06	0	6,771	6,771	16.7	33,895	83.3
Culture & Arts	0.86	19,700	1.00			0		19,700	
Governance & Administration	6.29	125,135	6.34	4,424	64,632	69,056	55.2	56,079	44.8
Sub-Total	14.00	285,911	14.48	6,877	153,083	159,960	55.9	125,951	44.1
Unallocated	5.71								
Grand Total	100	1,975,000	100	294,321	1,117,265	1,411,586	71.47	563,414	28.53

<i>Outside NSDP Priority</i>		10,113
	Projects	Amount
<i>PIP Projects for 2006-2008</i>	617	1,975,000
Investments & related projs	394	1,570,359
Free Standing TA projects	223	404,641
Total: - Ongoing	298	1,321,728
- Committed	36	294,640
Investments & related	203	1,269,712
Free Standing TA	131	346,656
Total: Priority Pipeline projs.	283	358,632
Investments & related	191	300,647
Free Standing TA	92	57,985

* NOTES:

1. Source: Databases of MOP and CRDB/CDC: Projects not reported by EDPs (particularly NGOs) not included.
2. Percentage of NSDP allocations shown for comparison.
3. Includes needs of ongoing or committed projects and of high priority pipeline projects.

ANNEX II:2

PUBLIC INVESTMENT PROGRAMME (PIP), 2007-2009 (*1)
TABLE 1 : SUMMARY BY SECTOR (US\$ 000)

Sector	NSDP Target (*2)	Total Planned Programme (*3)		Planned Programme		Total Planned Programme		Available Resources On-Going and Committed Projects				Additional Funds Needed		
		2006-2009		2006 (*4)		2007-2009		Government	DPs			(*5)		
		%	Amt	%	Amt	%	Amt	%	Amt	Amt	Total	%	Amt	%
Social Sectors														
Health	17.14	476,109	17.72	91,235	17.96	384,874	17.45	127,172	147,179	274,351	71.3	110,523	28.7	
Education	15.71	429,798	16.00	87,226	17.17	342,572	15.54	93,626	160,113	253,739	74.1	88,833	25.9	
Sub-Total	32.85	905,907	33.72	178,461	35.13	727,446	32.99	220,798	307,292	528,090	72.6	199,356	27.4	
Economic Sectors														
<i>Agriculture & Land Mgmt</i>	10.00	269,634	10.04	47,740	9.40	222,454	10.09	7,009	91,788	98,797	44.4	47,740	21.5	
-- Crops	5.71	157,267	5.85	33,019	6.50	124,248	5.63	3,919	40,819	44,738	36.0	79,509	64.0	
-- Other than crops	4.29	112,367	4.18	14,721	2.90	98,206	4.45	3,090	50,969	54,059	55.0	43,710	44.5	
Rural Development	10.00	300,442	11.18	55,630	10.95	244,812	11.10	37,262	53,094	90,356	36.9	154,455	63.1	
Manufacturing, Mining & T	2.29	67,418	2.51	10,979	2.16	56,438	2.56	211	13,378	13,589	24.1	42,849	75.9	
Sub-Total	22.29	637,494	23.73	114,349	22.51	523,704	23.75	44,482.0	158,260	202,742	38.71	245,044	46.79	
Infrastructure														
Transportation	15.71	428,405	15.95	75,120	14.79	353,285	16.02	11,094	109,724	120,818	34.2	232,467	65.8	
Water & Sanitation	4.29	136,234	5.07	21,837	4.30	114,397	5.19	4,441	82,310	86,751	75.8	27,646	24.2	
Power & Electricity	3.43	118,715	4.42	24,817	4.89	93,899	4.26	4,000	65,198	69,198	73.7	24,710	26.3	
Posts & Telecommunications	1.71	51,287	1.91	10,023	1.97	41,265	1.87	3,250	1,193	4,443	10.8	36,822	89.2	
Sub-Total	25.14	734,641	27.35	131,797	25.94	602,846	27.34	22,785	258,425	281,210	46.65	321,645	53.35	
Services & Cross-Sectoral														
Gender Mainstreaming	0.86	31,021	1.15	5,106	1.01	25,915	1.18	800	14,414	15,214	58.7	10,701	41.3	
Tourism	0.86	40,390	1.50	3,210	0.63	37,180	1.69	900	13,625	14,525	39.1	22,655	60.9	
Environment & Conservation	2.86	96,331	3.59	17,917	3.53	77,891	3.53	2,385	38,651	41,036	52.7	36,855	47.3	
Community & Social Services	2.29	50,494	1.88	4,129	0.81	46,365	2.10	450	15,540	15,990	34.5	29,824	64.3	
Culture & Arts	0.86	24,550	0.91	400	0.08	24,150	1.10			0		24,150	100.0	
Governance & Administration	6.29	192,135	7.15	52,632	10.36	139,503	6.33	4,701	39,565	44,266	31.7	100,534	72.1	
Sub-Total	14.00	434,921	16.19	83,394	16.42	351,004	15.92	9,236	121,795	131,031	37.3	224,719	64.0	
Unallocated	5.71													
Grand Total	100	2,686,440	100	508,001	100	2,205,000	100	295,261	848,507	1,143,768	51.9	1,060,243	48.1	

