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Prime Minister
of the Royal Government of Cambodia

Message

Rising again in the beginning of 1979 from nearly four years of almost total destruction of social and economic institutions and decimation of manpower, Cambodians have displayed tremendous resilience and have come a long way in rebuilding capacities and institutions. Successive governments have guided and steered this process. Beginning in 1998, the Royal Government has achieved and ensured steady peace, without any internal conflicts of the past. With unflinching commitment to basic principles of governance and human development oriented emphasis on progress the Royal Government has ensured robust growth in all spheres.

When one starts from below ground zero, as Cambodia did, with urgent and pressing priorities to be met in every sphere of human activity, any investment, indeed any expenditure, contributes one way or the other to growth.

Having achieved stable growth for a number of years successively and successfully, Cambodia has gained confidence and is now poised on an important threshold in its journey into the future. Cambodians have reached a crucial platform and look to their future with optimism and hope. The choices we make and the steps we take now will determine whether we have used this moment of opportunity and made a positive contribution in the next decade of development. It is time now to make the choices and take the first steps with a clear focus, conviction, and a strong sense of purpose.

Poverty levels in Cambodia have registered a significant decline since 1993, in those parts, which were surveyed then. Such decline has occurred mainly through widespread economic growth. The latest survey figures highlight the areas of still lingering poverty needing focused attention and targeted action to reach Cambodia Millennium Development Goals (CMDGs) in reducing poverty. It is time now that resources begin to be properly directed and effectively used to maximise benefits for the disadvantaged and the deprived to lift them into the mainstream.

Consolidating and building on the achievements of the past, the Royal Government is committed to achieving the human development oriented CMDGs by 2015 through a Rectangular Strategy following the Triangle Strategy of the Royal Government for well-orchestrated attention to, as well as investment and growth in, priority sectors. Social and economic growth should be equitable, and opportunities and benefits affordable and accessible to all, both geographically and between the rich and the poor. We shall use scarce resources for the maximum benefit of all Cambodians, particularly the poor, and not leave investment in the public sector to the choices of others.

The Royal Government gratefully acknowledges that our progress since 1993 has been made possible largely by generous financial and technical support from our external development partners. We are very thankful to them. However, much of the external resources in the past had been used directly by the providers on programmes and activities of their choice, outside government purview or scrutiny. A large share has also been spent on intangible items like technical assistance. In the future however, the Royal Government will take full charge of the entire process and ensure that all resources, government and external development partners', are clearly directed to priorities and sectors chosen by the government. It will further pursue to ensure that the highest proportion of external funds is used as 'resource transfers' for development.

The National Strategic Development Plan (2006-2010), has been formulated using the comprehensive Rectangular Strategy of the Royal Government of Cambodia and synthesises various policy documents (Cambodia Millennium Development Goals, National Poverty Reduction Strategy, National Population Policy, etc) and through extensive consultations were also held among all stakeholders. It provides the framework and compass for growth, employment, equity, and efficiency to reach CMDGs and well-focused and directed future equitable development, pro-poor and pro-rural. It will take the country on an assured growth path, at once sustainable. It lays out the vision, goals, strategies and priority actions for the next five years. It makes balanced, realistic and feasible allocations to various sectors on a priority basis. Its implementation will be closely and regularly monitored to make annual adjustments.

The Royal Government recognises the crucial necessity to install and strengthen proper institutions of governance, processes and procedures through well thought out reforms to ensure sustainable development. But Angkor Wat was not built in a day. Nor can destroyed institutions of Cambodia be rebuilt overnight -- economic, social, government, financial or others. But step-by-step, steady progress has started at a rapid pace not witnessed elsewhere in the world. Actual implementation of reforms and practice of laws and procedures would over time imbue the entire system with best practices and cement and solidify various institutions essential in any democracy as has happened elsewhere in the world, albeit over a much longer period.

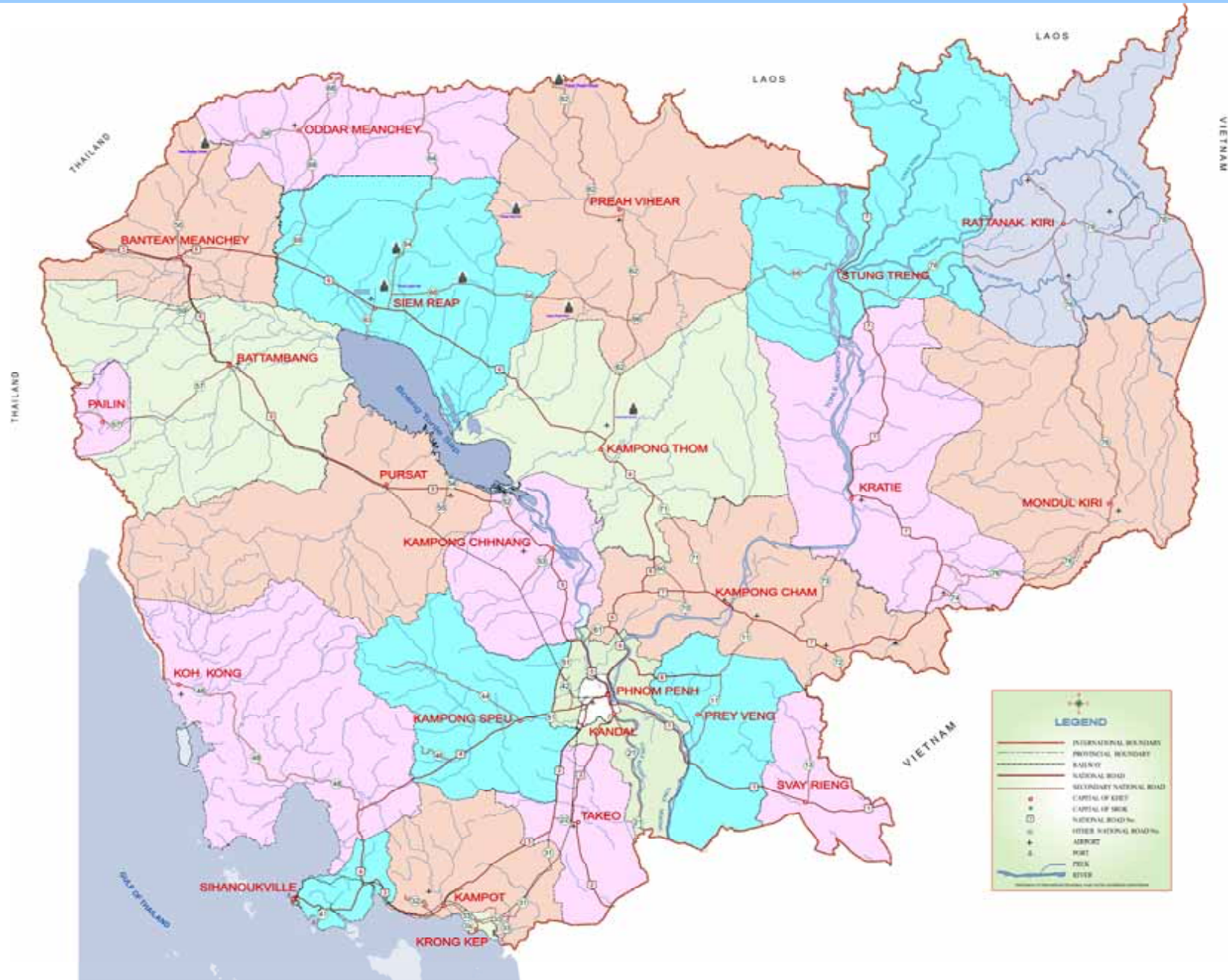
NSDP is a blue print for further progress on building the edifice of a new Cambodia, and is the single, all-encompassing RGC document for the next five years.

I urge and expect all government agencies and external development partners to strictly adhere to the priorities set out in the NSDP.

Sd/-

Samdech Hun Sen
Prime Minister
22 December 2005

MAP OF CAMBODIA



RECTANGULAR STRATEGY

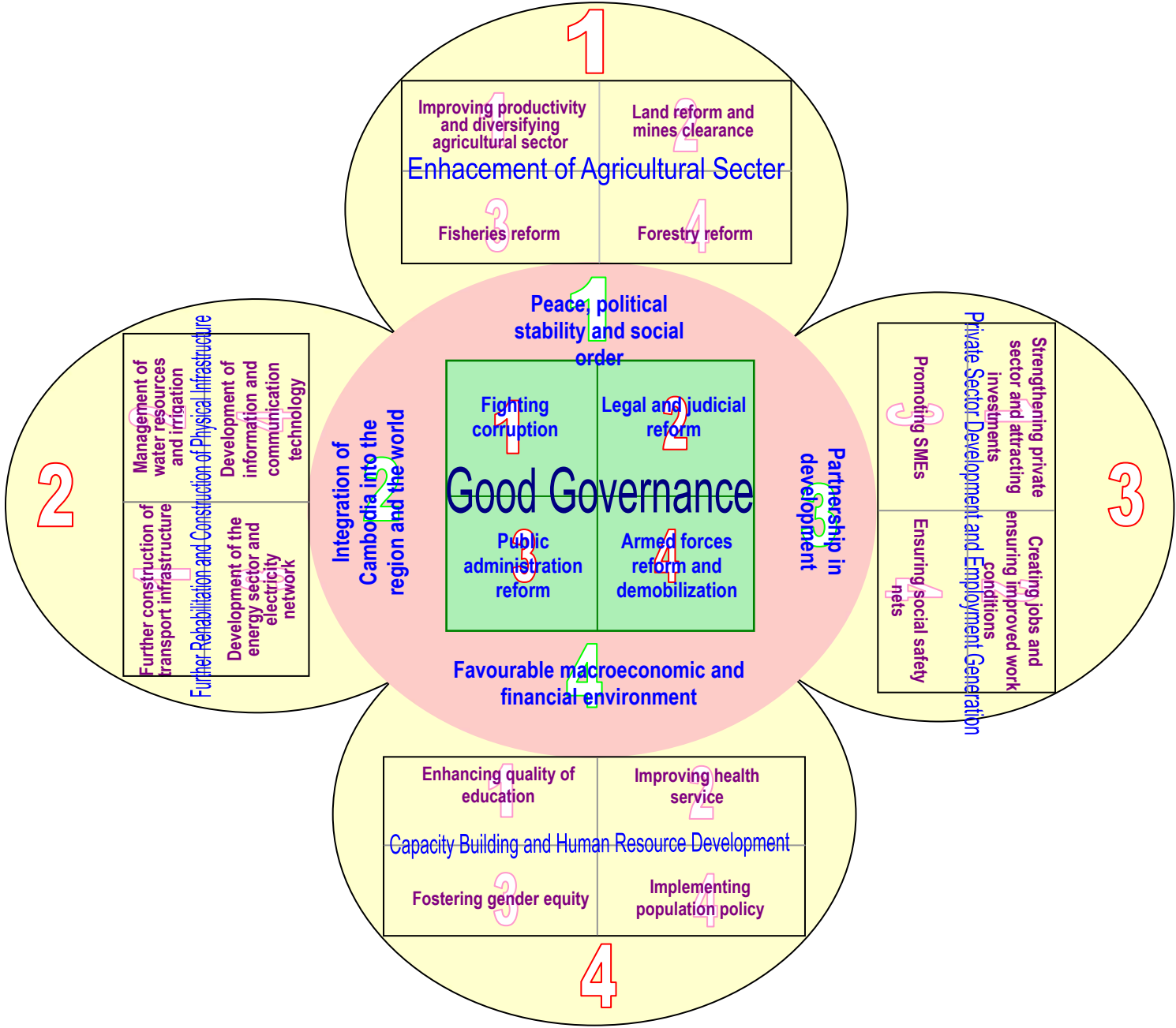


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EXECUTIVE SUMMARY¹

Introduction

1. Cambodia has traversed a long way since emerging in January 1979, from almost four years of its darkest period in history. From below ground zero the country bounced back to normalcy and rebuilt destroyed institutions and capacity in various fields. Starting in 1993, faster development could take place with the resumption of long denied external assistance.

2. The first Socio-Economic Development Plan (SEDP), 1996-2000 set out five-year medium-term goals². A second SEDP followed for 2001-2005. Beginning with the three-year rolling Public Investment Program (PIP), 1996-98, successive PIPs have been prepared to spell out in greater detail the investment and project proposals in the public sector. The annual budgets were to be aligned to PIPs. A National Poverty Reduction Strategy (NPRS) was adopted in 2002. In furtherance of the Millennium Declaration of the United Nations Summit in 2000, a set of Cambodia Millennium Development Goals (CMDGs)³ were prepared in 2003 through an intensive and inclusive consultative process. The very first major decision of the Royal Government of Cambodia (RGC), starting the third term in 2004, was to adopt a holistic and comprehensive Rectangular Strategy⁴ for addressing governance and socio-economic development issues and efforts.

3. RGC has decided that it should now focus on priority and strategic goals to be reached in the next five years and pursue key strategies and actions to achieve them, maximising results by use of scarce resources in a selective, cogent and coherent manner. **The National Strategic Development Plan (NSDP), 2006-2010, is therefore a single, overarching document containing 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 synthesises and prioritises the goals of NPRS and CMDGs and is intended to align sector strategies and planning cycles to overall long term vision, as well as guide external development partners (EDPs)⁵ to align and harmonise their efforts towards better aid-effectiveness and higher 'net resources' transfer than hitherto. NSDP operationalises the Rectangular Strategy to achieve its intended goals.

4. NSDP has been developed through wide ranging consultations focused on "results". The strategic goals, targets and actions indicated in it will be spelt out in more details through ongoing, or soon to be adopted, sectoral plans and through sub-national goals and plans. Such exercises, particularly at sub-national levels, will also serve to better disseminate NSDP.

5. NSDP is a live document, capable of being adjusted and updated annually based on data emerging from new studies and the proposed annual monitoring and evaluation exercises.

¹ This provides only a short overview and is not a substitute to reading details in the document.

² Based on the long term vision outlined in the National Programme to Rehabilitate and Develop Cambodia (NPRD) prepared in 1994.

³ Annex I:1

⁴ See pictorial diagram at the beginning of the document.

⁵ EDPs are multilateral development agencies and financial institutions; bilateral governments and government agencies; non-government organisations (NGOs).

Progress so far and current situation¹

6. Undoubted progress has been made on all fronts and positive and progressive changes are clearly manifest over the past more than a decade. Major highlights are:

- Restoration of, and vast improvements in, internal peace and security.
- Democracy taking roots, both at the national and sub-national levels.
- Major advances in rule of law and improvements in maintenance of law and social order.
- Vast enhancement in personal freedoms and freedom of expression.
- Spectacular and steady macro-economic growth.
- Better and steadily improving fiscal discipline and management.
- Accelerating integration of Cambodia with the region and the rest of the world.
- Sharp and noteworthy reduction in poverty levels².
- Measurable improvements in various social indicators such as: expansion of primary education; reduction in mortality rates for both infants and under-five year olds; significant reduction in communicable diseases, spectacular in HIV/AIDS; improved urban access to safe water, and rural access to sanitation; and, reduction in gender disparity in many fields.

7. The progress so far also masks some important facets, to be addressed through the NSDP:

- Prevalence of poverty at 34.7% of the population, higher in rural areas.
- Economic growth and indeed all other progress occurred not necessarily due to any highly focused attention (though a significant part was played by the favourable conditions engendered by government's positive and progressive macro-economic and social policies), but because any investment or expenditure, however small or unfocused, contributed to spurring growth as the country started from ground zero; it is therefore time now to more proactively direct growth.
- Economic growth has been sectorally uneven, therefore leaving it very vulnerable to external shocks; such growth has to broaden and deepen to be sustainable over time.
- Growth has been spatially largely urban based, underlining need for more rural focus in the future.
- Reforms in governance have not progressed at the required pace.

8. **Poverty:** Historic causes, now being overcome, have left a large proportion of people below the minimum levels of consumption of goods and services needed to keep them above poverty. However, there has been a rapid decline in poverty levels (11 percentage points from 39% to 28%) in 56% of the country covered by both 1993 and 2004 surveys. In 2004, 90% of the poor were in rural areas and, among the poor, a larger share was closer to the poverty line. Greater, targeted

¹ The Table "Cambodia at a Glance" at pages (xv) to (xvii) provides highlights of achievements so far and targets to be reached. Specific tables in various chapters also provide more details.

² See Chapter II : Box 2.1

attention to the rural areas would have an immediate and significant impact in reducing poverty levels.

9. Through the Governance Action Plan (GAP I), adopted in 2001, several important reform measures have been initiated in public administration, as well as legal and judicial spheres. A National Plan for Public Administration Reform (NPAR) is in place as a multi-year programme.

10. Except for a couple of years, Cambodia has witnessed in the past 12 years, robust and steady macro-economic growth. GDP at constant prices grew at an average of 7.0% per year, led by rapid growth mainly in garments manufacturing, tourism and construction. Per capita GDP registered similar growth 4.7% despite increase in total population. Inflation was kept at under 5%. The riel-US\$ exchange rate was fairly stable, declining gradually. Government revenues and expenditure both in actual terms and as percentage of GDP improved at a strong pace. In the Financial Sector, reforms are progressing and various measures have been put in place to regulate and foster the sector to grow in an orderly and assured manner.

11. Agriculture is crucial to improving incomes, particularly the poor, in rural areas. Total production in crops, particularly rice, grew steadily resulting in exportable surpluses in recent years. Average paddy yield per hectare has grown, but is still below those in neighbouring countries. Several measures are underway to improve and diversify agricultural production. In Forestry, many old concessions were cancelled for non-performance and new concessions granted with a strict condition to follow plans according to Environmental and Social Impact Assessments (ESIAs).

12. Rehabilitation of much damaged physical infrastructure, particularly roads, has been proceeding well. Sihanoukville and Phnom Penh ports are now handling higher volumes of goods. The Phnom Penh airport has been vastly improved by involving the private sector under BOT terms. Electricity supply, particularly in Phnom Penh, and some other major population centres, has improved with increased generation capacities and enhancement of transmission and distribution systems. New energy sources are being explored. Possibility of exploitation of offshore oil and gas resources has vastly improved future prospects. Telecommunications and internet use have also expanded, though the costs of the former have to come down quite drastically to promote competitiveness in business and affordable access to the people at large.

13. Rural Development has gone apace with many roads rehabilitated, markets improved, and training provided to vast number of officials. Rural credit has expanded but interest rates are still very high and the demand far outstrips supply.

14. Special mechanisms have been set up to assist the private sector. The share of industries in GDP has climbed sharply, pushed by the fast growing garment sector and construction. But this needs to diversify to be sustainable over time. Tourism has grown robustly and steadily. Measures have been taken to promote orderly development of Small and Medium Enterprises (SMEs), which

constitute 90% of all enterprises and accounts for half of the employment in the private sector.

15. In terms of human development, education sector is a success story with many indices showing significant improvement and a high level of collaboration among all stakeholders around a Sector Wide Approach (SWAP). Concerns for improving quality at all levels however continue and have to be addressed.

16. Significant progress has been achieved in the Health sector as well. All health indices have shown considerable improvement but they are still high in many cases and exceed those in nearby countries. High rates of maternal mortality are of particular concern. A spectacular success story is the rapid decline in prevalence of HIV/AIDS, brought about RGC's highly focused commitment and excellent collaboration with and among external development partners.

17. Steady advances have been made in ensuring gender equity, and already the share of women in the total labour force has improved, thanks in part due to large number of women finding employment in the fast growing garment industry.

18. A National Population Policy has been adopted to work towards a balanced population growth. It is noteworthy that average life expectancy at birth increased significantly in a short period of time, reflecting advances in overall well being.

Priority goals and targets¹

19. Orderly progress during the next five years, 2006-10, demands prioritisation of clear goals and measurable targets. Of highest priority is poverty reduction and progress towards achieving CMDG targets by 2015. CMDGs are nine in all, including all the 8 UN Millennium Development Goals (MDG). Each CMDG has also been disaggregated into several sub-CMDGs with clear targets². A study conducted in 2005 suggests that while good progress has been made making it possible to achieve, or even exceed, some CMDGs by 2015, in many others concerted efforts would be needed to achieve the intended targets³. NSDP therefore focuses on these.

20. Achievement of poverty reduction and CMDGs critically depends on achievement of significant and steady progress in several socio-economic spheres, such as: robust and equitable macro-economic growth; strong check on inflation; significant increases in agricultural production and productivity; protection and enhancement of environment; strengthening and improvement of infrastructure; robust industrial growth, creation of employment and incomes; reforms in public administration and judiciary; fast growth in private sector investments; unhindered growth in Trade; and, growth in the services sector including tourism.

21. NSDP will therefore focus attention on achieving at the national level some high priority, strategic and macro-goals and core targets (indicators) with poverty

¹ See "Cambodia at a Glance" and specific tables in various chapters.

² See Annex I:1

³ See Annex I:2

alleviation at the top¹. NSDP is a broad framework for providing the road map and guidelines for taking the country where it is at the end of 2005 to where it ought to be in 2010². Sub-goals and disaggregated and detailed targets and plans to achieve them will be spelt out in greater precision in sectoral and sub-national plans.

Key strategies and actions

22. NSDP's goals and targets would be operationalised and implemented through the Rectangular Strategy. RGC is fully committed to some basic principles for taking the country forward, such as: strict adherence to democracy in governance with openness and guaranteed freedom of expression; government to ensure political stability, rule of law, equity and social order; government to be fully responsive, responsible, effective, transparent, accountable and predictable; government to ensure macro-economic stability, create and maintain key infrastructure, as well as a conducive climate for private sector to flourish, and provide essential social services for human capital formation and enhancement.

23. With peace and internal stability taking strong hold, improvements in social order, and robust economic growth in the past few years, Cambodia is at a *critical threshold* for faster future progress. The next ten years represent a *decade of opportunity* to realise ambitious CMDGs and uplift the poor and vulnerable. Certain overarching aspects will govern all other actions to be pursued during 2006-2010, viz.,

- Factor poverty reduction and gender concerns in all activities.
- Pursue reforms in all sectors, however painful they may be in the short-term.
- Foster and facilitate robust and equitable, and spatially and sectorally well-spread, macro-economic growth.
- Significantly increase "real investment" for growth in productive sectors and in human development.
- Target most needy and least served people and areas.
- Focus on well-trying, low cost activities with quick and high returns at the grassroots to have profound positive effect on the poverty situation.
- Optimise factor productivity.
- In rural areas in particular, rely as much as possible on human labour for construction, etc., to enhance household incomes.
- Stress institutional and human capacity building in all sectors.

24. On the basis of the above, various key strategies and actions will be pursued to implement different aspects and elements of the Rectangular Strategy.

25. Under Good Governance, priorities are:

- Reinforce and fast track a multi-pronged attack on corruption.
- Carry out specific legal and judicial reforms.
- Speed up and pursue Public Administration Reform.

¹ Chapter III: Table 3.2

² See Cambodia at a Glance; Chapter III: Table 3.2; and tables in various chapters

- Add to and strengthen measures to make decentralisation and deconcentration (D&D) more effective.

26. Under the critical aspects surrounding the Good Governance rectangle, the strategies and actions proposed are:

- Vigilantly safeguard and continuously enhance the hard-earned peace, political stability and social order, so essential for any progress.
- Further broaden and deepen integration of Cambodia into the region and the world and attract investment to achieve pro-poor economic progress.
- Continue to deepen and strengthen partnership with civil society, private sector and external development partners.

27. Steady and robust macro-economic growth, fiscal discipline, and vibrant financial sectors are vital to pursue progress. Accordingly, it is intended to:

- Ensure steady GDP growth of 6% per year.
- Maintain external sector and exchange rate stability.
- Contain inflation at under 5%.
- Encourage private sector investment in priority activities in the rural sector.
- Improve budget performance both by increases in current income and targeted pro-poor expenditure.
- Ensure full transparency and accountability in all government transactions, including disposal or lease of public assets.

28. In the Agriculture Sector, the focus is on intensifying crop production to increase yields and rural incomes, diversification of crops, improving fisheries management, sustainable management of forestry through reforms, environment conservation and carrying out of land reforms, particularly to ensure land tenure to the poor. Among the many key strategies and actions are:

- Prepare a comprehensive Strategy for the Agriculture sector.
- Increase public sector investments in the sector.
- Enhance affordable micro-finance availability.
- Encourage and facilitate private sector involvement in agriculture and agro-processing.
- Improve food security and nutrition.
- Facilitate increase in yields through expanding extension services.
- Try out innovative grass-roots oriented direct interventions to reduce poverty.
- Ensure sustainable access to the poor in the fisheries sector.
- Strengthen and enlarge animal production.
- Better manage the protected areas.
- Conserve forests through sustainable management practices.
- Formulate and implement a comprehensive land policy.
- Implement a programme of land allocation to poor farmers.
- Continue removal of land mines and UXOs.

29. To further advance Rural Development, along with D & D, accent will be on building rural infrastructure -- roads, markets, drinking water facilities, sanitation facilities, minor irrigation, school and health buildings, etc. -- much of it through devolution of funds through the commune councils. Efforts will continue to enhance access to rural credit and to bring down the prevalent high interest rates.

30. Priorities in rehabilitation of physical infrastructure include: primary and secondary roads, railways, airports, ports, irrigation facilities, telecommunications, electricity generation and distribution networks, etc., with maximum attention being paid to attracting private sector to undertake work on a BOT basis wherever possible.

31. Prospects of exploitation of offshore oil and gas resources are becoming bright. RGC will undertake special studies and put in place necessary infrastructure to optimise use of these valuable resources and revenues to flow from them.

32. Attracting private sector, both domestic and foreign, is of utmost importance to accelerate the pace of economic development. RGC will earnestly and quickly remove the current major obstacles including delays in approvals and high "transaction costs" and improve the overall climate through various governance reforms. SMEs will receive special attention, including better and easier access to long and medium term finance.

33. Opportunities for Trade with neighbouring countries and others have improved but are not being adequately availed of to create demand for, and to export, goods and services using the competitive advantages of the country. Reforms to enhance private sector participation will address issues relating to trade as well.

34. Education is a priority area in human development and capacity building. The Education Sector Strategic Plan (2006-2010) has already been developed. Apart from providing universal basic education, a CMDG, attention needs also to be paid to other levels including vocational training and higher education to start building a 'critical mass' of educated, skilled, talented, capable people to serve the development needs of the county in various spheres. Priorities for the next five years include:

- Ensure easy and equitable access to basic education, especially to the poor and those living in remote areas, including by increasing number of primary and lower secondary schools.
- Facilitate attendance of girls at lower secondary and higher levels, including by increasing the number of dormitories for girls.
- Reduce the financial burden on poor students by targeted scholarships.
- Enhance quality and efficiency of education services.
- Ensure better linkage of education and training to the short and long-term needs of the labour market and the society.

35. Health Sector has witnessed significant progress but some of the health indices are still quite low. It is expected that some CMDG targets could be met¹ while for others specific actions need to be pursued. Priorities include:

- Accelerate reforms in all areas.
- Expand availability of health care facilities by construction and/or rehabilitation of facilities -- hospitals, health centres, etc., in rural areas.
- Expand and strengthen sustainable methods for provision of help to the poor to access public health care system.
- Elicit, encourage and involve private sector in provision of health care, both in urban and rural areas.
- Pay special attention to curtail spread of HIV/AIDS, especially to families, by information and education efforts.

36. Gender equity issues permeate all activities, and are being addressed in all sectors, particularly in agriculture, health, education. The National Council for Women would continue to address the myriad aspects of gender mainstreaming in all aspects of governance and society.

37. The National Population policy designed to improve the quality of life of all Cambodians will be implemented to provide information and knowledge to all couples and enable them to make the choice about the size and spacing of their progeny and provide them with needed services and supplies to attain their goals.

Costs, Resources and Programming

38. Successful and timely implementation of NSDP strategies and achievement of NSDP targets would need substantial and well-directed additional investments and their focused and effective use. Such investments need to be made both in the public and private sector, but only the public sector aspect is considered here.

39. Based on projected macro-economic growth and needed investments in the public sector, and taking into account the absorptive capacity of the public sector apparatus, it is estimated that Cambodian Riel (CR) 15,225 billion equivalent to US\$ 3,500 million will be needed for the public sector during 2006-2010 to achieve the goals and targets set forth in the NSDP. Within this envelope, priority attention is needed to some major sectors. To ensure a rural focus for poverty alleviation, allocations have to be more for activities which will benefit rural areas directly. Table 5.2 of Chapter V provides this overview of highly prioritised allocations (over 60% for rural areas).

40. The resources to be available for the NSDP will come from: (a) surpluses in current account in the annual national budgets; (b) grant aid from external development partners; (c) concessional loans from multilateral financial institutions (MFIs); (c) resources from non traditional partners including semi-concessional loans from MFIs; and (d) funds made available from possible past debt relief. A high priority is to direct resources in a meaningful way to "real investments", including through significant reductions in technical assistance projects, and to

¹ Annex I:1 & I:2

persuade EDPs to fully align their assistance to NSDP. RGC is confident and optimistic that a small gap of about CR 980 billion or US\$ 225 million in resources could be covered by increases in internal revenues and external support.

41. NSDP does not contain detailed project level proposals, sequencing and costs. The three-year rolling Public Investment Programmes (PIPs), as the operational tool forming an integral part of NSDP, will be aligned with NSDP priorities and will contain detailed programme and project details and costs. Likewise, the annual budgets will also get aligned to the NSDP and PIP starting from 2007.

Monitoring and Evaluation

42. As a live document, progress of NSDP will be annually reviewed and monitored. For this purpose, necessary methodology for assessment surveys will be developed and put in place in the first few months of 2006. Such surveys would track progress on key economic and social indicators vital for reaching goals including CMDGs. Based on such reviews a progress report will be produced in June of every year, starting from 2006, to also readjust goals and targets as appropriate and needed.

43. The NSDP and the PIP for 2006-2008 would be presented to the aid-mobilisation meeting (CG) in March 2006. Thereafter the annual NSDP progress report and the rolling PIP will be the main RGC documents to be considered at future aid mobilisation meetings.

Conclusion

44. There are some imponderable factors or risks that may hinder NSDP progress, such as: expected resources not being available particularly from EDPs; global oil and gas prices continuing at the current excessive levels which will push inflation up; world and regional political, security and social situation deteriorating due to acts of terrorism; international trade barriers not being brought down at the required pace; outbreak of diseases like avian flu or other new ones; natural calamities like repeated floods and droughts. RGC is confident that it could withstand such challenges and adjust NSDP to accommodate realities as they emerge. RGC is optimistic that with its strong commitment and cooperation from all, NSDP could be successfully implemented to attain intended goals and reach the measurable targets, to reduce poverty and to enhance overall well being of all Cambodians. ■■■

CAMBODIA AT A GLANCE

GENERAL

Total Geographic area: Sq. Kms.,	181,035
No. of Provinces	24
No. of urban areas, including PNH province	162
No. of Districts	185
No. of Communes	1,621
No. of Villages	13,890
Fiscal Year	January-December
Currency	Cambodian Riel (CR)

Particulars		Unit	1993	2000	2005 Estimates	2010 Projected
KEY INDICATORS						
1.00	Poverty Levels				2004	
1.01	Total for the Country	% of popn	----	N/A	34.7	25.0
	56% of the country (1993/94 survey)	%	39.0	N/A	28.0	
1.02	Phnom Penh	%	11.4	N/A	4.6	
1.03	Other Urban	%	----	N/A	24.6	
	Limited areas (1993/94 survey)	%	36.6		20.5	
1.04	Rural	%	----	N/A	39.2	
	Limited areas (1993/94 survey)	%	43.1	N/A	33.7	
1.05	Population below food poverty line	%	----	N/A	19.7	13.0
	56% of the country (1993/94 survey)		20.00	N/A	14.2	
2.00	Gender Issues					
2.01	Women in Labour Force (LF): Agriculture	% of LF		35 (1998)	52.50	
2.02	In Industries	% of LF		44 (1998)	53.50	
2.03	In Services	% of LF		21 (1998)	27.00	37.00
3.00	Population					
3.01	Total	million	10.66	12.57	13.80	15.27
3.02	Population Density	per sq. km	59.1 (1996)	64 (1998)	74 (2004)	86.0
3.03	Female (100): Male - Ratio	%	91.7 (1996)	93 (1998)	93.5 (2004)	95.0
3.04	Age 0-14	%	43.9 (1996)	42.8 (1998)	39 (2004)	33.0
3.05	Age 15-59	%	50.8 (1996)	51.8 (1998)	55.1 (2004)	61.0
3.06	Age 60 and above	%	5.3 (1996)	5.3 (1998)	5.9 (2004)	6.0
3.07	Rural	%	84.39	N/A	85.00	N/A
3.08	Urban	%	15.61	N/A	15.00	N/A
3.09	Annual Growth rate	%	2.49 (1998)	1.81	1.81(2004)	2.1
3.10	Total Fertility rate	%	5.2 (1996)	4.0	3.34 (2004)	3.4
3.11	Life Expectancy at birth -- yrs:	Male/Female	51.82/55.79(1998)	54.4/60.6	57.87/64.14	
4.00	Macro Economic					
4.01	Annual GDP (<i>constant prices</i>)	Billion Riels	8,496	14,089	19,294	25,747
4.02	Share of GDP : Agriculture: Crops	%	18.80	16.50	14.20	12.7
4.03	: Livestock and Poultry	%	8.90	5.40	4.60	4.3
4.04	: Fisheries	%	13.60	10.80	9.30	8.0
4.05	: Forestry	%	4.30	3.30	2.0	1.6
4.06	: Manufacturing Industry	%	8.00	16.00	20.90	21.7
4.07	: Construction	%	4.40	5.20	6.80	8.1

Particulars		Unit	1993	2000	2005	2010
					Estimates	Projected
4.08	: Tourism (Hotels & Restaurants)	%	2.40	3.70	5.1	5.8
4.09	: Transport	%	6.30	6.60	6.90	6.63
4.10	: Other Services	%	4.40	6.10	6.50	7.40
4.11	GDP Per Capita	000 Riels	897.00	1,110.00	1,400.00	2,243.32
4.12	Annual GDP Growth Rate (constant prices)	%	3.90	6.50	7.0	6.00
4.13	Inflation year to year	%	114.30	(0.08)	6.2	3.00
4.14	Exchange rate:	US\$= Riels	2,747.00	3,924.00	4,128.00	4,378.00
4.15	Foreign Reserves US\$ -- months/imports		2.30	2.70	2.50	3.00
4.16	FDI: Investments -- for the year	US\$ million	124.00	142.00	216.00	332.00
5.00	Fiscal					
5.01	Revenue as % GDP	% of GDP	9.00 (1996)	10.20	11.80	13.80
5.02	Tax Revenue	% of GDP	6.4 (1996)	7.4	8.7	9.2
5.03	Indirect & International Taxes	% of GDP	6.1 (1996)	6.40	6.10	6.40
5.04	Non-Tax Revenues	% of GDP	2.1 (1996)	2.50	2.50	2.7
5.05	Total Budget Expenditure	% of GDP	17.3 (1996)	15.1	14.9	16.5
5.06	Current Expenditure	% of GDP	9.8 (1996)	8.9	9.6	10.8
5.07	Capital Expenditure	% of GDP	7.6 (1996)	6.5	5.3	5.8
6.00	Official Development Assistance (incl. NGOs)					
6.01	Total	US \$ million	322.00	467.00	550.00	550.00
6.02	of which TA	US \$ million	78.00	209.00	N/A	N/A
6.03	Other than TA	US \$ million	244.00	258.00	N/A	N/A
7.00	Agriculture, Forestry and Fisheries					
7.01	Land under crops	000 Ha	2,088	2,556	2,835	3,500
7.02	Irrigated land area	Ha	407,000 (1998)		588,687	650,000
7.03	Paddy: cultivated area	000 Ha	1,824	2,318	2,374	2,500
7.04	Yield per hectare	tons	1.31	2.11	1.97	2.40
7.05	Fishing Lots	Sq. Kms	9,537	4,175	4,152	4,150
7.06	-- Released to Community Fishing	%		56.2	56.5	56.5
7.07	Fish: Catch (from all sources)	Tons	108,900	296,030	374,000	450,000
7.08	Forestry cover -- % of land area		60	58	60	60
7.09	Reforested (cumulative total from 1985)	Ha		2,277	14,064	30,000
7.10	Fuel Wood Dependency -- % of households		92.0	N/A	85.5	61.0
7.11	Land Reforms: Titles issued to farmers	% of Total		5	12	24
8.00	Rural Development					
8.01	Rehabilitated roads -- (of total 28,000 kms)	Kms			22,700	25,000
8.02	Drinking Water access: (rural)	% of popn		24 (1998)	41.6	45.0
8.03	Access to sanitation (rural)	% of popn		8.6 (1996)	16.4	25.0
9.00	Industries					
9.01	Manufacturing output (excl. garments)	Billion Riels	1,744.74	2,904.39	3,944.92	5,529.49
9.02	Garment Industry : output	Billion Riels	0.00	3,444.30	7,416.90	12,810.61
9.03	: Labour force	Nos	0.00	160,000	330,000	480,000
10.00	Energy					
10.01	Energy Used: Gasoline & Diesel	Tons	60,517	110,610	179,136 (2004)	317,350
10.02	Electricity Generated	Gwh	163.39	434.50	759.70	1,346.00
10.03	Length of transmission net work (115 KVA)	KMs	nil	22.70	128.70	228.00
10.04	No. of household consumers	Nos	13,367	124,269	208,476	370,000
10.05	Per capita consumption/year	Kwhs	14.96	48.50	54.01	89.11
11.00	Transport					

11.01	Primary & Secondary roads -Total (paved)	Kms			11,310 (2,100)	11310(4,100)
11.02	No. of International Ports	Nos	2	2	2	2
12.00	Tourism					
12.01	Visitor arrivals	Nos	177,000 (1994)	466,365	1,300,000	3,120,000
12.02	Estimated Foreign Exchange earned	US\$ million		355 (2002)	600.00	1,500.00
13.00	Health					
13.01	Infant Mortality Rate: 1,000 live brths			95	66	60
13.02	< 5 Child Mortality Rate - per 1,000 live brths			124	82	75
13.03	< 1 year olds immunised against DPT3	%		43	83	85
13.04	< 1 year olds immunised against measles	%		41	80	85
13.05	Maternal Mortality Ratio: 100,000 live births			437	N/A	243
13.06	Births attended by skilled health personnel	%		32	N/A	70
13.07	Malaria cases: treated at public health sector	per 1,000		11.40	7.30	6.00
13.08	Malaria cases fatality rate	%		0.40	0.36	0.25
13.09	Prevalence of smear positive TB	per 100,000		428 (1997)	N/A	214
13.10	TB death rate	per 100,000		90 (1997)	N/A	60
13.11	HIV/AIDS: Adult prevalence rate	% 15-49 yrs		3.0 (1997)	1.9	1.9
13.12	Referral Hospitals	Nos	65 (1997)	68 (2002)	69	
13.13	Health Centres	Nos	514	942	965	
13.14	Drinking Water access:(urban)	% of popn		60 (1998)	75.8	85.0
13.15	Access to sanitation (urban)	% of popn		49(1998)	55.0	67.0
14.00	Education				2004-05	
14.01	No of Primary Schools	Nos	4,693	5,468	6,180	
14.02	Longest distance to a Primary School	Kms		N/A	2.00	1.50
14.03	Net Enrolment: Total; Boys; Girls	% of total		87; 90; 84	91.9; 93.0; 90.7	100 for all
14.04	Net Enrolment: Urban; rural; remote	%			91.6; 92.4; 82.5	100 for all
14.05	Survival rate 1-6 yrs	%		51.0	53.1	100 for all
14.06	Lower Secondary Schools	Nos	354	367	800.00	
14.07	Longest distance to lower Sec. School	Kms			8 km	4 km
14.08	Net Enrolment: Total; Boys; Girls:	%		19; 21; 16	26.1; 27.1; 24.8	50% for all
14.09	Net Enrolment: Urban; rural; remote	%			41.3; 23.7; 3.9	75 ubn; 50 rrl
14.10	Survival rate: 1-9	%		33	30.18	50
14.11	Literacy 15-24 yrs: Total	%		82 (1999)	83.4	95
15.00	De-Mining Programme					
15.01	Annual Casualties (deaths & injured)	Nos	1743 (1996)	858	797	200
15.02	Total cumulative area cleared of mines/UXOs	Ha	1,225	15,326	32,974	45,000

NOTE: Many social sector data are subject to change upon results of new or ongoing surveys.