	Projects	Amount
<i>PIP Projects for 2007-2009</i>	605	2,205,000
Investments & related projs	393	1,814,005
Free Standing TA projects	212	390,995
Total: - Ongoing	331	1,567,556
Investments & related	200	1,254,758
Free Standing TA	131	312,798
Total: Priority Pipeline projs.	274	637,444
Investments & related	193	559,245
Free Standing TA	81	78,199

* NOTES:

1. Source: Databases of MOP and CRDB/CDC: Projects not reported by EDPs (particularly NGOs) not included.
2. Percentage of NSDP allocations shown for comparison
3. Includes \$ 508 million estimated to have been spent in 2006 plus programmed amount for three years 2007-09
4. Estimated \$508 million have been spent in 2006 compare with amount for four years 2006-09
5. Includes needs of ongoing or committed projects and of high priority pipeline projects.

ANNEX II:3

PUBLIC INVESTMENT PROGRAMME (PIP), 2008-2010 (*1)

TABLE 1 : SUMMARY BY SECTOR (US\$ 000)

Sector	NSDP Target (*2) %	Total Planned Programme (*3) 2007-2010		Planned Programme 2007 (*4)		Total Planned Programme 2008-2010		Available Resources On-Going and Committed Projects				Additional Funds Needed (*5)	
		Amt	%	Amt	%	Amt	%	Government	EDPs	Total	%	Amt	%
Social Sectors													
Health	17.14	570,695	19.08	160,523	24.10	410,171	17.64	156,567	133,674	290,241	70.8	119,930	29.2
Education	15.71	468,174	15.65	101,607	15.26	366,567	15.77	137,002	129,565	266,567	72.7	100,000	27.3
Sub-Total	32.85	1,038,869	34.73	262,130	39.36	776,738	33.41	293,569	263,239	556,808	71.7	219,930	28.3
Economic Sectors													
Agriculture & Land Mgmt	10.00	256,478	8.57	22,857	3.43	233,621	10.05	3,566	54,956	58,522	25.0	175,099	75.0
-- Crops	5.71	155,297	5.19	17,598	2.64	137,699	5.92	1,666	38,693	40,359	29.3	97,340	70.7
-- Other than crops	4.29	101,181	3.38	5,259	0.79	95,922	4.13	1,900	16,263	18,163	18.9	77,759	81.1
Rural Development	10.00	365,252	12.21	76,828	11.54	288,424	12.41	49,375	101,333	150,708	52.3	137,716	47.7
Manufacturing, Mining & Trade	2.29	57,023	1.91	14,449	2.17	42,574	1.83	211	8,293	8,504	20.0	34,070	80.0
Sub-Total	22.29	678,753	22.69	114,134	17.14	564,619	24.28	53,152.00	164,582	217,734	38.56	346,885	61.44
Infrastructure													
Transportation	15.71	562,729	18.81	173,628	26.07	389,101	16.74	39,897	204,419	244,316	62.8	144,785	37.2
Water & Sanitation	4.29	126,808	4.24	21,946	3.30	104,862	4.51	900	45,670	46,570	44.4	58,292	55.6
Power & Electricity	3.43	104,964	3.51	12,422	1.87	92,542	3.98	9,400	69,222	78,622	85.0	13,920	15.0
Posts &	1.71	55,037	1.84	398	0.06	54,639	2.35	1,100	12,800	13,900	25.4	40,739	74.6
Sub-Total	25.14	849,538	28.40	208,394	31.29	641,144	27.58	51,297	332,111	383,408	59.80	257,736	40.20
Services & Cross-													
Gender Mainstreaming	0.86	22,041	0.74	4,231	0.64	17,810	0.77	100	5,261	5,361	30.1	12,449	69.9
Tourism	0.86	36,801	1.23	4,331	0.65	32,470	1.40	2,400	6,900	9,300	28.6	23,170	71.4
Environment &	2.86	79,755	2.67	12,843	1.93	66,912	2.88	990	33,621	34,611	51.7	32,301	48.3
Community & Social	2.29	47,267	1.58	9,027	1.36	38,240	1.64	450	6,413	6,863	17.9	31,377	82.1
Culture & Arts	0.86	24,650	0.82	301	0.05	24,350	1.05					24,350	100.0
Governance &	6.29	213,326	7.13	50,609	7.60	162,717	7.00	1,900	60,506	62,406	38.4	100,311	72.8
Sub-Total	14.00	423,840	14.17	81,342	12.21	342,499	14.73	5,840	112,701	118,541	34.6	223,958	65.4
Unallocated	5.71												
Grand Total	100	2,991,000	100	666,000	100	2,325,000	100	403,858	872,633	1,276,491	54.9	1,048,509	45.1