CHAPTER I

INTRODUCTION

1.01 Speedily rebuilding Cambodia from the state of near total destruction of all its assets -- human capital; economic, educational and social institutions; government structures; physical assets in infrastructure -- was the highest priority for the government which took over after the overthrow of the genocidal regime in January 1979. Even in the absence of crucial humanitarian and development aid from much of the world occasioned by flawed geo-politics, and internal warfare and frequent interruption of normal life by sabotage activities, the country gradually bounced back to normalcy. Building destroyed physical infrastructure, still ongoing, was itself a difficult task. Exceedingly much more difficult was to get back together and starch the age old, but severely ruptured, social fabric, institutions and families. This was successfully achieved though many scars still remain. Starting with stability and growth in agricultural production, vital to keep the population fed, other aspects of the economy were put on a growth path. In mid- 1980s the country started promoting market-oriented economy. Formal private sector slowly started establishing itself. A major shift in economic direction occurred in 1989, placing the country on a new path to development.

1.02 On the basis of the national reconciliation among different factions reached at the Paris Peace Conference on October 1991, general elections were held in 1993 leading to the adoption of the new constitution and formation of a national Royal Government of Cambodia (RGC). And from that beginning till date highest priority has been attached to rapid socio-economic progress to lift the country's poor out of poverty and to place the country firmly on a path of self-sustaining growth¹.

Cambodia's Efforts at Planned Development

1.03 To begin with, Cambodia's long-term vision for the future was articulated in the National Programme to Rehabilitate and Develop Cambodia (NPRD) adopted in 1994. Based on that vision, the first five year Socio-Economic Development Plan (SEDP I, 1996-2000) was formulated setting clear goals and milestones to be reached by 2000. The focus was on macro-economic growth, social development, and poverty alleviation. At the same time, a three year rolling Public Investment Programme (PIP) was developed for the period 1996-1998 so that domestic and external aid resources could be channelled to priority areas to achieve goals set out in SEDP I. The process of preparing PIP every year with a three-year focus continues since then. The PIP is also used by RGC to mobilize resources from the external development partners (EDPs)². From the beginning the intent has been that the annual budget of RGC would be synchronized with the PIP.

¹ The table "Cambodia at a Glance" at pages (xv) to (xvii) traces important indicators of progress since 1993 and projected to 2010.

² EDPs are: bilateral, regional, multilateral, international organisations and NGOs providing assistance to Cambodia.

1.04 As SEDP I was nearing its end, SEDP II for the period 2001-2005 was prepared and determined various development targets to be reached by 2005. The focus remained more or less the same as in SEDP I.

1.05 Since the start of SEDP II in 2001, three major, important and forward looking developments have taken place. *First*, following the historic United Nations Millennium Summit in 2000 which declared broad Millennium Development Goals (MDGs) to be achieved by all countries by year 2015, Cambodia developed its own set of MDGs called Cambodia Millennium Development Goals (CMDGs)¹, focusing on poverty alleviation and human development. These are the highest priorities before RGC, and were arrived at by a highly consultative process. *Second*, a National Poverty Reduction Strategy (NPRS) was also prepared and adopted in December 2002 through a similar inclusive process. *Third*, the very first thing the newly elected RGC did in 2004 was to adopt a comprehensive, sharp and focused Strategy for future development, called the "Rectangular Strategy" (RS) for growth, employment, equity and efficiency. The RS is presented in a figurative form with its core related to good governance surrounded by the overall environment in which it takes place and four strategic growth rectangles².

1.06 Cambodia looks ahead to the next five years of planned growth as the SEDP II is due to end in December 2005. However, in preparing the plan for the period, 2006-2010, RGC has decided to move away from the traditional, comprehensive planning approach to one that focuses on strategic goals and actions. The new plan is therefore called the **National Strategic Development Plan** or NSDP, 2006-2010. It captures essential elements of all the earlier documents (para 1.05). In line with full government ownership and leadership of the entire development process, **RGC declares this NSDP as the single, overarching, guiding and reference document for pursuing prioritised goals, targets and actions for the next five years, 2006-2010.**

1.07 The major goals for the medium-term of five years are already clear, viz., achievement of interim 2010 targets of CMDGs towards poverty reduction taking account of findings and recommendations of NPRS, along with other necessary achievements in macro-economic, productive and service sectors. The strategies to be followed are also laid out by the RS. The need now is to weave together all the strands, in a coherent and balanced manner and look at the future and actions to be taken holistically from a national rather than merely sectoral perspective. The need is to prioritize among competing goals and targets; focus on specific strategies and actions; consider costs; and, allocate resources. It is now time to start implementing and operationalising RS to achieve the NSDP goals.

NSDP Process

1.08 Starting on a **results-oriented emphasis**, extensive consultations were held among all stakeholders -- government ministries and agencies, EDPs, civil society organisations -- to agree upon overall priority goals to be achieved during NSDP. Workshops were held bringing together all the parties to jointly look at the NSDP goals and constraints to be overcome to achieve them. This highly

¹ See Annex I:1

² See pictorial presentation of Rectangular Strategy at the beginning of this document

participatory process was very helpful in not only eliciting views and opinions of a broad range of people but it was equally useful in helping all participants to look at the goals more broadly to appreciate inter-linkages than merely from their sector or particular perspective. A results-matrix fine-tuned during these consultations helped shape and sharpen the measurable, priority goals and targets to be met by NSDP and the priority actions needed to meet them as well as overcome critical constraints. The draft NSDP was discussed extensively within the government through an inter-ministerial consultation. It was also shared with EDPs for their comments and suggestions. The revised draft was then discussed openly with all stakeholders at a national level workshop. The final document reflects all the inputs from these consultation processes.

Priorities and Contents of NSDP

1.09 The National Strategic Development Plan (NSDP), 2006-10, contained in this document should therefore be considered an operational and guiding tool to achieve the said objectives, goals and targets. It is a document "for and by the whole of Cambodia". It is not a mere academic exercise. It is a **practical** document to achieve **realistic, specific high priority national targets by 2010** to move towards longer-term goals, using the framework of the Rectangular Strategy. Emphasis is on results (outputs, outcomes) to be achieved, not merely on inputs, activities and processes. The NSDP is also a compact and concise document, not overly descriptive. **It touches and highlights most essential overarching goals, strategies, targets and actions and leaves more details to be developed and spelt out in sectoral and sub-national plans based on national priorities contained in this NSDP document¹.**

1.10 This NSDP identifies and lays out:

- Key medium-term objectives.
- Highly prioritized, strategic goals to be reached and measurable targets to be achieved by Cambodia in five years.
- Priority strategies and actions that will be taken.
- Priority investments needed in the public sector, their targeted sector-wise allocations and programming.
- Resources likely to be available.
- Monitoring and evaluation mechanisms for regular measurement of progress, and for enabling necessary mid-course adjustments.

1.11 **The NSDP is organized sector wise, not ministry-wise, using the RS framework.** In some cases, more detailed goals and sub-goals for each sector have been developed and in others, such sectoral plans will soon be developed². Likewise, provinces, districts and communes would disaggregate the national goals and targets down to those relevant to their situation and circumstances and develop detailed measurable goals -- including commune level ones -- and plans to address priority development needs in their respective areas³, using increasing

¹ For more specific details, therefore, one has to refer to related sectoral documents

² These will be prepared and finalised in consultation with all stakeholders by April 2006.

³ During the period January to April 2006, MOP will assist in holding consultation meetings at sub-national levels both to disseminate NSDP and to help prepare local plans to achieve NSDP targets.

funds being made available to them under the recently expanded and enhanced decentralization and deconcentration policies and procedures. The synergy of all these efforts is expected to yield the results anticipated in NSDP.

1.12 The NSDP is therefore a practical, **result-oriented implementing tool** with the clear purpose of:

- Rapidly improving the lives of all Cambodians.
- More specifically, bringing about meaningful and measurable reduction in poverty levels especially in the rural areas where these are high.

1.13 The NSDP synthesizes and prioritises the goals of CMDGs and NPRS and is intended to:

- Align sector strategies and planning cycles to RGC's overall long term vision.
- Influence and form the basis for future three year rolling PIPs and annual budgets so that allocations and implementation fall into line with achievement of the national goals.
- Guide institutional reform and policy development across sectors.
- Assist EDPs to align and harmonize their efforts towards better aid effectiveness by following nationally developed and government-owned strategic framework, goals and priorities emphasizing mutual accountability, and to shift more to mechanisms such as Sector Wide Approaches for providing assistance leading eventually towards budget support as the preferred mode.
- Help attract and mainstream private sector investments to implement RGC's policies, priorities and strategies for the country's socio-economic development.

1.14 In Cambodia, greatest and quickest gains in poverty alleviation will be possible in rural areas where most of the poor live. The NSDP will, therefore, direct over 60% of resources to rural areas, with increased attention to productive activities like agriculture, rural development and to health and education to increase and enhance human capital and better contribute to overall development.

1.15 Assumptions contained in the NSDP in regard to the total financial outlay needed during the NSDP period, 2006-2010, and the likely resources available for this purpose, are based on macro-economic projections agreed upon with the IMF and the best possible manner of allocating the outlays to various sectors both for achieving socio-economic progress and for attaining the poverty reduction and CMDG targets. There are certain inherent and unforeseeable risks that may affect such assumptions as pointed out in Chapters IV, V and VII.

1.16 The NSDP recognizes that critical to its success is regular, timely and clear monitoring and evaluation of results being achieved as implementation progresses so that needed corrections could be made from time to time. It is therefore to be considered a dynamic, live, evolving and flexible document to be regularly monitored and evaluated against progress, and to be revised, adapted and

adjusted to reflect new data¹ and to realign actions on an annual basis. An annual review of progress, shortfalls and corrective actions will be produced for dissemination and consultations.

1.17 Against the abovementioned background, the following chapters provide details of NSDP:

- Chapter II: Progress so far and current situation
- Chapter III: Priority Goals and Targets
- Chapter IV: Key Strategies and Actions
- Chapter V: Costs, Resources and Programming
- Chapter VI: Monitoring and Evaluation
- Chapter VII: Conclusion ■■■

¹ All data available till October 2005 have been taken into account, including Cambodia Socio-Economic Survey, 2003/04 (CSES), presented but not yet published (October 2005). New data may emerge from other studies and surveys including two ongoing surveys, viz., Cambodia Demographic and Health Survey, 2005 (CDHS), and Participatory Poverty Assessments conducted by the Cambodia Development Resource Institute (CDRI).

CHAPTER II

PROGRESS SO FAR AND CURRENT SITUATION

2.01 In assessing Cambodia's current situation, future needs, potential and prospects from any aspect, Cambodians and the world at large will do well to bear in mind the country's past. Indeed, past progress is a demonstrable indicator of the country's clarity of vision, strength of commitment, sustained and perseverant efforts and its people's resilience to rise from adversities. One has to look not merely at the long distance still ahead and the obvious shortcomings imposed by the past, but equally appreciate the long distance covered in a short period of time of a mere quarter of a century, compared to any other nation in the world that was similarly left severely traumatised and handicapped in unimaginable and unprecedented dimensions.

2.02 Three distinct periods of progress could be seen in Cambodia's recent past. The first was from 1979 when it emerged from almost four years of genocidal oppression. Everything had to start from scratch, from below ground zero. With hope and perseverance, and even in conditions of international isolation, the country was rebuilt and reached a stable stage but scars and legacies still remain including in terms of skilled manpower shortage. The second was from 1993 to 1997, when in mid-1997, the country was suddenly overwhelmed by two unrelated crisis, viz., externally the East Asia economic crisis and internally the sudden divisions and disruptions, both occurring almost simultaneously. The third starting from 1998, with the formation of the second RGC till now, a period of peace, stability and uninterrupted growth and progress. Indeed, while most work up to 1997 were somewhat in the nature of rehabilitation or "Band-Aid" efforts, serious rebuilding work commenced in 1998. While the 'hardware' by way of building physical infrastructure has been proceeding, the 'software' of changing economic and legal systems, reinforcing social capital and institutional development, is by its very nature time consuming.

2.03 A brief overview is worthwhile before more details are looked at. While undoubted progress has occurred on all fronts and positive and progressive changes are evident over the past decade¹, the major highlights are:

- Restoration of, and vast improvements in, internal peace and security, not easily measurable by any known yardstick, but a crucial foundation for any other progressive activity.
- Democracy taking roots, giving every citizen an equal voice and opportunity to elect leaders at regular intervals, to govern the country, both at the national and sub-national levels.
- Major improvements in observance and enforcement of the rule of law and maintenance of law and social order.
- Vast improvements in personal freedoms and freedom of expression, including through all types of media.

¹ See table: Cambodia At a Glance

- Spectacular and steady macro-economic growth -- increase in GDP, per capita GDP, containment of inflation --, spurred by private sector investments and assistance from external development partners.
- Better and steadily improving fiscal discipline and management including increased revenues and tilt in expenditure towards social sectors.
- Accelerating integration of Cambodia with the region and the rest of the world.
- Sharp and noteworthy reduction in poverty levels in comparable areas surveyed in 1993 and 2004 (see Box 2.1).
- Measurable improvements in various social indicators such as: expansion of primary education; reduction in mortality rates for both infants and under-five year olds; significant reduction in communicable diseases, spectacular in HIV/AIDS; improved urban access to safe water, and rural access to sanitation; and, reduction in gender disparity in most areas, especially in primary education, adult literacy, and wage employment in agriculture and industry.

2.04 The improvements and progress highlighted above also mask some important facets, which need to be addressed through the NSDP:

- Prevalence of poverty at as high as 45.6% in areas not included in the 1993/94 survey is a matter of concern and needs corrective action (see Box 2.1 below).
- Economic growth and indeed all other progress have occurred not necessarily due to any highly focused attention (though a significant part was played by the favourable conditions engendered by government's positive and progressive macro-economic and social policies), but because any investment or expenditure, however small or unfocused, contributed to spurring growth as the country started from almost ground zero; it is therefore time now to more proactively direct growth.
- Economic growth has been sectorally uneven, directly resulting from phenomenal increase from garment industry, tourism and construction, and therefore leaving it very vulnerable to external shocks; such growth has to broaden and deepen to be sustainable over time.
- Growth has been spatially largely urban based, heavily concentrated in Phnom Penh and tourist destinations such as Siem Reap and Sihanoukville, pointing to the immediate need for more rural focus in the future.
- Despite measurable progress, many health indicators are still low compared to other countries in the region; besides there are also emerging issues such as drug abuse notably among youth.
- Reforms in governance -- public administration, judiciary and sectoral wherever needed -- have not progressed at the required pace to provide necessary conducive climate for much better and equitable growth including attracting long-term private investment in a variety of fields and into the rural areas.

2.05 Poverty: Historic causes, now being overcome, are at the root of low level of development of Cambodia and have left a sizeable proportion of people below the minimum levels of consumption of goods and services needed to keep them

above poverty. The causes of poverty are many, myriad and varied, interacting with each other to perpetuate the vicious cycle, viz., remoteness of location; low or no incomes or opportunities; low health and education status, and low or no access to such facilities; lack of physical and productive assets and/or lack of access to such; societal marginalisation and drug issues; and others. Starting in 1979, and successively since 1993 the focus has been on reduction of poverty levels. The Box below provides some details¹.

Box 2.1: Poverty Levels in Cambodia

The Socio-Economic Survey of Cambodia (SESC) in 1993/94 could cover only 56% of rural areas with 62% of total population and 65% of rural households because of the then prevailing security risks in the remaining areas. In the areas covered poverty was estimated at 39%. The Cambodia Socio-Economic Survey, 2004 (CSES) covered the entire country, including all the areas omitted in 1993. Based on the data of 2004, the poverty levels in Cambodia were (see annex III for more details, including list of areas excluded in 1993/94 survey):

Percentage of people below poverty line (PL):	1993/94 (59% of the country)	39.0
	2004 (whole country)	34.7
	2004 (1993/94 areas)	28.0
Percentage of people below food poverty line (FPL)	1993/94 (59% of the country)	20.0
	2004 (whole country)	19.7
	2004 (1993/94 areas)	14.2

In those areas (59%) covered by both 1993/94 and 2004 surveys, the poverty index fell by 11 percentage points during the 11 years from 1993 to 2004 or about 1 percentage point every year, and the FPL declined from 20% to 14.2 % or about 0.5 percentage point per year. A simple calculation based on these figures provides the estimates for 2004 for the excluded areas of 1993/94 (41% of the country: PL - 45.6%; FPL: 28.7%)

Some other important findings of the study (see Annex III) are:

- 90% of the poor live in rural areas, which are affected by low productivity in agriculture and low access to various services;
- Poverty has declined at a much slower rate in rural areas than in urban areas;
- Even among the poor, a greater share of the people is now closer to the poverty line, indicating that the CMDG targets of reducing overall poverty level and food poverty level to 25 % and 13 % respectively in 2010 and to 19.5 % and 10 % in 2015 are within reach if specific actions are taken starting with this NSDP.

It is noteworthy that the significant fall in poverty level in 56% of rural areas included in SESC 1993/94, has taken place largely because of general, though uneven and highly urban based, socio-economic development, viz., macro-economic growth, gradual increase in agricultural production, investments in health and education, etc., through enlightened policies and committed actions by the Royal Government but not because of any deliberate, focused and targeted strategies and actions towards poverty reduction as such. These areas will continue to grow and benefit from the overall socio-economic development to take place during NSDP. Poverty levels in these areas would continue to decline and would surpass CMDG targets of 25% in 2010 and 19.5% in 2015. However, even in those areas remote villages and communes and those with larger number of poor people would need to receive special attention. A standardised approach to identify poor households is being developed.

2.06 This chapter reviews in more detail some of the highlights of progress made since 2000 till now and surveys the situation, as it exists². It follows the Rectangular Strategy framework and presents developments and position for each element of the rectangles, including cross cutting factors as appropriate.

Good Governance

2.07 Peace, political stability, social order, rule of law, maintenance of law and order, all existing in a dynamic equilibrium are vital and are pre-requisites for not only preserving past achievements but indeed for any meaningful and sustainable

¹ More information at Annex III

² All data available till October 2005 have been taken into account, including Cambodia Socio-Economic Survey, 2003/04 (CSEC), presented but not yet published. New data may emerge from other studies and surveys including two ongoing surveys, viz., Cambodia Demographic and Health Survey, 2005 (CDHS), and Participatory Poverty Assessments conducted by the Cambodia Development Resource Institute (CDRI).

growth. Together they constitute "Good Governance" which is rightly at the core of the RS.

2.08 Democracy where people periodically voice their choice of leaders through elections to political and legislative institutions has already taken strong roots in Cambodia. An independent National Election Commission (NEC) organizes and conducts the democratic elections based on full adult franchise. The third general elections were held in 2003 to form a new National Assembly. Widely acclaimed as free and fair in all aspects by independent international observers the results gave more than 50% of seats to one party, but less than 2/3 required to form a government, leading to prolonged negotiations to form a new coalition RGC. Still, despite these delays, the continuing government proceeded full steam ahead with reforms and implementation of the development agenda.

2.09 At the beginning of its third term in July 2004, RGC adopted a comprehensive strategy for the future. Called the **Rectangular Strategy**¹, it lays out all aspects of governance and development with Good Governance at the core and the enabling environment, as well as four specific rectangles covering development issues such as Enhancement of the Agricultural Sector, Rehabilitation and Construction of Physical Infrastructure, Private Sector Development and Employment Generation, and Capacity Building and Human Resource Development. Each rectangle has four critical elements to be addressed systematically.

2.10 There is complete internal peace within Cambodia thanks to all parties having chosen the democratic path to reconcile their differences through peaceful means. There is no known measure to evaluate the treasure of peace so essential for any progress. Public order and maintenance of law have improved vastly and crimes have come down sharply. All communities live in fearless harmony and cooperation.

2.11 Highly participatory systems need to be in place for grass root level involvement for any good governance. Cambodia held the first commune level elections in 2002 to elect representatives to form commune councils to govern 1,621 communes in the country thereby introducing effective democracy and improvements in the quality of services at the grass roots level. Again, these elections were upheld as completely free and fair by one and all. The communes have commenced functioning well since then.

2.12 For almost last four years, the RGC has been implementing necessary measures to shift from a centralised to a decentralised system of governance. To this end, election of Commune/Sangkat Councils which is the lowest tier of administration was held in 2002 through a democratic process. Among others, RGC's Seila programme has contributed much to the implementation of RGC's decentralisation policy. So far, several major achievements have been realised such as strengthening of democratic governance, contribution to poverty reduction and capacity building at local levels. This has created a profound impact on deepening and sharpening of the local governance with growing representation, responsibility, participation and accountability. Accordingly, to promote and instil

¹ See pictorial diagram at the beginning of the document.

processes for participatory grass root level decision-making and implementation for development, the Strategic Framework for Decentralisation and Deconcentration (D & D) was approved in June 2005. Containing clear and extensive guidelines and procedures, the framework will help to increasingly devolve responsibilities and resources for development to provincial/municipal, district/khan and commune/sangkat levels. Organic Laws are the prime legal instruments for implementing administrative governance at sub-national levels.

2.13 RGC approved its Governance Action Plan (GAP I) in March 2001. It is a compendium of over one hundred initiatives to improve governance in seven areas that are critical to development and social justice. Most if not all of these initiatives addressed root causes of poor governance and corruption. Through its National Poverty Reduction Strategy (NPRS) approved in December 2002, the Royal Government reaffirmed its commitment to strengthening institutions and to improving governance in four critical cross-cutting areas: legal and judicial reform, administrative reform, democratisation and local governance and the fight against corruption. GAP II, 2005-2008, covering 9 inter-related critical areas of governance that directly impact on poverty reduction, is now being finalised.

2.14 The RGC recognizes that "corruption is an endemic problem worldwide that can only be mitigated through close cooperation among countries. Corrupt activities are the result of opportunity, behaviour and risks. The approach can only be holistic, participative, gradual and sustainable". The higher the unsupervised discretion of an individual entrusted with performing duties while interacting with others, the higher the scope for corruption. Illegal and improper personal gain in cash, materials or services, to either do one's duty or provide favours out of turn, or wrongfully, at public expense leaves corruption clandestine by nature. It is not clearly measurable but its deleterious effects pervade all government activities. RGC has adopted and will pursue a multi-pronged attack on this social and economic evil that stunts equitable growth, discourages private investment and disadvantages the poor. The goal is to reduce all opportunities for corruption through unambiguous laws and procedures, clear transparency, accountability and predictability together with stringent punishment of those detected of corrupt behaviour. Significant advances have been made in the management of government revenues and in the management of natural resources. A draft Anti-Corruption Law, conforming to international best practices, is now under finalisation after wide-ranging and in-depth consultations with all stakeholders. The government has strengthened the National Audit Authority (NAA) and has expanded the scope of implementation of the Public Procurement Sub-Decree to all ministries and agencies. An internal audit system for the whole government apparatus is being set up. With multifarious dimensions of the problem of corruption, long and short-term solutions need to be found in a number of areas, from increasing salaries of government staff, changing of "attitudinal culture", to institutionalising checks and balances, and to punishment of the guilty.

2.15 The next aspect of Good Governance is an impartial, free, independent, qualified, skilled, capable and effective judiciary and justice system. Starting from the handicap of not having very defined set-ups in many areas, in the interest of improving legal and judicial framework the RGC has been striving to prepare and adopt some essential laws ranging from those relating to human rights to laws on

investments and natural resources management. The Strategy for Legal and Judicial Reform was approved in June 2003. Remuneration for judges and prosecutors started to increase in January 2003. Essential basic laws for judicial system are being prepared and discussed. The Royal School of Magistracy and Legal Training Centre are operational. Many other steps are underway¹. A clear Plan of Action has recently been adopted. This reform area needs to be pursued with vigour and speed.

2.16 Public administration reform is one of the four core governance reforms undertaken by the Royal Government. A skilled, competent, efficient, effective and transparent Civil Service is essential to the Administration becoming a valued and trusted factor and partner in the development of the country. At the end of the genocidal regime in 1979, the State institutions including administration had been decimated. Successive governments took steps to rebuild and strengthen the administration. By the end of its second mandate in 2003, the RGC had laid the foundations for sustainable reforms to make the Administration and Civil Service a trusted development factor and partner. The progress in the last ten years included: the administration was unified, the legal framework was introduced, average salary increased by about 116% since January 2002 excluding family and risk allowances, and innovative systems to manage the workforce and enhance performance were developed.

2.17 The National Programme for Administration Reform (NPAR) is articulated around four strategic objectives: (i) improving the delivery of public services; (ii) enhancing salaries and performance; (iii) developing the capacity institutions; and, (iv) promoting the use of information and communication technology (ICT). The approach is to anchor reforms in Cambodian reality while using best practices and innovative tools like Priority Mission Groups (PMGs) to accelerate special tasks. Reforms like renovations must contend with given elements. Specific initiatives will be designed with six principles in mind: client perspective, ownership, sustainability, macro-economic stability, relativity, tradition and past decisions. Much work lies ahead to reach the overall goals in Public Administration to make it a truly efficient, effective and responsive outfit.

2.18 Armed Forces Reform and Demobilization is continuing and the share of budget allocated to Defence and Security (including internal security) has declined from 6.7% of GDP in 1994 to 2.5% and would continue around that level. The RGC is strongly committed to military reform with a view to build an armed force of an appropriate size and quality to defend the country in peacetime. Achievements so far have been significant. The organizational structures for the army units, infantry, navy and other special units have been reviewed. The system of promotion has been restructured. The restructuring of functions of lower levels was undertaken carefully. A comprehensive "White Paper" on Defence Policy has recently been issued.

¹ To be covered in Chapter IV.

Environment for the Implementation of the Rectangular Strategy

2.19 Apart from advances in peace, stability and social order (already discussed), Cambodia is now getting increasingly integrated into the region by joining ASEAN and participating in all its activities including hosting its summit in 2002. But this participation has to further deepen and mature. RGC has entered into trade agreements with other countries in Asia to increase easy access to outside markets. Globally, an important milestone was reached with Cambodia being admitted to WTO in 2004. This has imposed higher responsibilities to adhere to strict protocols and standards but has equally opened up tremendous opportunities for trade with the world at large on a competitive basis. However, a lot more has to happen to avail of all the trade facilities and broaden the number of products exported from Cambodia, which is now largely confined to garments. Of primary importance is reduction in high transaction costs, which make serious long-term investors shy away from making commitments in Cambodia.

2.20 In its growth since 1993, Cambodia has received immense financial, technical and advisory support from EDPs. Private sector investment, domestic and foreign, has been a driving force for strong growth in GDP. RGC has paid particular attention to further strengthen, deepen and broaden the Partnership in Development with EDPs, private sector and the civil society. In terms of cooperation with private sector, a high level "Government - Private Sector Forum" has been set up and meets regularly. For further strengthening cooperation with EDPs, RGC has set up 18 Joint Technical Working Groups (TWGs) to bring about close coordination among EDPs together with the government. A high level Government Donor Coordination Committee (GDCC) has also been set up to guide the TWGs and review progress on various fronts.

2.21 Favourable Macro-Economic and Financial Management is a vital environment to pursue good governance and socio-economic progress. The gains made in this field since 1993 and over the last five years have been quite impressive:

- GDP at constant prices grew at an average of 7.0% per year, despite drop in 1997 due to the twin factors already cited¹, and excessive oil prices in 2004 and 2005. Much of the growth came because of very prudent policies and strict discipline as also from significant private sector led growth in industrial output and constructions. Industrial growth came in a large measure from garment industry. Tourism grew significantly.
- Per capita GDP grew at an average of about 4.7% in real terms despite significant increase in total population. Starting at CR 897,000 in 1993 it now stands at nearly CR 1,400,000 (2005 estimates).
- Inflation has been kept under strict control and check. While hovering at low levels for many years it crossed 5% in 2004/05 due to higher international oil prices and local drought. In 2005 it will again be at about that level.
- The exchange rate with US\$ stood at CR 2,747 per US \$ 1 in 1993 and would be about CR 4,128 in 2005.

¹ See paragraph 2.02.

- Government revenues have grown steadily and will reach 11.8 % of GDP in 2005 allowing for increased government expenditure especially in social sectors.

Table 2.1: Macro-Economic Growth

Particulars	1993	2000	2005 (Est)
<i>At Constant Prices (2000)</i>			
GDP Bn Riel	8,496	14,089	19,294
GDP Per Capita (000 Riels)	897	1,110	1,400
Annual GDP growth %	3.9	8.4	7.0
Inflation % (year to year)	114.3	-0.8	6.2
Exchange Rate US\$=Riel	2,747	3,924	4,128

Source: National Accounts of Cambodia 1993-2004; MEF; IMF

2.22 Financial Sector consisting of Banking and Insurance and related activities is in its infancy and is yet to play a significant role in economic growth. Cambodia is still a largely cash-based economy, with most private sector growth being financed by personal funds or borrowings from family and friends¹. However, the sector has been undergoing needed reforms and is making rapid progress. The National Bank of Cambodia is the Central Bank of the country and is responsible for monetary policy (to maintain price stability to ensure low inflation), managing currency, managing foreign exchange reserves and business, supervision and regulation of commercial banks (most of them private) as well as specialised financial institutions and micro-finance institutions. Among the achievements are:

- Putting in place and implementing a system of on-site and off-site inspections of all financial institutions.
- Liquidation of non-viable banks.
- Privatisation of the Foreign Trade Bank of Cambodia.
- Ongoing review and improvement of existing regulations to ensure proper and efficient enforcement of the law.
- Monitoring implementation by banks of the uniform chart of accounts conforming to international accounting standards.

Enhancement of Agricultural Sector

2.23 Enhancement of the agricultural sector is the key to poverty reduction and would also contribute enormously to real GDP and macro-economic growth. Poverty incidence is high in rural areas especially those in remote regions. 85% of the population lives in rural communities and over 60% depend on Agriculture, Forestry and Fisheries for their livelihood. Majority of the poor are farmer-headed households. Women make a significant contribution in this sector. Agriculture production is still dependent on vagaries of nature and is prone to decline by drought, flood and pest affectation. These inherent difficulties continue and have to be tackled. Given that the country imports about 70% of its needs for fruits and vegetables, there is immense scope for diversification to meet these needs as well as to produce high-value crops (e.g., fine rice, herbs and spices). Actual figures for agriculture no doubt show some steady improvements.

¹ See Private Sector Development Strategy for Cambodia: Investment Climate Assessment: The World Bank: June 2004.

2.24 Although production and total contribution from the sector to the overall economy grew during the period, their share in the GDP has fallen significantly, from 45.6% in 1993 to just about 30% in 2005 (estimates). This is attributable mainly to robust growth in industries (particularly garment manufacturing), tourism and construction. Actual year-to-year growth rates in the sector were quite unsteady and uneven, marked by peaks and troughs, reflecting the high reliance on natural factors and susceptibility to climatic factors like drought, floods, etc. The total area under rice rose from 1.8 million hectares in 1993 to over 2.3 m ha in 2004-05 and paddy yield per hectare has also been increasing steadily (from 1.31 tons in 1993 to 1.97 tons in 2004-2005). The increase so far is due to introduction of high yielding varieties and extension work to improve agricultural practices and techniques. The increase in total yield resulted in surplus rice production over and above needs for seed and for feeding the country's growing population. Such surplus was 416,118 tons in terms of milled rice in 2004-2005. It is to be noted that the yield at present, around 2.0 tons per hectare is still substantially below the potential (3-5 tons) reached in neighbouring countries with similar agro-climatic conditions. Even slight but steady improvements in production would have a tremendous and immediate positive impact on the poverty index.

Table 2.2: GDP: Agriculture, Forestry and Fisheries

Particulars	1993	2000	2005 (Est)
<i>At constant prices:</i>			
<i>Agriculture, Fisheries and Forestry (CR Bn)</i>	3,874	5,065	5,700
<i>% of GDP</i>	45.6	35.9	30.1
Of which, Crops (CR Bn)	1,594	2,328	2,800
<i>% of GDP</i>	18.8	16.5	14.2
Livestock & Poultry (CR Bn)	759	757	947
<i>% of GDP</i>	8.9	5.4	4.6
Fisheries (CR Bn)	1,158	1,516	1,588
<i>% of GDP</i>	13.6	10.8	9.3
Forestry & Logging (CR Bn)	362	464	367
<i>% of GDP</i>	4.3	3.3	2.0
<i>Rice Production:</i>			
Total area (,000 ha)	1,824	2,079	2,374
Total Paddy Production (,000 tons)	2,383	4,050	4,170
Paddy Yield (tons per ha)	1.31	1.94	1.97

Source: National Accounts of Cambodia, 2003-2004; Statistical Year Book, 2003 (SYB); MAFF

2.25 Livestock (cattle, buffalo, pigs) are not only important for nutrition levels in the country but cattle and buffalo are also used for draught purposes. The total stock has remained more or less steady (pigs even declining due to increasing imports). The production of poultry has however been growing steadily.

2.26 Fish occupies a crucial position in terms of food, nutrition, and income of millions of Cambodians. Fish catch grew from 108,900 tons in 1993 to about 374,000 tons in 2005, the main increase coming from the steadily growing aquaculture, production from inland and marine fishing remaining somewhat steady. The fisheries sector is undergoing major reforms towards a more poverty-focused approach. This has resulted in a new policy statement for the sector and a Fisheries Development Action Plan, 2005-2008. Up to 2005, 56.46% of fishing lots

have been released for small-scale fishing by people. This has reduced conflicts in the sector. So far 440 community fisheries management mechanisms are in place. The Royal Decree on establishment of community fisheries was signed on 29 May 2005, and a Sub-Decree on Community Fisheries Management was promulgated on 10 June 2005. A new Fisheries Law is awaiting approval of the National Assembly.

2.27 Land Reforms are crucial to increase agricultural production by providing titles and security of tenure to people, especially farmers over lands they are legally occupying. Already the increases in population are bringing pressures on land ownership. From every farmer owning some land in early 1980s an estimated 12% of farmers do not own any land at present. However, in other critical areas, some progress has been achieved. An Inter-Ministerial Council for Land Policy was established in 2000. The first phase of government's 15-year Land Administration, Management and Distribution Programme (LAMDP) was approved in 2002. Its goals are to improve land tenure security and promote the development of efficient land markets. The Land Law was enacted in 2001 as a comprehensive law on land and an Interim Land Policy Framework was adopted in 2002. Out of the 2001 estimates of 6-7 million land parcels or plots needing to be issued titles in the country, work has progressed well by issue of several hundred thousands of land titles under the systematic land registration and sporadic land registration processes. A land dispute resolution mechanism through the Cadastral Commission has been established; this Commission resolved 889 cases between 2003 and 2005, out of 3,257 cases. As part of the Land Reforms programme, the sub-decree on Social Land Concessions, equitably allocating disposable state land¹ for social and economic development, is being implemented. A sub-decree on state land management and a sub-decree on economic land concessions have been issued. A pilot social land concessions project is under preparation and its implementation is expected to commence in 2006. To undertake a large volume of work involved in land reforms and management, training manuals have been prepared and staff trained. The challenges ahead are to formulate and enforce regulations against land grabbing and to ensure land security and equity to the poor.

2.28 Large tracts of arable land are infested by dangerous land mines planted, and unexploded ordnance (UXO) dropped, during past conflicts, which routinely claim lives and limbs of both humans and animals. Mine Clearance is therefore very important for making arable land safe for cultivation and to prevent death and lifelong handicaps caused by severe injuries. The Mine Clearing programme has been in operation for a number of years. Reported annual casualties from landmines and UXOs decreased from 1,743 in 1996 to 797 in 2005 (estimates). The land freed from land mines stood at 1,225 ha in 1993 and increased to 32,974 ha in 2005 (estimates). Much work still remains to be done.

2.29 Food Security and Nutrition is a cross-sectoral issue. Protein-energy malnutrition rates and micronutrient deficiencies (iron, iodine, vitamin A) in children under age 5 and women are high and 54% of child mortality is estimated to be associated with malnutrition. Inadequate nutrition adversely affects human resource development. Malnutrition imposes higher health costs due to poor

¹ Referred to as "Private" state land

health status, and negatively impacts on national labour force quality for the future. Progress in agriculture, animal husbandry, fisheries, market access, rural road communications and in the health sector have helped in improving food security and nutrition during the last five years. However, there is still unevenness across the country between surplus and deficit districts and among different social groups. Domestic capacity for production of iodised salt rose spectacularly from 20 per cent in 2002 to more than 100 percent of national requirement in 2005. A Cambodia Nutrition Investment Plan, 2003-2007 (CNIP) is in place. RGC has activated Provincial Nutrition Coordination Committees in a number of provinces and commissioned the preparation of Provincial Action Plans on Food Security and Nutrition.

2.30 Forestry Reform has been ongoing in the past few years and has reached a critical stage where institutional strengthening and improvement in coordination among all, is a priority. In accordance with the policy for Strategic Forest Management Plans and Environmental and Social Impact Assessments (ESIA) on nearby communities, a broad consultation process with the communities has commenced. From 1999 to-date, forest concessions granted to 17 companies have been cancelled covering a total forest area of 3.5 million hectares in 24 locations. As of now there are only 12 concessionaries, covering a total area of 3.4 million hectares of forests, who are in the process of planning their operations. No new forestry concessions have been issued but small salvage operations and other works have continued in accordance with law. In pursuing illegal logging operations, 1,469 illicit sawmill plants, 689 timber processing units, 39 medicine vine powder manufacturing units and such others were removed and destroyed and 441 offenders were apprehended and prosecuted. In June 2004, RGC issued an order to prevent, suppress and eliminate forest land clearing and encroachment and has established a National Committee and sub-national committees at the provincial level to implement the order. Additional regulatory instruments and guidelines have been issued to implement the 2002 Forestry Law. A new Independent Monitor to report on forestry crimes and policy implementation has taken over from the earlier one and the work continues. Pilot community initiatives in different parts of the country have commenced and nearly 110,000 hectares have been developed under community forestry arrangements.

2.31 Environment and Conservation are accorded high priority in RGC's efforts for sustainable development to benefit social and economic development of concerned communities. A draft law on Protected Areas is before the National Assembly. This law provides for procedures, guidelines, and regulatory tools for the administration and management of protected areas, protection of rights and traditions of ethnic minorities and creation of protected area communities to seek their participation in the sustainable management and use of natural resources, and use of bio-diversity. A National Biodiversity Action Plan has been adopted and a National Biodiversity Steering Committee has been set up. Wildlife population has shown evidence of increase in some areas. To adequately respond to the urgent needs of climate change, in particular droughts and floods, a draft National Adaptation Programme of Action to Climate Change has been prepared, containing priority actions needed to adapt to climate change in regard to agriculture, water resource management, coastal zone management and human health.