	Projects	Amount
<i>PIP Projects for 2008-2010</i>	585	2,325,000
Investments & related projs	401	1,997,506
Free Standing TA projects	184	327,494
Total: - Ongoing	286	1,664,782
Investments & related	184	1,420,514
Free Standing TA	102	244,268
Total: Priority Pipeline projs.	299	660,218
Investments & related	217	576,992
Free Standing TA	82	83,226

* NOTES:

1. Source: Databases of MOP and CRDB/CDC: Projects not reported by EDPs (particularly NGOs) not included.
2. Percentage of NSDP allocations shown for comparison.
3. Includes \$ 666 million estimated to have been spent in 2007 plus programmed amount for three years 2008-2010.
4. Estimated \$666 million have been spent in 2007 compared with amount for four years 2007-2010.
5. Includes needs of ongoing or committed projects and of high priority pipeline projects.

ANNEX II:4

PUBLIC INVESTMENT PROGRAMME (PIP), 2009-2011 (*1)

TABLE 1 : SUMMARY BY SECTOR (US\$ 000)

Sector	NSDP Target (*2) %	Total Planned Programme (*3) 2008-2011		Planned Programme 2008 (*4)		Total Planned Programme 2009-2011		Available Resources On-Going and Committed Projects				Additional Funds Needed (*5)		
		Amt	%	Amt	%	Amt	%	Government		EDPs		Amt	%	
								Amt	%	Amt	%			
Social Sectors														
Health	17.14	591,583	18.60	153,894	22.30	437,689	17.58	247,268	145,352	392,620	89.7	45,069	10.3	
Education	15.71	512,071	16.10	124,916	18.10	387,155	15.55	117,987	116,175	234,162	60.5	152,993	39.5	
Sub-Total	32.85	1,103,654	34.71	278,810	40.41	824,844	33.13	365,255	261,527	626,782	76.0	198,062	24.0	
Economic Sectors														
<i>Agriculture & Land Mgmt</i>	10.00	287,837	9.05	36,801	5.33	251,036	10.08	2,398	68,393	70,791	28.2	180,245	71.8	
-- Crops	5.71	184,306	5.80	26,337	3.82	157,969	6.34	1,866	57,833	59,699	37.8	98,270	62.2	
-- Other than crops	4.29	103,531	3.26	10,464	1.52	93,067	3.74	532	10,560	11,092	11.9	81,975	88.1	
Rural Development	10.00	344,063	10.82	77,206	11.19	266,856	10.72	9,217	126,744	135,961	50.9	129,396	48.5	
Manufacturing, Mining & Trade	2.29	67,125	2.11	6,293	0.91	60,832	2.44	211	4,196	4,407	7.2	56,425	92.8	
Sub-Total	22.29	699,025	21.98	120,300	17.43	578,724	23.24	11,826	199,333	211,159	36.49	366,066	63.25	
Infrastructure														
Transportation	15.71	572,011	17.99	144,551	20.95	427,460	17.17	15,378	311,190	326,568	76.4	105,892	24.8	
Water & Sanitation	4.29	112,197	3.53	15,374	2.23	101,823	4.09	584	26,117	26,701	26.2	70,122	68.9	
Power & Electricity	3.43	145,392	4.57	40,122	5.81	105,270	4.23	15,000	85,650	100,650	95.6	4,620	4.4	
Posts & Telecommunications	1.71	81,760	2.57	17,045	2.47	64,715	2.60	1,600	38,122	39,722	61.4	24,993	38.6	
Sub-Total	25.14	911,360	28.66	217,092	31.46	699,268	28.08	32,562	461,079	493,641	70.59	205,627	29.41	
Services & Cross-Sectoral														
Gender Mainstreaming	0.86	26,894	0.85	3,217	0.47	23,677	0.95	0	3,556	3,556	15.0	20,121	85.0	
Tourism	0.86	40,355	1.27	2,700	0.39	37,655	1.51	1,200	3,800	5,000	13.3	32,655	86.7	
Environment & Conservation	2.86	83,506	2.63	4,998	0.72	78,508	3.15	915	19,672	20,587	26.2	57,921	73.8	
Community & Social Services	2.29	54,727	1.72	5,379	0.78	49,348	1.98	0	4,942	4,942	10.0	44,406	90.0	
Culture & Arts	0.86	31,569	0.99	0	0	31,569	1.27	0	0	0	0	31,569	100.0	
Governance & Administration	6.29	223,910	7.04	57,504	8	166,407	6.68	4,850	31,247	36,097	21.7	130,310	72.8	
Sub-Total	14.00	460,961	14.50	73,798	10.70	387,164	15.55	6,965	63,217	70,182	18.1	316,982	81.9	
Unallocated	5.71													
Grand Total	100	3,180,000	100	690,000	100	2,490,000	100	416,608	985,156	1,401,764	56.3	1,088,236	43.7	