2.32 There are 23 protected areas established under law. Work on producing maps and demarcation of boundaries of 11 protected areas has been completed, boundary poles as markers have been erected and 110 km of roads within protected areas have been rehabilitated. Concerted efforts are being made to protect and conserve critical ecosystems such as the Cardamom Mountains Protected area, three core areas of the Tonle Sap Biosphere Reserve and others. Community engagement in bio-diversity conservation and livelihood development is being promoted in conservation projects, especially through establishment of 69 community-protected areas. A National Committee for Coastal Management has been set up to promote the involvement of provincial authorities and commune councils in coastal management. 30 coastal community-based organizations have been established, 54 ha of mangroves have been replanted and several mangrove species have been identified.

2.33 Water resources form a crucial component of the nation's environment and natural resource base. Cambodia's watercourses - especially those of the Tonle Sap system -- provide the basis for fisheries, irrigated agricultural production, domestic and industrial water supply, hydro-electric potential, and navigation. Even with abundant fresh water resources -- rivers, streams, lakes, and aquifers -- parts of Cambodia suffer from droughts affecting and destroying crops. Construction and improvement of irrigation facilities, flood protection dykes and sea protection dykes are therefore an important priority. Also, Cambodia's water resources are vulnerable to activities in other countries upstream of the Mekong River. A National Policy on Water Resources Management was adopted in January 2004 and a draft Law on Water Resources Management is being considered by the National Assembly. In the past five years (2001-2005), the achievements have been: 315 irrigation systems for rice cultivation covering an area of 153,149 ha; flood control dykes that provide protection for an area of 113,500 ha; prevention dykes protecting 16,680 ha of cultivable land from sea water intrusion.

2.34 Rural Development is a major crosscutting issue, covering health, education, agriculture, water, sanitation and other sectors. It is central to poverty reduction since 85% of the people live in rural areas, which have high poverty incidence. RGC has adopted a multi-pronged approach to foster rural development and empower local communities to plan and manage development of their communities. The decentralization and deconcentration of public services delivery¹, support for participatory decentralized, area-based programmes, and the provision of credit to households and small businesses are some of the highlights of these efforts.

2.35 Till 2005, apart from creating an inventory of all rural roads, rehabilitation or reconstruction work in rural areas included: 22,700 km of rural roads (of which 10,130 km with laterite surface); 3,043 bridges; 11,314 culverts; 44,919 point wells; 697 km of dykes; 584 km of canals; 1,995 reservoirs; 6,505 ponds; 1,874 class rooms; and 17 rural markets.

¹ Refer paragraphs 2.11 & 2.12

2.36 The Integrated Rural Accessibility Planning (IRAP) mechanism is meant to better identify priorities and develop proposals for infrastructure and support investment programmes in rural areas. It ranks communities according to their levels of access to basic minimum needs and services so that priority attention could be paid to them for rural development.

2.37 The rehabilitation or reconstruction of 22,700 kms of rural roads have helped many service providers to reach both rural and some remote areas, which now have better access to supplies, services and markets. They have also facilitated greater mobility. Many programs like SEILA have expanded their coverage, now extended to all provinces and communes. During 1998-2003, over 3,000 civil servants and 75,000 elected village representatives have been provided training in a variety of technical areas including participatory planning, financial management, contract administration, bidding and procurement, monitoring and evaluation. The Social Fund, established in 1994, has provided cost-effective assistance to meet demands of rural areas for a variety of schemes -- school buildings, irrigation, commune and district health centres, water wells, bridges and culverts, drainage and sewerage. During 1998-2003, 1,928 projects were approved out of 3,272 applications received. 90.8% of these were in rural areas (15.2% in post-conflict areas) and the rest in urban areas.

2.38 Expansion of low-interest rural credit to drive growth in rural areas has always been a priority. With RGC's encouragement and guidelines, there are now 15 Micro-Finance Institutions working in the rural areas along with 40 operators, specialized banks and the Rural Development Bank. Demand far exceeds supply and the issue of high interest rates is to be urgently addressed.

Rehabilitation and Construction of Physical Infrastructure

2.39 The backbone to any sustainable development is physical infrastructure -- roads and bridges, railways, ports, electricity generation and network, irrigation, tele-communications, and so on.

2.40 In regard to roads and ports, the focus is on road network, rehabilitating and expanding the deep-sea port at Sihanoukville, and international airport facilities at Phnom Penh and Siem Reap. Priority attention has been paid to rehabilitation and upgrading of primary roads connecting neighbouring countries (Laos, Thailand and Vietnam), major arteries within the country and roads servicing remote rural areas, including bridges and ferry crossings.

2.41 Between 1998 and 2004, out of a total of 4,695 kms of primary roads (connecting neighbouring countries, provincial capitals and ports) and 6,615 kms of secondary roads (connecting provincial headquarters to district headquarters), a total of 11,310 kms, about 2,100 kms were upgraded (paved); the Kizuna Mekong Bridge at Kampong Cham (February 2002) and Koh Kong bridge (2001) were completed and a number of important roads were reconstructed including rehabilitation of bridges. Many of the secondary roads connecting rural areas were also repaired. With limited resources, road maintenance has been a major priority.

2.42 Sihanoukville deep-sea port located 230 km south-west from Phnom Penh and handling nearly 70% of imports into Cambodia is being upgraded and the first stage is nearing completion (2005). Not much progress could be made in rehabilitating railways or further upgrading river transport facilities though river transport between Phnom Penh and Siem Reap has improved considerably.

2.43 Private sector is being increasingly involved under BOT terms in creation and improvement of infrastructure. Notable examples are Koh Kong Bridge, National Highway 4, improvements to the Phnom Penh international airport and others.

2.44 Energy: Availability of assured, abundant, low-cost electricity is key to development of the country. High cost of electricity affects all productive sectors and hinders industrial investments and competitiveness. Attracting private sector investment and participation in the generation and distribution of electricity to key provincial and urban centres, rural areas, and putting in place power transmission grids to link Cambodia with neighbouring countries have therefore been high RGC priorities. Total electricity generation in Phnom Penh and provincial towns increased from 163.4 Gwh in 1993 to 759.7 Gwh in 2004. New power plants have been completed. Work is to be completed on several provincial towns' power rehabilitation works. Agreements have been signed **and implemented** with neighbouring countries to import power for use in border areas. In many district towns private operators provide local energy needs. RGC is also promoting development of cheaper, renewable, alternative energy sources, viz., solar energy (already installed in some areas), wind energy, biogas, and mini-hydro schemes. A very important new development is the discovery of oil and gas resources in some off-shore trial wells already drilled, raising hopes of an abundant source of supply in a few years to provide a boost to economic growth, in turn raising income levels and rapidly reducing poverty. The challenge is to plan well ahead to use this valuable resource, especially associated gas which otherwise traditionally goes waste.

2.45 Information and Communications: In the last five years, improvements in tele-communications have been phenomenal. At the end of 1998 the average tele-density was nationally 0.74 per 100 people and 2.17 in Phnom Penh. This rose to 5.57 and 44.70 respectively at the end of first half of 2005. Nearly 806,200 subscribers use services provided by MPTC and private telephone companies. Over 8,000 subscribers use internet services. However, the still high cost of telecommunications burdens the entire population as well as businesses. Starting from a non-reliable level, the postal services have expanded and are gaining increasing confidence of the public. In terms of keeping people updated about various developments and news, the national TV transmitter has been upgraded and quality of programmes continuously improved. Local TV stations also function in several provincial towns.

Private Sector Development and Employment Generation

2.46 Promotion of private sector as the main engine of economic growth has been the cornerstone of RGC's economic policy from inception and is reiterated in the Rectangular Strategy. The Cambodia Investment Board (CIB) of the Council

for the Development of Cambodia (CDC) acts as the focal point to attract and clear private investments in Cambodia. A high level Government - Private Sector Forum was established in December 1999, supported by seven Business -Government Sectoral Working Groups. This process has been further strengthened and deepened by the formation, in August 2004, of a high level Steering Committee for Private Sector Development. This committee is charged with specific responsibilities, including proposing and implementing measures to improve the investment climate, trade facilitation and private sector development.

2.47 Private sector investment in Cambodia has embraced many sectors but most notably, garment industry, tourism and hospitality, construction, banking, aviation, forestry and plantations. As earlier noted, some BOT projects are also handled by the private sector. More recently, private sector has entered the tertiary education sector as well. Yet, flow of investments has been very slow into priority sectors, some with immense export potential and competitive advantages and others with high returns, identified by the government such as agriculture, agro-processing, infrastructure, etc.

Table 2.3: GDP: Industry & Services

Particulars	1993	2000	2005 (Est)
<i>At Constant Prices (in Bn riels)</i>			
<i>Industry as a whole</i>	1,101	3,078	5,777
<i>% of GDP</i>	12.4	21.8	27.7
-- Manufacturing	683	2,255	4,336
<i>% of GDP</i>	8.0	16.0	20.9
<i>of which Textile, Wearing Apparel & Footwear</i>	63	1,297	3,330
<i>% of GDP</i>	0.7	9.2	17.3
-- Construction	374	732	1,297
<i>% of GDP</i>	4.4	5.2	6.8
<i>Services as a whole</i>	3,262	5,231	6,592
<i>% of GDP</i>	38.4	37.1	34.3
-- Trade	1,233	1,512	1,762
<i>% of GDP</i>	14.5	10.7	9.2
-- Hotel & Restaurants	202	521	967
<i>% of GDP</i>	2.4	3.7	5.1
-- Transport and Communications	537	930	1,252
<i>% of GDP</i>	6.3	6.6	6.9
-- Other Services	377	861	1,230
<i>% of GDP</i>	4.4	6.1	6.5

Source: National Accounts of Cambodia, 2003-2004; SNEC

2.48 Almost entirely meant for the export market, garment industry (employing about 330,000 people, predominantly women), generated about 80% of total exports of Cambodia in 2004, rising from a mere US\$ 26.2 million in 1995 to a staggering US\$ 1,986 million in 2004. Belying many predictions that this would slow down in 2005 because of the multi-fibre agreement coming to an end, garment exports continue to grow at a surprisingly high rate. While this is welcome because of the industry's tremendous contribution to the economy and employment generation, dependence on one product alone could cause sudden ruptures; diversification of the industrial sector is therefore of great urgency.

2.49 The figures in Table 2.3 speak for themselves. Industrial output is growing very fast and is now contributing 28.6% of GDP in 2005, up from 13 % in 1993 and 21.8% in 2000, and set to grow further. Garment sector alone contributes nearly 16% of GDP in 2000.

2.50 Small and Medium Enterprises (SMEs) play a vital role in promoting economic development and creating sustainable employment and incomes closer to the people. They make up 99% of all enterprises and almost half of all employment in the private sector. RGC has adopted a comprehensive SME Development Framework for Cambodia and recently prepared an SME Development Programme. A special SME Secretariat has been set up to implement policies and programmes in this regard.

2.51 The Services sector also grew in absolute terms but its contribution to the GDP in percentage terms is stagnant or even declining. Tourism and related activities boosted the services sector and created a wide variety of employment through multiplier effect. Tourism arrivals into the country, mainly attracted by Siem Reap area, have been showing a steady and strong growth. Compared to 286,524 visitors in 1998, after the sharp decline due to internal events in 1997, the number rose to 466,365 in 2000, was 1.055 million in 2004 and might exceed 1.30 million in 2005, contributing an estimated US\$ 600 million in earned foreign exchange.

2.52 Among those economically active (excluding home-workers, students, income recipients, retired, invalids not working), unemployment rate is on the average low at less than 4%¹ in aggregate terms in Cambodia but this statement masks a high level of underemployment. Of those employed, about 62% are in agriculture, forestry and fisheries (down from 75% in 1999); 9.6% in manufacturing (up from 4.7 in 1999); 13.9% in wholesale and retail trade.

2.53 To improve work conditions and ensure protection of workers' rights a Labour law is in force. Adherence to this law has improved labour conditions. The International Labour Organisation (ILO) of the United Nations, monitoring labour conditions in Cambodia, has declared that the garment and footwear industries in Cambodia are free of forced labour, child labour, or discrimination. RGC has established a Labour Advisory Committee and an Arbitration Council in accordance with the Labour Law. In inspections of over 5,500 enterprises, over 4,000 were found to be in violation of some aspects of the law; cautionary notices were issued to many and fines imposed on some. Over 500 enterprise level unions, 16 federations of trade unions and 1 confederation of trade unions with over 200,000 members were registered. Job seekers are also assisted with finding employment including overseas.

2.54 As part of social services, veterans and retired civil servants continue to receive monthly payments, which have been increased substantially. Victims of natural disasters like floods, drought or fire continue to receive aid. Rehabilitation, vocational training and reintegration assistance is provided to juvenile delinquents and disabled (169,000: of whom 60% are victims of war). After the adoption of

¹ CSES, 2003-04

Policy for the Elderly in 2003, 194 Elderly Associations have been formed in 12 provinces and cities. In regard to child protection, focus was on the establishment of Community-based Child Protection Network which has benefited many districts, communes and villages.

Capacity Building and Human Resource Development

2.55 This is the most important growth rectangle in the Rectangular Strategy as all development goals indeed converge towards enhancement of the human condition.

2.56 Education is a crucial factor in human development and closely contributes in myriad ways to poverty reduction, including by providing scope for better awareness to avail of opportunities for economic progress. This sector therefore is accorded high-priority in RGC's development agenda. The advances made so far portray a true success story for government's efforts along with full cooperation from EDPs through a SWAP process. In the last five years, an Education Strategic Plan (ESP), 2001-2005 has been developed and is operational to reform the education sector, improve quality of education and expand coverage. RGC's budget allocation to the sector, as part of the PAP scheme¹, has increased from 10% of total budget in 1997 to 19.5% in 2004 with 20% to be reached in 2005. Over 60% of the allocation is for basic education with an emphasis on pro-poor expenditures. However, there are continuing and persistent problems in regard to adequacy and timeliness in release of budgetary allocations, which need to be quickly overcome.

2.57 Net enrolment in primary schools and in secondary schools, as well as transition rates from primary to lower secondary level, and from lower secondary to upper secondary level have all shown varying degrees of improvement. The growth in girls enrolment in primary schools continues to outstrip that of boys (girls 27% and boys 22% since 1999), reducing the enrolment gender gap. Implementation of ESP is reducing poverty/education gap. However, while the numbers attending schools is an important factor, more attention is necessary to the quality of education as well such as student performance, dropout and repetition rates, pupil-teacher ratio, etc.

2.58 For enhancing the standards for higher education, where private sector involvement is increasing, RGC has set up an Accreditation Committee to monitor quality of training and to ensure that graduates are capable and of sufficient quality to work for the socio-economic development of the country.

¹ PAP includes Education, Health, Agriculture and Rural Development.

Table 2.4: Education Indicators

Particulars	1993	2000	2005 (Est)
Number of Primary Schools	4,693	5,468	6,180
Longest distance to primary school -- kms		2 km	1.5 km
Net Enrolment, primary school - Total; Boys; Girls -- %		87; 90; 84	91.9; 93.0; 90.7
Survival rate, grade 1-6 : %		51.0	53.1
Number of lower-secondary schools	354	367	800
Longest distance to lower-secondary school		8 km	4 km
Net Enrolment: lower sec sch - total; boys; girls %		19; 21; 16	26.1; 27.1; 24.8
Survival rate 1-9: %		33	30.18
Literacy rate, 15-24 age %:		82 (1999)	83.4

Source: SYB, 2003; MOEYS

2.59 **Health:** This sector plays a crucial part in poverty reduction. Absence of good health is both a cause and consequence of poverty. For various historic and other reasons, like inadequacy of capacity including trained manpower, Cambodia's vital health indices are quite low compared to its ASEAN neighbours. However, rapid advances have taken place and cooperation among all stakeholders is very high. Most indices are showing positive improvements in recent years and the CMDGs set for 2015 are likely to be surpassed or reached in some cases. Polio has been eradicated and domestic capacity for production of iodised salt exceeds national need. Still, the challenge remains to provide easier, and less costly, access to the poor and to bridge the continuing urban-rural as well as socio-economic groups divide. Better rural roads and higher pay for civil servants would mitigate some aspects.

2.60 Although significant progress has been achieved in the Health Sector, there is still a long distance to go to reach satisfactory levels of health status, particularly in regard to reduction in maternal mortality and infant mortality rates. The measures being put in place however augur well for the future. The total number of health centres with adequate capacity to provide minimum package of activities (MPA) increased from 386 in 1998 to 832 in 2004, and among a total of 69 referral hospitals (RH), 15 were providing complementary package of activities (CPA) in 2004. The success of disease control measures is demonstrated by: increase in cure/detection of tuberculosis; decrease in incidence and fatality rate of malaria, dengue fever, measles and cholera; and the eradication of poliomyelitis in 2000. The percentage of pregnant women with at least two antenatal care visits increased from 29% in 2002 to 47% in 2004. Still, some of the rates, although declining as shown in Table 2.5 below, continue to be among the highest in this region. An emerging issue is increasing drug abuse among Cambodian youth in the last few years. To combat this problem, a National Authority for Combating Drugs (NACD) was established in 1995.

2.61 Spectacular decrease in prevalence of percentage of adults tested HIV positive has been achieved along with high levels of HIV/AIDS awareness thanks to the noteworthy synergy through high government commitment, large funds made available by EDPs and full cooperation among all EDPs involved in the field. In 2001, recognising the importance of a multisectoral decentralised response to the HIV epidemic, RGC established the National Aids Authority (NAA), to lead, coordinate and monitor the national response across ministries and all provinces.

NAA represents Cambodia's adherence to the principle of three-ones¹ and is responsible for developing and overseeing the implementation of Cambodia's national HIV strategies (2001-2005; 2006-2010). The challenges ahead are to maintain the level of progress and devise strategies to curb the spread of transmissions to families.

Table 2.5: Health Indicators
(Subject to update on receipt of fresh data from CDHS, 2005)

Particulars	1993	2000	2005 (Est)
Infant Mortality Rate, per 1,000 live births		95	66
Under 5 Mortality Rate, per 1,000 live births		124	82
Maternal Mortality Ratio, per 100,000 live births		437	N/A
Births attended by skilled health personnel -- %		32	N/A
Under 1 year-olds immunised against DPT3 (%)		43	83
Under 1 year-olds immunised against measles (%)		41.4	80
Malaria cases: fatality rate (%)		0.4	0.36
TB death rate (per 100,000 population)	90 (1997)	N/A	N/A
Adult HIV prevalence rate, (% of 15-49 age)	3.0 (1997)	2.8	1.9
Number of Health Centres	514	942 (2002)	965
Number of Operational District Hospitals	65 (1997)	68 (2002)	69

Source: CIPS; MOH; NAA. Note: All figures subject to change upon data emerging from CDHS in first half of 2006

2.62 The pilot programme to expand basic health services in 5 operational health districts (OD) in partnership with private sector (NGOs) through contract arrangements has been very successful, increasing provision of basic health services from two to three-fold, and reducing in some cases the health expenditure of poor households by 60-70 percent in 3 years (1998-2001). This programme has been expanded to cover 11 ODs in all by 2005. In terms of human resources for the sector, the numbers of students completing training in medical care increased from 109 in 1998 to 559 in 2003 and around 12,000 participants have attended in-service training in MPA.

2.63 The government's budget expenditure for health increased by 264% from 1998 to 2004. Much more needs to be done not only in actual allocations but ensuring that funds are released in time and used well. The needs are very high, since actual total expenditure is still low, excluding the substantial private sector or external partners' direct expenditure.