	Projects	Amount
<i>PIP Projects for 2009-2011</i>	552	2,490,000
Investments & related projs	388	2,131,251
Free Standing TA projects	164	358,749
Total: - Ongoing	239	1,739,141
Investments & related	154	1,466,119
Free Standing TA	85	273,022
Total: Priority Pipeline projs.	313	750,859
Investments & related	234	665,132
Free Standing TA	79	85,727

* NOTES:

1. Source: Databases of MOP and CRDB/CDC: Projects not reported by EDPs (particularly NGOs) not included.
2. Percentage of NSDP allocations shown for comparison.
3. Includes \$690 million estimated to have been spent in 2008 plus programmed amount for three years 2009-2011
4. Estimated \$690 million have been spent in 2008 compare with amount for four years 2008-2011
5. Includes needs of ongoing or committed projects and of high priority pipeline projects.

NSDP MONITORING FRAMEWORK

I. BACKGROUND

1. The National Strategic Development Plan (NSDP) for 2006-2010 *is the single, overarching document that outlines RGC's priority goals and strategies to reduce poverty rapidly, and to achieve other CMDGs and socio-economic development goals for the benefit of all Cambodians.* It operationalises the Rectangular Strategy to achieve its intended goals. Also, a Public Investment Program (PIP) for 2006-2008 to support the implementation of the NSDP has been prepared. Both of these documents were approved by the Royal Government at a Cabinet meeting on 27 January 2006. These documents will also guide the external development partners in aligning and harmonizing their efforts to improve aid-effectiveness and to secure a higher "net transfer of resources" focused on reducing poverty among the poor in Cambodia and achieving targeted development results better and more efficiently than has been the case in the past.

2. The Royal Government will be monitoring the implementation of the NSDP by:

Preparing an annual progress report on the implementation of the NSDP.

Carrying out a comprehensive review, towards the end of 2009, of progress made in achieving the targeted development results of NSDP, e.g. reduction in the overall poverty rate from the current levels (2005 assessment) at the national and sub-national levels and other CMDGs; and identifying opportunities and constraints to guide and serve as important inputs in formulating the NSDP 2011-2015.

3. This note outlines the objectives, coverage and methodology for the preparation of the annual progress reports on the implementation of the NSDP, i.e. item (i) in paragraph 2 above.

II. OBJECTIVES

4. The main objectives of the annual monitoring of progress in the implementation of the NSDP are to present a succinct analysis on:

Degree of alignment of development resources, both from National Budget and ODA, with the sectoral allocation of development resources and priorities outlined in the NSDP, including an analysis on the national and ODA resources that were allocated for programs and projects constituting the PIP 2006-2008, and national and ODA resources that were provided to support programs and projects outside the PIP 2006-2008.

Progress in achieving the socio-economic development targets of NSDP at the national and sub-national levels, including the CMDGs, and recommendations to achieve the targeted development results.

III. ISSUES TO BE ADDRESSED IN THE ANNUAL MONITORING PROGRESS REPORT

5. The annual monitoring progress report will provide analysis on the following issues:

The degree of alignment of the allocation and disbursement of financial resources in the National Budget with the sectoral priorities targeted in the NSDP.

The degree of alignment of pledges and disbursements by the external development partners with sectoral priorities targeted in the NSDP (Table 5.2 of NSDP).

Progress in implementing key strategies and actions in various sectors outlined in NSDP, in particular preparation of sector plans at the national and sub-national levels, where they do not exist at present.

Assessment of progress made in achieving selected core indicators of NSDP (Table 3.2 of NSDP).

Recommendations and proposed adjustments to the NSDP.

IV. METHODOLOGY AND INSTITUTIONAL RESPONSIBILITY

6. The choice of methodology is governed by the basic principle that the annual monitoring of progress will be based on administrative statistics from implementing institutions and available updated information from the National Institute of Statistics (NIS) and/or other secondary sources with a minimal, if any, stand alone primary data collection effort. A high priority will be given to capacity development in terms of the Statistical Master Plan and other mechanisms in areas where systems for collecting and analyzing the required administrative statistics are not robust enough or need to be put in place as an important element of the annual monitoring process.

7. Out of the 43 core indicators of NSDP, the 26 indicators for which administrative statistics are or can be collected by relevant ministries/agencies and by the NIS are shown in Annex I. The Ministry of Planning has already begun discussions with the concerned ministries/agencies to prepare the information on these selected core indicators along with a qualitative assessment of progress in their sectors as the input in the preparation of the annual monitoring report. In addition, the MEF has agreed to prepare and provide an assessment on issue (i) listed in section III above, and the CDC/CRDB has agreed to prepare and provide to MOP an assessment on issues (ii) listed in section III above. A summary of the roles and responsibilities of ministries and agencies in the preparation of the Annual Monitoring Report is presented in Annex II.

8. The Ministry of Planning (MOP) will lead the task of preparation of the Annual Monitoring Report in close collaboration with the Ministry of Economy and Finance (MEF), the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CDC/CRDB), and the Supreme National Economic Council (SNEC). A high level steering committee has been set up in regard to monitoring NSDP implementation and reporting.