2.64 The Health Sector Strategic Plan (HSP) for 2003-2007 is being implemented in close cooperation with all external development partners engaged in this sector, adopting a Sector Wide Management (SWiM) approach. It is due for a mid-term review in 2006 when it will be extended to 2010 to coincide with the period of NDSP.

2.65 Gender Equity: A major concern is to bring about an equitable and stable gender balance (between men and women, boys and girls) in access to goods and services and in participation in, and receiving benefits from, the development process at all levels and on all sides -- workforce, policy and political levels, institutions, education, and health care. Gender imbalances are also at the root of poverty levels especially in women (widows) headed households. Gender

¹ One national authority, one national strategic framework, and one national monitoring and evaluation system.

concerns therefore permeate all actions of the country and are among the major crosscutting issues. Steady improvements have taken place for the past many years but far more still needs to be done with regard to gender mainstreaming and raising levels of consciousness in all spheres, and will be reflected under different sections in this document. Recently, a Domestic Violence Law has been passed. The draft Anti-Trafficking law, now before the National Assembly is expected to be passed in 2006.

2.66 Population: Educated, healthy and vibrant People are the assets, and creators of assets of any nation. People are therefore at the centre of all development efforts as both contributors and consumers. Good Governance provides the climate for people to grow and realize their full potential both for their own benefit and that of society and the country. The goal of Cambodia's National Population Policy is to induce changes in population trends so as to bring the size, composition and distribution of population in line with the needs of sustainable development for poverty alleviation and improvement in quality of life of all Cambodians, and to ensure universal access by all Cambodians to reproductive health services by 2015. Cambodia therefore attaches great importance to supporting the rights of all couples to decide freely and responsibly the number, spacing and timing of their children, and to have access to information, education services and the means to do so. A National Committee for Population and Development (NCPD) has been set up to implement the National Population Policy.

2.67 Cambodia's population suffered severe depletion during 1975-1979 but has been steadily growing since then due to reduction in death rates, increase in longevity, and decrease in infant, under-five and maternal mortality. Though some of these indicators are still high they have come down in the past five years significantly. Table 2.6 below indicates the significant increase in estimated average life expectancy at birth by 6 years for men and 9 years for women, reflecting advances in overall well-being. TFR registered a sizeable decline. And there was improvement towards gender balance, or number of males to females that had drastically declined in 1979 because of the genocidal regime. A noteworthy feature is the increasing youth population. 60% of the population is now below 25 years of age, and 36.5% in the 10-24 year age group. Youth issues therefore constitute a key concern and challenge, particularly as youth unemployment and migration are rising and there are signs of increasing youth risk behaviour including drug abuse.

Table 2.6: Key Population Indicators

Particulars	1993	2000	2005 (Est)
Total Population (millions)	10.66	12.57	13.66
Female (100): Male Ratio	91.7 (1996)	93.0 (1998)	93.5 (2004)
0-14 population (%)	43.9 (1996)	42.8 (1998)	39.0 (2004)
15-59 population (%)	50.8 (1996)	51.8 (1998)	55.1 (2004)
60 and over population (%)	5.3 (1996)	5.3 (1998)	5.9 (2004)
Population density (no per sq. km)	59.1 (1996)	64.0 (1998)	74 (2004)
Life Expectancy at birth: Male/ Female	51.82/55.79	54.4/60.6	57.87/64.14
Total Fertility Rate	5.2 (1996)	4.0	3.34 (2004)
Annual Growth rate %	2.49 (1998)	1.81	1.81 (2004)
Married women using modern birth spacing methods (%)		18.5	20.1

Source: Demographic Survey 1996; Census 1998; CDHS 2000; CIPS, 2004; Pop., Projections 2004

Conclusion

2.68 Various qualitative and quantitative data so far presented and discussed demonstrate how far Cambodia has progressed from below ground zero in 1979, fast tracked since the first mandate of the Royal Government since 1993, and more particularly in the last five years. RGC is committed to consolidate and build upon such significant progress, spectacular in some cases. With its own unwavering commitment along with all Cambodians working for the country, RGC is optimistic and confident that ambitious future goals to take the country forward could and will be achieved. NSDP is about the future of Cambodia as will be further discussed in the following chapters. ■■■

CHAPTER III

PRIORITY GOALS AND TARGETS

3.01 The Royal Government's long term vision is 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. RGC's Rectangular Strategy clearly specifies the immediate agenda, viz., (1) promotion of economic growth; (2) generation of employment for all Cambodian workers; (3) implementation of needed reforms to ensure equity and social justice; and (4) enhancing efficiency and effectiveness of reform programmes in all sectors towards reduction in poverty and achievement of sustainable development. In this context, **NSDP is about the immediate, medium-term future steps and targets** to move rapidly towards the long-term vision of Cambodia.

3.02 While all impartial observers and Cambodians alike recognize that past achievements in just a few years have been impressive, the Royal Government is acutely conscious of the tremendous challenges ahead. It will therefore focus on and prioritise strategic goals and actions that will enable significant progress to be made on all fronts. **This chapter specifies such selective, overarching and prioritised, pro-poor goals and enumerates the critical or core targets to be met in five years, 2006-2010.**

3.03 The leaders of the world meeting at the United Nations in 2000 agreed upon a Millennium Declaration. The Declaration is a commitment to human rights, democracy, peace and security and good governance, to create and sustain an enabling environment to achieve poverty reduction. Cambodia fully endorsed the Declaration and signed it because it is fully consistent with the long-term commitment of the Government to improve living standards and reduce poverty, as also with the spirit of SEDP I & II. The Millennium Declaration set 8 priority Millennium Development Goals (MDGs) focusing world attention and commitment to reach specific targets nationally and universally by 2015.

3.04 Based on the MDGs, Cambodia prepared in 2003, through an extensive consultation process among all stakeholders, its own set of 9 (nine) goals called the Cambodia Millennium Development Goals (CMDGs), adding one more goal of immediate relevance and importance to the country. These are:

- Eradicate extreme poverty and hunger
- Achieve universal nine-year basic education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Forge a global partnership for development (not a specific CMDG but MDG)

- De-mining, UXO and victim assistance

3.05 The nine overall CMDGs were subdivided into many sub-goals for which clear and measurable targets or indicators were also fixed¹. Efforts and success in achieving these time-bound (2015) targets would help progress towards attaining the nine overall CMDGs.

3.06 In 2005, RGC conducted a detailed review and analysis of benchmarks, base lines, and progress towards the achievement of all the CMDG targets. It has concluded that while some CMDGs would indeed be achieved or exceeded by 2015, considerable extra efforts would be needed to achieve the others².

Table 3.1: Major achievements and critical shortfalls in meeting CMDG targets, 2005

Achievements	Shortfalls
<ul style="list-style-type: none"> • Significant improvements in poverty rates in urban and more accessible rural areas. • Expansion of primary education to more children. • Significant reduction in mortality rates for both infants and under-five year olds. • Improved immunization against major childhood diseases. • Improved breastfeeding rates. • Reduction of gender disparity in most areas especially in primary education, adult literacy, and wage employment in agriculture and industry. • Noteworthy reduction of communicable diseases, especially HIV/AIDS. • Improved urban access to safe water and rural access to improved sanitation. 	<ul style="list-style-type: none"> • High rural poverty rates. • Failure to increase net enrolments at higher levels and achieve high survival rates at all levels of education. • Limited progress in achieving the goals of universal nine-year basic education particularly those beyond primary education. • Gender disparity in secondary and tertiary education. • Persistent high levels of domestic violence against women. • Access to quality health services especially in case of women and maternal health. • Environmental degradation, especially forest depletion and water resources. • Persistence of high human casualties from landmines and UXOs.

3.07 Achievement of CMDGs, an undoubted priority, would crucially depend on the totality, synergy and outputs of many other developments and circumstances, such as, to mention a few: political and social stability; rule of law; maintenance of public order; critical reforms in public administration and sectors; the steady, sustainable, strong, equitable, balanced and well distributed (region and sector-wise) macro economic growth involving all other sectors, each with its own goals and targets. 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, which now hinder such investments, and by streamlining procedures.
- Unhindered growth in international trade to facilitate exploitation of Cambodia's comparative advantages in supply of goods and services to

¹ Full list at annex I:1

² CMDG Update, MOP, October 2005; Extracts at annex I:2

overseas markets at competitive terms and create backward linkages in increased and diversified employment and incomes.

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

3.08 In 2002 RGC prepared and announced a comprehensive National Poverty Reduction Strategy, 2003-05, (NPRS) consisting of various goals and targets to be pursued to rapidly reduce poverty levels in the country. All the major goals to reduce poverty at the local level coincided with and corresponded to CMDGs. The NPRS also provided a framework of priority reforms and actions needed for achieving poverty reduction.

3.09 Poverty **Reduction in the fastest possible manner is RGC's foremost priority.** Details of the current situation are provided at Box 2.1 of Chapter II. Given that 90% of the poor live in rural areas, priority attention is needed through NSDP to speed up development in rural areas.

3.10 Achievement of CMDGs, especially for poverty reduction and human development, is of high priority but, as stressed earlier (para 3.07), NSDP has also to consider all critical aspects of Cambodia's socio-economic needs, priorities, goals and targets, for it is the synergy of all actions that will impact positively on CMDGs as well. **This chapter therefore covers the critical and crucial priority goals and targets** relating to the different elements articulated in the Rectangular Strategy including vital 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.

3.11 NSDP is thus a broad framework for providing the road map and guidelines for taking the country where it is at the end of 2005 to where it ought to be in 2010, using available resources in a cost-effective and result-oriented manner. It needs therefore to take full account of the entire scenario of the country in all aspects and prioritise strategic goals and critical macro-targets to be achieved to reach the milestones intended for 2010. Accordingly it ought to consider goals and targets for all priority sectors and activities, leaving it to each government ministry or agency responsible for each sector to further disaggregate, develop, fine tune and expand the overall strategic goals and targets into more detailed sub-goals and measurable targets for implementation and monitoring.

3.12 RGC's Rectangular Strategy captures all the elements of governance and growth in a logical, holistic, consistent, congruent and harmonious framework. Using that as a basis and with inputs from all government ministries and agencies, joined by external development partners, and through a process of intense and collective consultations, a results-matrix was constructed to reflect RGC's strategic priority goals and targets to be attained during 2006-2010. Based on this exercise certain macro and critical items have been selected as shown in Table 3.2 as major national targets to be reached through NSDP implementation.

3.13 To move ahead rapidly towards its overall vision, RGC will focus attention on achieving **at national level some high priority, strategic and macro-goals**

and core targets (indicators) to be reached through NSDP during 2006-2010. These are listed at Table 3.2 below¹. The key features of the table are:

- Poverty reduction is of highest priority; hence the list starts with poverty reduction and sectors most influencing poverty in a logical sequence.
- The Table highlights only the major and macro level goals including all the main CMDGs but not all the sub-CMDGs.
- The Table provides clearly measurable quantitative targets, sector-wise, not ministry wise; some targets like reforms are more qualitative in nature.
- All goals and targets are macro in nature; they are aggregates.
- Targets or indicators point out to only some major ones².
- It is clear that there are many sub-goals and supplemental targets that also have also to be reached³.
- Specific goals and targets need also to be fixed for and reached at sectoral and sub-national levels.
- All targets, mentioned in it and sub-targets to be developed by sectors or sub-national levels need to be pursued with equal vigour for the betterment of Cambodia.
- Detailed sector plans, some already in existence and others being or to be developed, will expand and flesh-out these overall goals and disaggregate targets and arrive at a broader and longer list to be implemented and monitored by relevant ministries and agencies.
- It is expected that through a process of consultations with all stake holders various provinces, districts and communes will further articulate and lay out separate detailed plans to disaggregate, expand and add to these goals as relevant to their situation and circumstances and implement them with increasing resources and responsibilities being devolved to them through the annual national budget.

3.14 It is clear from Table 3.1 that some of the CMDG targets would be reached ahead of 2015 and some others would fall behind. The ground to be covered to reach reduction in overall poverty levels and other 2010 CMDG targets may seem long and difficult but RGC is confident that the goals could be met especially since a significant proportion of those under poverty line are indeed at the margin and could be quickly brought above the line through targeted actions.

3.15 RGC is committed to reaching the overall goals and targets indicated at Table 3.2 and those to be disaggregated and expanded by sector and sub-national levels. Some targets are clearly quite ambitious but RGC is confident that they 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 as outlined in the next chapter (IV).

¹ More detailed goals and indicators would be developed and pursued by each sector, ministry or agency.

² Example: Infrastructure development shows only major road net work as an indicator. Others like ports, airports, telecommunication, information technology, etc., are addressed in more detail in Chapter IV.

³ For instance, maternal health includes ante-natal care, nutrition, etc., and maternal mortality is only a reflection of all these other indicators. Or, Tourism goals would necessitate creation of necessary infrastructure, promotional efforts and so on. These aspects are covered in Chapter IV.

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 -- in 59% of country covered by 1993/94 survey	34.7 (28.0)	25	19.5
2*	Poverty levels % rural population -- 2004 -- in areas covered by 1993/94 survey	39.2 (33.7)		
3*	People below food poverty line % -- 2004 -- in areas covered by 1993/94 survey	19.7 (14.2)	13	10
Enhance Agricultural Production and Productivity				
4	Paddy yield per hectare (tons)	1.97	2.4	
5	Irrigated area – including supplemental irrign., (% of rice area)	20	25	
6	Land Reforms: Land Titles to farmers -- % of Total agri. land	12	24	
Improvements in Health (*)				
7*	Infant Mortality Rate per 1,000 live births	66	60	50
8*	> 5 Mortality Rate per 1,000 live births	82	75	65
9*	Maternal Mortality per 100,000 live births	N/A	243	140
10*	Births attended by skilled health personnel -- %	N/A	70	80
11*	HIV/AIDS prevalence, % of adults 15-49	1.9	1.9	1.8
12*	Malaria Cases - fatality %	0.36	0.2	0.1
13*	TB smear positive cases, per 100,000	N/A	214	135
14*	Married women using modern birth spacing methods (%)	20.1	44	60
15	% of health facilities providing RH services	33	45	70
Improvements in Education (*)				
16*	Net Enrolment: Primary Schools -- Total; Boys; Girls --%	91.9; 93.0; 90.7	100	100
17*	Net Enrolment: Lower Sec. Schools --Total; Boys; Girls -- %	26.1; 27.1; 24.8	75	100
18*	Survival rate % : 1-6:	53.1	100	100
19*	Survival rate % : 1-9:	30.18	76	100
20*	6-14 years out of school (%)	18.7	11	0
Rural Development				
21	Rural Roads rehabilitated – Kms (out of total 28,000)	22,700	25,000	28,000
22*	Safe Drinking water access -- % rural population	41.6	45	50
23*	Sanitation access -- % rural population	16.4	25	30
Environmental Sustainability (*)				
24*	Forest Cover -- % of total area	60	58	60
25*	Fuel Wood dependency: Households -- %	83.9	61	52
26*	Access to safe water source -- % of urban population	75.8	85	80
27*	Access to improved sanitation -- % or urban population	55	67	74
Gender Equity (*)²				
28*	Mainstream gender in all spheres	To be developed		
29*	Female share of wage employment -- agriculture, industry, services (%)	52.5; 53.5; 27.0	50; 50; 37	50; 50; 50
30*	Level of awareness that violence against women is a crime (%)	4.5	25	100
Reforms				
31	Accelerate Governance Reforms	To be developed		
Sustain high Macro-Economic Growth (*)				
32	Annual GDP Growth at constant prices - %	7.0	6.0	
33	Per Capita GDP at constant prices (000 Riels)	1,400	2,243	
34	Rate of Inflation %	6.2	3.0	
Improve Budget Performance				
35	Total Government budget revenues - % of GDP	11.80	13.80	
36	Total Government budget expenditure -- % of GDP	14.9	16.5	
Accelerate Industrial Growth & Employment				
37	Annual Growth in manufacturing - constant prices (%)	10.2	7.2	
38*	Working children aged 5-17 years -- %	22.3	10.6	8
Tourism				
39	Annual Tourist arrivals nos -- 000s	1,300	3,120	
De-mining, Victim Assistance (*)				
40*	Casualties (deaths and injuries) nos.	797	200	0
41*	Area affected cleared of mines and UXOs -- %	50.3	77	100
Infrastructure				
42	Length of paved roads (primary & secondary) out of 11,310- kms	2,100	4,100	
Energy				
43	Per capita use of electricity - Kwh	54	89	

¹ See explanatory information at paragraph 3.13.

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

CHAPTER IV

KEY STRATEGIES AND ACTIONS

4.01 RGC attaches high priority and is firmly and fully committed to national sovereignty, peace and national reconciliation, stability and social order, democracy and protection of human rights, and sustainable development that will accelerate progress, prosperity, harmony, and enhance the living standards and dignity for Cambodians in all walks of life.

4.02 With a clear vision, RGC is committed to the following basic principles for taking the country forward:

- 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.

4.03 **This chapter presents major strategies and actions to implement programmes and efforts to reach the overall goals outlined in Chapter III and to overcome shortcomings listed at the beginning of Chapter II.** The chapter highlights key and major strategies developed through extensive consultations. This chapter provides only a macro overview of strategies and critical actions. It is intended to be a broad guide, not detailed listing of all work being done or to be done by ministries and agencies¹. More and clearer details could be found in sectoral plans already developed or to be developed soon. It should be noted that many goals to be achieved are essentially quantitative. Qualitative aspects though critical cannot be easily measured but over time could be experienced and would manifest themselves through improvements in various ways.

4.04 Poverty²: Given that 90% of all the poor live in rural areas, special attention and targeted inputs and investments are needed in rural areas, especially those not covered by the 1993 survey (and poorer pockets of other areas), to rapidly

¹ As explained in earlier chapters, detailed and disaggregated goals, strategies and action plans would be developed by each sector, ministry or agency for implementation.

² See Chapter II: Box 2.1 and Annex III.

bring down poverty levels and to reach overall CMDG targets for 2010 and 2015. Since a greater share of the poor are now closer to the poverty line¹, these targets are not beyond reach. Such special attention will include more and better health care, educational facilities, improved incomes through rural activities (farm and non-farm), improved rural infrastructure and so on. More funds should devolve to these areas through the Commune and Sangkat development fund and other measures. Achievement of progress to reduce poverty, a crosscutting issue, depends on the totality of pro-poor policies and efforts in all other sectors. Accordingly, RGC will ensure that:

- All its sectoral strategies keep in focus positive impact on poverty to reach the goal of bringing poverty index down to 25% by 2010.
- In particular, targeted investments and attention are directed towards underserved people and areas, especially those with high poverty prevalence.
- In addition to broad sectoral and macro-level approaches, and with EDP support, special and innovative grass-root level support schemes of direct benefit to the poor are devised and implemented².

4.05 With established peace, social order and robust economic growth, Cambodia is at a *critical threshold* for faster and more equitable growth. The next ten years represent a *decade of opportunity* for steering the country forward to realise ambitious CMDGs and uplift the poor and vulnerable. RGC is committed to seize this opportunity to consolidate and build on past gains to make a positive impact during the five years of NSDP, 2006-2010. The time has arrived to divert attention from high level studies and surveys to concrete and tangible actions to accelerate progress in the lives of Cambodian people. It is time that significant gains are achieved at the grass roots level where it matters most to the ordinary citizen and for speedy reduction of poverty. Accordingly, RGC is committed to pursue strategies and actions that will:

- 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).
- 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.

¹ Annex III: Para 5.

² One such scheme could be providing a one-off grant of seeds and fertilisers to poor farmers on a selected basis to provide a jump-start to increased production. At US\$ 0.30 cents per kg, 33 kgs of HYV seeds for half ha would cost around US\$ 10; an additional US\$ 10 of NPK fertilisers would take the total per poor family to US\$ 20 as a one off grant. This could be a direct investment in poverty alleviation and would have many multiplier effects.