Table 1: NSDP Indicators to be covered in Annual Monitoring of Progress

Core indicators		Included (Y=yes, N=no)	Responsible institution	Source*
Eradicate – Poverty & Hunger				
1	Poverty levels % of population -- 2004 -- in 59% of country covered by 1993/94 survey	N		
2	Poverty levels % rural population – 2004 -- in areas covered by 1993/94 survey	N		
3	People below food poverty line % -- 2004 -- in areas covered by 1993/94 survey	N		
Enhance Agricultural Production and Diversification				
4	Paddy yield per hectare (tons)	Y	MAFF	MAIS
5	Irrigated area – including supplemental irrign., (% of rice area)	Y	MOWRAM	MAIS
6	Land Reforms: Land Titles to farmers -- % of Total agri. land	Y	MLMUPC	MAIS
Improvements in Health				
7	Infant Mortality Rate per 1,000 live births	N		
8	> 5 Mortality Rate per 1,000 live births	N		
9	Maternal Mortality per 100,000 live births	N		
10	Births attended by skilled health personnel -- %	Y		
11	HIV/AIDS prevalence, % of adults 15-49	Y	NAA	MAIS
12	Malaria Cases - fatality %	Y	MOH	MAIS
13	TB smear positive cases, per 100,000	Y	MOH	MAIS
14	Married women using modern birth spacing methods (%)	Y	MOH	MAIS
15	% of health facilities providing reproductive health services	Y	MOH	MAIS
Improvements in Education (*)				
16	Net Enrolment: Primary Schools -- Total: Boys; Girls --%	Y	MOEYS	MAIS
17	Net Enrolment: Lower Sec. Schools --Total: Boys; Girls -- %	Y	MOEYS	MAIS
18	Survival rate % : 1-6:	Y	MOEYS	MAIS
19	Survival rate % : 1-9:	Y	MOEYS	MAIS
20	6-14 years out of school (%)	N		
Rural Development				
21	Rural Roads rehabilitated – Kms (out of total 28,000)	Y	MRD	MAIS
22	Safe Drinking water access -- % rural population	N		
23	Sanitation access -- % rural population	N		
Environmental Sustainability (*)				
24	Forest Cover -- % of total area	Y	MAFF	MAIS
25	Fuel Wood dependency: Households -- %	N		
26	Access to safe water supply -- % of urban population	Y	MIME	MAIS
27	Access to improved sanitation -- % or urban population	Y	MIME	MAIS
Gender Equity (*)¹				
28	Mainstream gender in all spheres	Y	MOWA	MAIS
a)	Concerned ministries/agencies have formulated their gender mainstreaming Action Plan	Y	MOWA	MAIS
b)	Concerned ministries/agencies have implemented their gender mainstreaming Action plan	Y	MOWA	MAIS
29	Female share of wage employment -- agriculture, industry, services (%)	N		
30	Level of awareness that violence against women is wrongful and a crime (%)	Y	MOWA	MAIS
Reforms				
31	Accelerate Governance Reforms	N		
a)	Finalize and approve Anti-corruption Law, based on best international practices	Y	MNASRI, COM	
b)	Prepare and submit for National Assembly approval a set of Organic Laws on democratic development at sub-national levels	Y	IMC	
Sustain high Macro-Economic Growth (*)				
32	Annual GDP Growth at constant prices - %	Y	NIS	MAIS
33	Per Capita GDP at constant prices (000 Riels)	Y	NIS	MAIS
34	Rate of Inflation %	Y	NIS	MAIS
Improve Budget Performance				
35	Total Government budget revenues - % of GDP	Y	MEF	MAIS
36	Total Government budget expenditure -- % of GDP	Y	MEF	MAIS
Accelerate Industrial Growth & Employment				
37	Annual Growth in manufacturing - constant prices (%)	Y	MIME	MAIS
38	Working children aged 5-17 years -- %	N		
Tourism				
39	Annual Tourist arrivals nos -- 000s	Y	MOT	MAIS
De-mining, Victim Assistance (*)				
40	Casualties (deaths and injuries) nos.	Y	CMMA	MAIS
41	Area affected cleared of mines and ERW-- %	Y	CMMA	MAIS
Infrastructure				
42	Length of paved roads (primary & secondary) out of 11,310- kms	Y	MPWT	MAIS
Energy				
43	Per capita use of electricity - Kwh	Y	MIME	MAIS

¹ Note: MAIS= Ministry/Agency's Administrative Information System

Table 2: Role and Responsibilities of the Ministries and Agencies in the Preparation of the Annual Monitoring Progress Report

Issue/area	Responsible institutions(s)	Time frame
The degree of alignment of the allocation and disbursement of financial resources in the National Budget with the sectoral priorities targeted in the NSDP.	MEF	To be sent to MOP by 31 December 2006
The degree of alignment of pledges and disbursements by development partners with sectoral priorities targeted in the NSDP (Table 5.2 of NSDP).	CDC/CRDB	To be sent to MOP by 31 December 2006
Progress in implementing key strategies and actions in various sectors outlined in NSDP, in particular preparation of sector plans at the national and sub-national levels, where they do not exist at the present time.	Concerned line ministries/agencies	To be sent to MOP by 31 December 2006
Assessment of progress made in achieving selected core indicators of NSDP (Table 3.2 of NSDP).	Concerned line ministries/agencies	To be sent to MOP by 31 December 2006
Recommendations and proposed adjustments in NSDP.	Concerned line ministries/agencies	To be sent to MOP by 31 December 2006
Preparation of first draft of NSDP-APR.	MOP	First week of January 2007
First draft sent to concerned ministries and agencies and EDPs for comments, suggestions, and corrections.	MOP	Second week of February 2007
Recommendations and proposed adjustments in NSDP-APR.	Concerned line ministries/agencies, EDPs	To be sent to MOP by 27 February 2007
Presentation and discussion on the second draft of NSDP-APR at an inter-ministerial meeting.	MOP	Mid of March 2007
Review and additional policy inputs to the third draft report.	SNEC	Third week of March 2007
Approval of the NSDP-APR by the RGC.	COM	First week of April

ABBREVIATIONS & 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

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	snec.gov.kh
SPS	State Secretariat for Public Services	sspf.gov.kh