- 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.

4.06 These factors are central to and will influence and govern all the strategies outlined in this chapter. All of them in one way or the other impact on the achievement of goals and targets listed at Chapter III (Table 3.2). These factors will be taken into account in preparing new sectoral strategies or plans or in reviewing ongoing ones and activities. TWGs could play a useful role in the process.

4.07 The ***Rectangular Strategy (RS) "for growth, employment, equity and efficiency"***, provides a clear and focused framework to move the country forward on the path to fast socio-economic development. Goals and targets were listed in Table 3.2 of Chapter III on the basis of priorities for alleviation of poverty and for enhancing economic growth. Implementation of various strategies and actions under NSDP will be organised within the RS framework. These are discussed below along flow of Rectangular Strategy, starting with Governance. For each side of each rectangle as well as other crosscutting and generic subjects not specifically included in the rectangles, the proposed key strategies and anticipated actions for the next five years, 2006-2010, are presented and considered.

4.08 The Rectangular Strategy contains at its core Good Governance which will be promoted and pursued in an encircling Environment for its successful implementation, for the purpose of achieving speedy socio-economic progress in various priority areas listed under four other "growth" rectangles¹. There are therefore six (6) aspects of the strategy. The rest of this chapter is organised along the flow of RS.

Governance

4.09 Good governance is the most important pre-condition for achieving sustainable socio-economic development with equity, equal opportunity and social justice. It needs wide participation, sharing of information, openness and transparency, accountability, equality, inclusiveness and strict rule of law. Accordingly, Governance covers four reform areas, viz., (a) *fighting corruption*, (b) *legal and judicial reforms*, (c) *public administration reform including decentralization and deconcentration*, and (d) *reform of the armed forces, especially demobilization*.

¹ See pictorial diagram at the beginning of the document.

4.10 RGC's Governance Action Plan (GAP I) approved in 2001, to promote multi- and cross-sectoral governance reforms is the main framework for various actions on this front. On the basis of experience gained, GAP II, 2005-2008 is being finalised.

4.11 Fighting Corruption: Corruption is debilitating and inimical to orderly growth. It makes the playing field for economic factors and actors unpredictable and uneven and deters much needed domestic and foreign investment. It increases costs, renders Cambodia less competitive and makes the country lose important opportunities for growth. A variety of actions, in many areas including reforms and behavioural changes, are needed to combat corruption and instil a "culture of service" whereby public administration acts truly as an instrument of efficient, effective, speedy and impartial service to all Cambodians. The priority goals are:

- Reduce corruption significantly by 2010; and
- Strengthen education, publication and dissemination of legal and related material.

4.12 The strategy for drastic reduction and eventual elimination of corruption will follow a three-pronged approach -- enforcement, prevention and public support/public education. RGC is determined to take concrete actions that strike at the root causes of corruption by ensuring predictability, enhanced transparency and clear accountability in all its actions. Various proposed *priority actions* include:

- Fast track passing of the comprehensive Anti-Corruption Law, and make it conform to best international practices.
- Build capacity of the concerned institutions to effectively manage and enforce the Anti-Corruption Law, including strengthening inspection tasks.
- Set up an independent and effective body to fight corruption.
- Ensure the strictest and total enforcement of the law sparing no one from its provisions, however highly placed.
- Strictly adhere to competitive public bidding and transparency in all contracts, leases or disposal of state assets.
- Make audit processes and public procurement more efficient and effective to address accountability and transparency.
- Continue the already commenced concrete efforts to incrementally increase the low level of remuneration of civil servants so that the temptation for corruption could be reduced.
- Streamline the delivery of public services to contain opportunities for corruption particularly in areas related to trade, commerce and investment.
- Establish a Citizens' Bureau as a watchdog mechanism to contain corruption.
- Develop and enforce codes of ethics for the public sector.
- Continue to actively participate in the international arena for fighting corruption as was done in joining the Anti-Corruption Action Plan for Asia and the Pacific.
- Prevent and avoid any "waste" of public assets or resources, including incurring higher than necessary cost of production of goods and delivery of

services; ensure in this regard that global competitive advantages are fully availed of for investments, avoiding those that are less competitive.

4.13 Legal and Judicial Reforms: With considerable progress so far, it is evident that the RGC is committed to accelerate legal and judicial reforms which are clearly considered as crucial elements in its Political Platform. Some essential regulations have been prepared and adopted to underpin the socio-economic development process through a trusted and respected (in-country and internationally) judiciary. In the efforts to build this confidence, the RGC has endorsed a vision and the Legal and Judicial Reform Strategy (June 2003) including seven strategic objectives. The Plan of Action for implementing that strategy (29 April 2005) include major strategies and actions:

- Establish and pass basic laws and codes relating to judicial system, viz. law on the establishment of courts, law on the statute for judges and prosecutors, law amending the law on the establishment and functioning of Supreme Council of Magistracy, civil and penal codes and procedures, administrative codes and other regulations in order to ensure the independency of prosecution.
- Establish transparent procedures for preparing laws; carry out programmes to increase community awareness about rights and freedom; and establish office for protecting citizen rights.
- Ensure the sustainability of publishing and disseminating the Royal Gazette and court verdicts; establish a trilingual law lexicon; and strengthen legal aid.
- Establish Special Courts as needed such as the Commercial Tribunal, the Labour Tribunal, the Juvenile Tribunal and the Administrative Tribunal.
- Extend the model of the pilot court, already established at Kandal Province; provide the court with adequate and up-to-date facilities; and establish information office at each court.
- Establish code of ethics for judges, prosecutors, and judicial officials.
- Establish and strengthen mechanisms for conflict resolution outside of the court system.

4.14 Public Administration Reform: The reform of the Administration is a core governance strategy. The goal is to make Administration a potent instrument of public policy and make it more effective, efficient, neutral, transparent and responsive, to serve people better. With the foundations in place, the task ahead is to deepen and broaden reform processes to target poverty reduction while being sustainable. Building on achievements to date, the NPAR seeks to develop the capacity of the Administration to serve people better where and when needed. The following highlight the scope of the reform underway:

- The overall size of the Civil Service will essentially stabilise at current levels, but its composition will change significantly in favour of priority sectors and the front lines closer to the people outside major centres.
- Workforce management and control mechanisms will be strengthened to marshal human resources to priority needs.

- The remuneration of civil servants will increase gradually by 10 to 15% per year in line with means available to the Government.
- Public services will become less bureaucratic, more effective, accessible and transparent through implementing a mix of tools such as One Window offices.
- The capacity of people and institutions within the Administration will be developed urgently to uphold principles of good governance and to improve performance.
- The gradual automation of management and service delivery processes through information technology will be continued to enhance the quality of transparency of public services.

4.15 Priority actions envisaged include:

- Continue to increase civil service salaries according to budget availability.
- Articulate and implement a policy on public services and their delivery.
- Further develop and implement the allowances system to improve performance and reward merit.
- Enhance the control and management of the Civil Service through the strengthening of merit based HRM processes and practices and the further upgrading of the HRMS.
- Implement strategies and programmes for the redeployment of staff according to priority needs.
- Develop human and institutional capacity through the promulgation of a framework to manage capacity development, a more effective management of HRD including the implementation of an HRD master plan, and enhancing the value of training.
- Implement the PMGs programme as an innovative way to reward performance and merit and phase out salary supplementation practices.

4.16 Decentralization and Deconcentration (D & D): Crucial to strengthening of democracy at the grass roots level is participatory local development in improving and delivering as many public services as are possible at the commune level. A key priority is building local management capacity and providing reasonable level of financial resources. RGC has recently introduced a pilot scheme for a "one window" service delivery in two districts, to make available some relevant administrative services to people and the private sector.

4.17 Grass root level development can best proceed by identification and prioritisation of local needs at the local level. As such, based on the overall goals outlined in the NSDP (Chapter III), each commune, district and province would prioritise their own needs and try to achieve them using increasing funds made available to them through block grants and other forms such as tax sharing and own revenues generated through local level taxes.

4.18 Following the major step taken by developing an overall framework for D&D in early 2005, the main strategies and actions proposed are:

- Draft and pass Organic Laws to clearly delineate the basic concepts of *subsidiarity* in order to provide clear guidelines for the devolution process

and to specify functions, roles and responsibilities at various levels of the administration.

- Further delegate increased responsibilities and make available development and operational funds from line ministries to the provincial and other sub-national levels in accordance with the organic laws and related regulations and other amended rules.
- Build upon the considerable progress already made through individual initiatives of line ministries including the Priority Action Programme (PAP) ministries -- Education, Health, Agriculture and Rural Development -- as well as Ministry of Land Management, Urban Planning and Construction, to better define a framework under which deconcentration of services can develop more coherently.
- Systemise and better institutionalise the allocation mechanism to ensure full and timely transfer of funds and strengthen the "block grant" system (e.g. already developed Commune/Sangkat Fund) from the national budget to the commune councils, and develop block grant and sectoral allocations for provincial and other sub-national levels to ensure accountability and transparency of revenue collection and expenditures to the citizens and other stakeholders.
- Increase and target provision of such funds on a priority basis particularly to remote and other regions where poverty levels are high, to help meet in a significant way local needs for infrastructure and other development.
- Explore appropriate avenues for provincial and other sub-national levels including communes/sangkats to develop their own resources including revenue generation from taxes to be collected at local levels, service charges and tax sharing for local budgets.
- Steadily implement a commune decentralization accounting system (CDAS) in provincial treasuries.
- Build up institutional capacity at all sub-national levels.

4.19 Armed Forces Reform and Demobilization: The White Paper of National Defence articulates policies and programmes to be pursued, including distribution of social concession lands to demobilized landless soldiers who need land for their residence and/or for family farming in conformity with the Sub-decree on Social Land Concessions. Equally, efforts will continue to reform, build, train and strengthen the national police to become a truly professional force, equipped with modern technology, and capable of discharging its responsibilities for maintaining internal security, social order and harmony, and to protect people's lives and property. In performing its duties the police force will always act impartially and efficiently with due respect for human dignity and rights.

Environment for the Implementation of the Rectangular Strategy

4.20 Four aspects of this enveloping circle are: *Peace, political stability and social order; Integration of Cambodia into the region and the world; Partnership in development; and, Favourable macro-economic and financial management.* In addition, some critical crosscutting aspects are also considered as part of the overall environment for progress.

4.21 Peace, political stability and social order: constitute the fundamental basis on which any sustainable progress can take place. It is clear that the post-conflict reconciliation, democracy, social order and reduction in crime achieved in the past through dialogue and mutual adjustments are precious and need to be vigilantly safeguarded and enhanced. These are essential not only for progress of Cambodia but also to the fair image of the country all over the world. No efforts will be spared to ensure that they continue to be maintained in a dynamic and growing manner.

4.22 A major aspect of maintaining political stability and harmony is conduct of five-yearly general elections for various bodies of the State, viz., Senate (due in 2006), National Assembly (due in 2008), and Commune Councils (due in 2007). Since government budget alone cannot meet the heavy expenditure on these elections, external support will be needed as before.

4.23 Integration of Cambodia into the region and the world: By taking active partnership role in all aspects of ASEAN, attending and contributing to various region level initiatives and conferences, and by joining WTO (2004), Cambodia is well on the way to achieving this goal. Much more however has to happen to deepen, and benefit from, the integration process. The goal is to ensure that efforts for integration of the Cambodian economy into the regional and global economy pay due attention to benefiting the poor. In this regard, RGC will:

- Pursue full partnership in the implementation of various elements of the Initiative for ASEAN Integration, and in depth participation in the Greater Mekong Sub-region Program. In particular, the efforts would be to synergise national and regional activities consistent with the ASEAN Vision 2020, the Bali Concord II, the Vientiane Action Programme (VAP) for the period 2004-2010 including all plans of actions.
- Actively pursue and increase the number of free and favourable trade agreements with other countries to enhance access of Cambodian products and services to overseas markets.
- Attract investment, instil and upgrade skills, create employment and accelerate economic progress that will have a pro-poor bias.
- Adhere to the obligations and commitments of Cambodia as a member of WTO in particular to action programmes endorsed by the Cabinet Meeting of 27 February 2004 and assess the impact of WTO accession on poverty reduction targeting especially the agriculture sector, including impact on vulnerable groups, particularly women who are a predominant part of the informal sector.

4.24 Partnership in development: There are three (3) basic aspects of partnership between RGC and other stakeholders, viz., (i) with civil society, (ii) with the private sector business and investor community, and (iii) with external development partners. The goal is to strengthen partnerships with all the stakeholders to improve effective and coordinated use of resources in order to achieve equitable socio-economic development.

4.25 Ongoing efforts will be continued and strengthened to involve and associate all sections of the civil society in all appropriate aspects of RGC's planning and decision-making processes, and to make civil society an effective partner in the development efforts. Already, many NGOs, both national and international, are involved in socio-economic development as well as in promotion of democracy and human rights. A Law on Non-Government Organizations will be formulated soon with broad consultation with all relevant institutions and organizations.

4.26 The crucial role of the private sector as the locomotive and driving force for investments and economic growth cannot be over-emphasised. Attaching a high priority to facilitate private sector operations, several mechanisms have been put in place and efforts will continue to strengthen and deepen harmonious relations with the private sector, based on strict adherence to laws and regulations and focused on development priorities.

4.27 Relations with external development partners: RGC gratefully acknowledges that generous levels of financial and technical assistance received from EDPs since 1993 have in a large measure helped Cambodia's impressive progress. It is clear that as an LDC the country will continue to need such support for quite a length of time in the future as it moves forward towards its long-term vision. Various forms of cooperation with EDPs have evolved in the past, including annual aid-mobilization meetings (now CG meetings), sector level consultations, in-country periodic consultations and more recently, the formation of government-EDP joint technical working groups (TWGs) for various thematic and sectoral areas and an overarching Government-Donor Coordination Committee, which meets once every quarter to assess progress and guide future directions. All these mechanisms will continue to be strengthened to achieve effective and regular consultations and partnership through increasing RGC ownership and leadership. Meeting quarterly on a regular basis, or as often as necessary, TWGs will have an important role in assisting RGC to develop new sectoral plans, review ongoing ones, harmonise and coordinate external assistance to programmes and projects as well as to monitor their implementation and progress.

4.28 It is noted that a great deal of past resources spent directly by external development partners have been devoted to technical assistance and conducting various high level studies and surveys. While these have no doubt had their use, it is time now to ensure that resources are redirected to make available "additional funds" for concrete and tangible actions to accelerate progress in the lives of Cambodian people.

4.29 On a global level, through OECD/DAC initiatives, international compacts have been proclaimed through high level Rome (2003) and Paris (2005) declarations emphasizing that for aid-effectiveness it is essential to encourage and abide by the full ownership and leadership of the recipient countries in regard to formulation and implementation of development efforts. Furthermore, it has been agreed that EDPs would align their development assistance policies, priorities and programmes as well as harmonize their procedures to those of the host countries. Cambodia is one of the pilot countries for these efforts. Through Monterrey

Declaration of 2002 it was also agreed that developed countries would increase development assistance significantly.

4.30 A *Strategic Framework for Development Cooperation Management* is now being finalised to re-confirm and clarify RGC's policies and procedures, which would govern and guide both its relations with external development partners and assign roles and responsibilities within the government. This would further streamline processes to improve mutual cooperation between RGC and EDPs. Through various cooperation mechanisms outlined in that document, EDPs would be encouraged to move increasingly away from stand alone as well as TA projects and to start providing support through Sector-Wide Approaches, aiming eventually to providing largest proportion of resources through budget support as the preferred mode, conditioned on agreed upon reforms and/or sectoral progress.

4.31 Favourable macro-economic and financial environment: The goal is to ensure macro-economic progress and financial environment to achieve more diverse and pro-poor economic growth. Already, sustained, robust and spatially and sectorally well-spread macro-economic growth and prudent financial management form the centrepiece of all socio-economic programmes. RGC has had success in macro-economic management in the past and was able to withstand both external shocks like those caused by East Asia crisis of 1997 as well as internal political uncertainties from time to time, in 1997 and during 2003-2004. Based on this experience RGC is confident that, with vigilance and timely actions, it would be able to successfully steer the situation in the future. The strategies and actions during NSDP are to:

- Ensure steady GDP growth of 6% per year.
- Maintain external sector and exchange rate stability.
- Contain inflation at under 5%.
- Mobilise more domestic revenues.
- Directly provide, and encourage private sector, investments in the rural sector, which will also broaden the base of economic activities.
- Pursue progressive and strict budgetary policies both on the revenue and expenditure sides.
- Through strict implementation of the Law on Taxation and other measures, enhance collection of revenues, tax and non-tax, broadening the tax base, and root out the "culture of tax waiver and exemptions".
- Vigorously fight against smuggling through international borders and ensure collection of arrears.
- Target expenditure to priority sectors of development and hitherto underserved areas.
- Strengthen and strictly implement laws relating to public procurement.
- Conduct regular audit, internal and external, of revenue and expenditure sides of the budget including MEF and all ministries.
- Manage 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.
- Follow clear, transparent, public bidding procedures in disposal or lease of state property or rights, indeed in award of all state contracts.

- Maintain full vigil through MEF on signing of contracts with private companies.

4.32 A Public Financial Management Reform Program (PFM) is already in place and being implemented. A rolling (moving ahead one year, every year) five-year Medium-Term Fiscal and Expenditure Framework (MTF/EF) seeks to project income and expenditure and is followed in implementation. For ensuring increasing allocations and timely disbursements to priority pro-poor sectors, mechanisms will be set in place through which predictable, assured and increasing annual budgetary amounts are made available to Agriculture, Rural Development, Health and Education.

4.33 Led by the National Bank of Cambodia (NBC) and the MEF, the Financial Sector plays a crucial role in macro-economic stability and is vital for the pace and direction of economic growth. A well-functioning financial sector can break down the limitations of self-financing, and mobilise idle financial resources for productive investment. To link up saving, investment and economic growth, the financial sector needs to go hand in hand with private sector development and governance reforms, forming three pillars to support RGC's vision for generating and sustaining growth, which in turn is a major means to reduce poverty. The Financial Sector Blueprint (FSB), 2001-2010, adopted in 2001, is the guiding tool for policies and programmes in this sector and envisages the development of a sound, market-based financial system by 2010, to enhance resource mobilisation for sustainable economic growth. FSB, now under implementation, focuses comprehensively on various elements and aspects of the finance sector such as:

- A competitive, integrated and efficient banking system that is well regulated and supervised to generate finances for private sector investment and growth.
- A viable, pro-poor and effective rural finance system for providing affordable and accessible financial services for the poor to enhance rural income and reduce poverty.
- An insurance sector that protects businesses and individuals from unforeseen adverse events and a pension system that provides a secure retirement, both also providing capital for investment.
- An efficient and transparent capital market with a critical mass of issuers that mobilises funds for long-term investment.
- A money market that enables inter-bank transactions and provides banks, companies, and individuals with the means for effective liquidity management.
- Creation of Non-Bank Financial Institutions such as leasing companies, finance companies, investment companies, venture capital companies and development financial institutions.
- Put in place an accounting and legal infrastructure to ensure good corporate governance and transparency.

Table 4.1: Key Macroeconomic Forecasts¹
(In percent of GDP unless otherwise indicated)

Particulars	2005	2006	2007	2008	2009	2010
Real GDP % change	7.0	6.0	6.0	5.8	5.9	6.0
CPI Inflation (end-period - % change)	6.2	3.5	3.0	3.0	3.0	3.0
Revenue	11.8	12.2	12.8	13.2	13.5	13.8
-- of which Tax revenue	8.7	9.4	9.4	9.4	9.3	9.2
Expenditure	14.9	17.0	17.2	17.1	16.9	16.5
-- Current	9.6	10.5	10.7	10.7	10.7	10.8
Foreign Direct Investment (US \$ m)	216	227	249	274	302	332

Source: NPRS APR 15 July 2005: Table II.2

4.34 As the figures in Table 4.1 show, the macroeconomic outlook for the next few years seems stable and promising. The mainly export-oriented garment industry, now the driving force in the economy, is likely to remain robust for some more years, but its rate of growth may decline, although the end of the quota system in early 2005 has not had any significant impact on the rate of increase. Tourism has also contributed robustly to the economy and is expected to continue to do so, as will the trend of high increase in Construction. But there is need to broaden and deepen the base, especially by promoting agricultural growth that will also at once help reduce poverty. Accelerating much needed reforms in governance would help in attracting more investments, both domestically and from outside.

4.35 Some important factors that might impinge adversely on the economy are: continuing high oil prices; threats of terrorism any where in the world that would disturb international political climate and destabilize predictable economic environment; decrease in flow of ODA due to extraneous causes; unexpected outbreak of epidemics such as those that may arise from spread of "avian flu"; and, severe changes in weather affecting agricultural production.

4.36 With all the reforms already on way as well as those being undertaken and the further steps planned under the NSDP, RGC is confident that the forecasts shown above could materialize. Some portion of the national budget revenues in the past has come from 'budgetary' or 'program' support mainly from multi-lateral financial institutions, provided against specific reform and other actions. (In 2005, this is estimated at about CR 120 billion or US\$ 29 million representing 0.5% of GDP and 5% of total domestic budget revenue). RGC expects that such support would continue during the NSDP as well.

4.37 Religious and cultural issues: The Royal Government's emblem accords highest status to "Nation, Religion and King". Religious beliefs, faith, family values and the rich and vibrant culture which has sustained them, during past millennia, have kept the social fabric in tact and growing in strength, adjusting to changing times and influences. They are the bedrock for building, strengthening, and maintaining the very vital "social capital" that no amount of economic development

¹ Detailed table at Annex II:1; II:2 & II:3

can alone create or sustain. They are thus an overriding issue cutting across all aspects of Cambodian life everywhere. Though these suffered a severe setback and rupture during the genocidal regime in 1975-79, they have revived robustly since then. RGC accords high priority to preserving and enhancing the country's rich and unique cultural heritage both to starch and strengthen the social fabric and also to attract "cultural tourists" to observe and admire Cambodia's past and present culture. RGC will provide adequate funds for this purpose¹.

Enhancement of Agricultural Sector

4.38 The four sides of this rectangle are: *improving and diversifying agricultural sector (including nutrition and rural development); land reform and mine clearance; fisheries reform, and, forestry reform.*

4.39 Improving and diversifying agricultural sector: This sector embraces crops - - predominantly rice --, plantations, livestock and poultry. It is well recognized that, with immense but as yet unrealised potential both for boosting GDP and for uplifting the poor especially in the rural areas, quickest and high returns are possible at fairly low costs, especially in crops and more particularly in rice production and by diversification into cash and other crops. With women constituting the majority of the labour force, improvements in this sector would benefit women directly. The priority goals in this sector are enhancement of: food security, productivity and diversification; and, market access for agricultural products.

Table 4.2: Targets set for 2010 for the Agriculture Sector

Targets	2005 (Est)	2010 Targets
Rice Production (million tons)	4.17	5.5
Rice Yield per hectare, tons	1.97	2.4
Fish catch (Inland, Marine and Aquaculture) -- Tons	374,000	450,000
Irrigated area (% of rice area), including supplemental irrigation	20	25
Land Reforms -- no. of titles issued to farmers -- % of total land	12	24
Forest area (% of total land area)	60	60
Fuel wood dependency (firewood, charcoal): households %	85.5	61

see table 3.2

4.40 A comprehensive *Strategy for the Agricultural Sector* as a whole is still to be developed. Through close cooperation among all concerned ministries and agencies, an "Agriculture and Water Resources Strategy" will be developed during 2006, which will take into account all ongoing sub-sectoral plans in this sector and include, *inter alia*, analysis of, solutions to, and strategies for:

- Agricultural land management issues: pros and cons of economies of scale and social dimensions and factors relating to small farm holders, farmers cooperatives, contract farming, large scale land concessions -- all in the context of increasing production, productivity and diversification, and for ensuring equity and social justice.

¹ Culture-based Tourism is covered under Tourism as part of Services sector.

- Production of High Yielding Varieties (for example of rice) developed elsewhere, especially in nearby countries with similar agro-climatic conditions *versus* large scale investment in agricultural research to develop new varieties in Cambodia.
- Increased production of rice for export in preference or in addition to production of crops with special 'niche' value.
- Increased production of crops like fruits and vegetables for which Cambodia is currently heavily dependent on imports.
- Clear goals, specific targets and proposals for achieving increased crop production through: cropping systems that make the best use of limited water resources and reduce risk to farmers from year-to-year variations caused by natural occurrences; and, best crops to be grown every season taking into account soil conditions and other factors, export potential, improvements in irrigation, etc.

4.41 In the meantime, till a full-fledged Agricultural Strategy is in place, RGC will pursue action for enhancement on the following fronts:

- Food Security, productivity and diversification.
- Improve water management for agricultural and farm-scale aquaculture.
- Improve and extend agricultural extension services.
- Better market access for agricultural products, especially from remote areas.
- Foster a conducive climate for SMEs in the sector.
- Strengthen Institutional and legislative framework.

4.42 Given the low productivity in all crops due in part to poor soil conditions, the most important challenges in regard to crop production are:

- Identify through soil surveys and other means the best crops that could be grown in any given area to derive the maximum returns and benefits.
- Actively pursue intensive cropping including multiple seasonal crops on the same land.
- Vastly increase yields of all crops by use of better inputs (seeds, fertilisers, proper practices), improved and extended water management and crop protection; at the same time, also promote low-input, low-cost methods of increasing agricultural production, including System of Rice Intensification (SRI) as appropriate, so as to enhance farmer profits and to avoid over-use of pesticides.
- Diversify the range of crops that could be grown.

4.43 The priority strategies in the next five years, 2006-2010, would be:

- Speedily formulate and implement a comprehensive Agriculture and Water Resources Strategy.
- Focus on "intensive cropping" both by increase in the number of crops per year on the same land and in yield per crop.
- As a highest priority, increase rice yields to at least an average of 2.4 tons per hectare.

- Encourage cultivation of cash crops, including fruits and vegetables, both as a means to diversify and to ensure income security while continuing production of staple food crops to ensure food security.
- Initiate "one village-one product" concept to promote high value agricultural products, which may also attract private sector involvement through contract farming and other ways.
- Expand support services such as agriculture research, extension services, developing markets, provision of micro-credit in rural areas (including for farmer-owned and operated irrigation systems), etc.
- Improve agricultural products to conform to international standards.
- Accelerate and stabilize broad-based growth of agriculture output through sustainable development of high-value products.
- Modernise and increase agro-processing to add value to rural products and increase rice yields from paddy conversion, both to increase family incomes in rural areas.
- Strengthen and enlarge animal production and animal husbandry and veterinary services.
- Promote smallholder rubber cultivation and promote privatisation of state owned rubber plantations.
- Adopt and implement innovative measures to provide direct grant assistance to poor farmers for increased production of crops of their choice¹.
- Continue promotion of export markets for niche products, including especially organic farm exports.

4.44 Livestock: Much of Cambodia's seasonal agriculture depends on animals for draught power for ploughing and other operations. Animals and poultry are also major sources of income and protein for rural communities. The challenge is to improve the quality and welfare of livestock by introducing better and quick growing species, and by extending enhanced animal husbandry and veterinary services to be within easy reach of the poor. NSDP will pursue various strategies in this regard, also to be spelt out in full detail in the proposed Agricultural Strategy.

4.45 Fisheries: Given the crucial role of fish in the lives of millions of Cambodians in terms of food, nutrition, income and livelihoods, the goal is to ensure sustainable access to fisheries resources for the poor. The priorities are:

- Enable and strengthen community-based development of fisheries sector by empowering local communities so that farmers can participate directly, actively and equitably in fishery plans, programmes and management, and to avoid over-fishing.
- Improve livelihood of poor people by enhancing their capacity to more effectively use fish after capture through better fish processing, handling, storage, transportation and trade.
- Transform fishing lots whose concession contracts have expired into fish sanctuaries, thereby to increase natural fish stocks, and conserve endangered species.

¹ See para 4.04

- Protect freshwater fisheries by sustaining the bodies of water, in terms of both quality and quantity, on which they depend.
- Encourage and promote private sector aquaculture to respond to the needs for fish, at the same time to decrease pressure on natural fisheries.

4.46 Food Security and Nutrition (FSN) are important crosscutting issues and significant improvements in Food Security and Nutrition are crucial to reduce the persistent high levels of malnutrition and micronutrient deficiencies among women and children. The key goal is to 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 for an active and healthy life". Achieving this goal requires concerted efforts in various sectors outlined in this NSDP, with focus on the following elements especially with regard to the poor and food insecure:

- Increasing and ensuring food availability.
- Improving food accessibility (involving incomes and affordability).
- Ensuring optimal food use and utilisation through health and nutrition education (including improvements in child feeding practices and maternal nutrition), micronutrient supplementation and fortification programmes (iron, Vitamin A), further enforcement of universal iodisation and food safety standards, etc.

4.47 Forestry reform: Every effort will be made to maintain total forest coverage at 60% of land area and to continue reforestation, besides suspending issue of any concessions and keeping a strict watch over existing concessionaires to ensure that they submit Strategic Forest Management Plan (SFMP) along with the Environment and Social Impact Assessment (ESIA) and, after approval, continue to adhere to them. The challenge is to spell out a clear strategy to address management of concessions, annual coupes, community forests, and protected areas in a sustainable manner based on the following three pillars:

- Sustainable forest management policy to ensure the rational and strict monitoring of forest exploitation according to international best practices in forest management, to provide adequate forest reserves for domestic consumption, protection against drought and floods as well as preservation of wetlands, which serve as fish sanctuary.
- Protected Area System to protect biodiversity and endangered species.
- Community forestry as a sound, transparent and locally managed programme.

4.48 In order to achieve the above goals in the forestry sector, RGC is committed to implement a National Forestry Programme with the following priorities:

- Strengthening of forestry management and conservation.
- Promoting man-made plantation to substitute for national forest demands by encouraging private investment and public participation.
- Promoting forestry contribution to social and economic development.

- Promoting forestry contribution to poverty reduction by strengthening community forestry initiatives and by involving local communities in forest exploitation plans.
- Creating public awareness to add to, replant and use community plantations for firewood and charcoal needs and not destroy forests.

4.49 Environment and Conservation: The goals in preservation, conservation and sustainable use of all natural resources of the country, including bio-diversity, are not only to conserve the unique natural heritages but also to enhance environmental sustainability and to contribute to sustainable economic growth, poverty reduction and improvements in the lives of rural communities. Furthermore, natural areas are and would be actively promoted as attractive low-impact 'eco-tourist destinations' bringing in further benefits to the local communities. The environmental and social impact assessment, environmental education and awareness play an important role in achieving these objectives. Cambodia's aquatic resources, especially the Tonle Sap Great Lake and the Mekong River, their tributaries, and coastal areas are undergoing pressure from land development. The problem is also aggravated by Cambodia being at the lower end of the Mekong river basin, with several countries upstream. New Laws and National Policies will facilitate improved water resources management and sanitation. Successful implementation of the National Program of Action to Climate Change will depend on adequate resources.

4.50 Land Reforms: Land and water are two fundamental natural resources that serve as the basis for socio-economic development and poverty reduction, especially in rural areas. The goals are: land tenure and land market development and pro-poor land access. The 2001 Land law will continue to be implemented to ensure an equitable, proper and efficient system of land management, distribution, land tenure security, eradication of illegal settlements and land grabbing, and the control of ownership concentration for speculative purpose. The priority is to issue clear, incontestable, legal land ownership titles to provide security of tenure to those in actual use of the land they occupy. The challenges are to control and curb further land concentration in few hands, including review of already granted large concessions exceeding limits under the 2001 land law, where land is still lying fallow and unproductive. Some priority actions envisaged are:

- Formulate and implement a comprehensive land policy.
- Continue to discuss and develop the required legal framework for effective implementation of the Land Law, including registration of indigenous people's land rights.
- Improve and implement land registration procedures for systematic titling and sporadic titling and issue titles for at least 32% of land parcels (urban and rural) by 2010.
- Implement the sub-decree on state land management, particularly in the area of identification, classification and establishing land maps and inventory.
- Review the existing economic land concessions and make them consistent with guidelines stipulated in the sub-decree on economic land concessions.

- Develop and implement scheme for social land concessions to provide small land parcels with titles for settlement and agricultural production; on a pilot basis provide these to a minimum of 10,000 landless households.
- Continue to establish horizontal and vertical geodetic networks nation-wide and orthophoto maps for the country.
- Establish surveying and mapping standards.
- Promote decentralisation and deconcentration of management functions in land and construction matters.
- Create Strategic Development Zone Plans for small areas, districts/khans, zones and national levels, and integrate them into the National, Regional and Urban Management Plan; as well as develop and provide services for and coordinate preparation of District Development Strategic Plans in 100 districts with priority to border areas.
- Improve transparency and accountability in the provision of services in land and construction domain, including land valuation system.
- Strengthen the cadastral commissions and other mechanisms for land dispute resolution in order to ensure just and timely resolution of disputes.

4.51 De-mining operations are not only humanitarian and security related but have significant social and economic implications, particularly on land distribution and the security of poor farming households in remote areas. They open up avenues for rural development. The goal is to steadily continue de-mining and UXO de-fusing or destruction and carry on public awareness campaigns to reduce the number of human casualties to less than 200 by 2010 from 797 in 2005, and to increase the area rendered mine free to 45,000 ha by 2010 from 32,974 ha in 2005.

4.52 Rural Development is an important cross-sectoral issue spanning from democracy at the grassroots to decentralization and to creation and improvement of rural infrastructure, health and education services to the rural people. It is thus an important element both in itself and as a vital ingredient for enhancement of agriculture and poverty reduction. This is also a priority activity for ensuring budget allocations and disbursement.

4.53 Provision and enhancement of rural infrastructure, particularly rural transportation, water supply and sanitation, improving access to rural finance and credit schemes, promotion of sustainable natural resource management, and stimulation of rural community development through decentralization and deconcentration are some of the main work undertaken as part of rural development. Support to commune councils will continue to be provided to undertake rural infrastructure projects such as road rehabilitation and construction including small bridges and culverts, water supply wells, sanitation structures, schools, water gates, and small scale irrigation systems. These efforts along with those planned for agricultural development would provide employment and income earning opportunities in rural areas and thus also stem internal migration to urban centres.

Table 4.3: 2010 Targets for Rural Development

Targets	2005 (Est)	2010 Targets
Rehabilitation of rural roads -- kms (out of total 28,000 kms)	22,700	25,000
Access to Safe Drinking Water -- % of rural population	41.6	45
Access to sanitation -- % of rural population	16.4	25

4.54 The new Integrated Rural Accessibility Planning (IRAP) mechanism will be used to pay priority attention to underserved rural areas. Priority actions for the future include (in addition to those covered under D & D¹):

- Continue and accelerate provision and upgrading of rural infrastructure to improve access of rural people to services and easy reach to markets for rural products.
- Improve and increase sustainable access and use of safe drinking water and sanitation, particularly in rural communities in water scarce areas.
- Promote water management -- storage, drainage, and irrigation -- to achieve increased and more stable yields of crops and fish.
- Develop township centres that are adequately equipped with infrastructure to promote local economic activities and to provide livelihood for local population.
- Pursuant to the Commune/Sangkat Administrative Management Law (Article 27, Article 30 and Article 31), review and strengthen the role of Village Development Committees (VDCs) to boost and promote grass root level, participatory community development.
- Expand micro-finance and reduce prevailing high interest rates by proactive measures, including encouraging formation of farmers' cooperatives.
- Provide vocational training and protect ethnic minorities.
- Assist in protecting rural areas from natural calamities like floods, droughts, etc., through educating and enabling communities for Disaster Preparedness and Risk Reduction.
- Provide safety nets to poor farmers suffering from natural calamities, including exploration of innovative measures like health insurance or weighted index insurance of crops, etc.
- Encourage increased private sector involvement in farm and village based enterprises in key sub-sectors including small scale commercial market-oriented aquaculture, crop and livestock production and agro-enterprises such as processing, post-harvest activities and mechanisation.

Rehabilitation and Construction of Physical Infrastructure

4.55 This RS growth rectangle covers: (a) further construction of transport infrastructure; (b) management of water resources and irrigation; (c) development of energy sector and electricity network; and (d) development of information and communications technology.

4.56 Transport Infrastructure: Transportation networks and facilities that connect all corners of the country are the arteries that transform the country into an

¹ See paragraph 4.16 to 4.18.

integrated economy and are vitally critical for distributed economic growth. By facilitating trade, movement of goods and services, by fostering integration of domestic markets as well as enabling integration with the region and the world, they play a pivotal role in contributing to poverty reduction. They consist of roads, ports, inland waterways and ports, railways and airports. The objective is to create a convenient, comprehensive, safe, effective, cost-effective transport network that facilitates trade, promotes tourism and rural development and serves the needs of national defence.

4.57 Infrastructure and other related development efforts will focus on promoting integrated regional development of areas:

- Attracting tourists (including the triangular area of Siem Reap, Preah Vihear and Kampong Thom, and eco-tourist destinations).
- Industrial areas including industrial estates and coastal.
- Agro-industrial belts.

4.58 Much has been done to rehabilitate all types of roads, and importance accorded to roads, which form part of the ASEAN road network. The priorities for the NSDP period are:

- Finalize and enact a Road Law to overcome the lack of systematic, unified planning and budgetary process, and to clearly delineate roles and responsibilities of respective government ministries and agencies for road rehabilitation and maintenance.
- Prioritise, rehabilitate and reconstruct as many roads as possible.
- Accord priority to yet unreached communes or villages; expand the rural road net works to ensure that all communes have easy access to district headquarters and to national primary and secondary road net work.
- Address in a humane manner resettlement issues of people affected by road construction works.
- Ensure proper prioritised maintenance of all roads, bearing in mind that once a road is improved, traffic increases causing damage and needing better and more frequent maintenance of the road.
- Use as much as possible, especially for rural roads construction and maintenance, labour-intensive measures to increase rural incomes.
- Engage private sector on BOT and other basis, to construct and maintain roads and bridges where cost could be recovered by tolls.

4.59 Apart from rural roads already discussed, and in addition to repair and rehabilitation of as many roads as possible, the quantitative target to be achieved during NSDP, 2006-2010 is to upgrade another 2,000 km of primary and secondary roads, taking the total of such upgraded roads to 4,100 km.

4.60 Ports: Almost all bulk imports and exports of the country are handled by two ports: the Sihanoukville deep sea port and Phnom Penh inland river port, the latter capable of receiving ships of only limited tonnage capacity. To handle increased volumes, Sihanoukville is being upgraded and a second stage container terminal will be taken up for construction.

4.61 Railways: The two main lines in the system both connecting Phnom Penh, one going south to Sihanoukville and the other north going to the Thailand border, are in dire need of rehabilitation and upgradation and all the rolling stock likewise need complete overhaul. A priority is to rehabilitate the southern line to handle higher volumes of cargo traffic from the port at competitive freight rates compared to road transport.

4.62 Inland waterways: The immediate priority is to rehabilitate dredgers to carry out dredging on all major waterways, particularly Mekong and Tonle Sap rivers, to facilitate river transport.

4.63 Civil Aviation services are critical for the development of tourism, a vital sector generating significant multiplier effects in the economy. The Phnom Penh and Kang Keng International airport will be further improved under the existing BOT agreement. Siem Reap international airport is also due for upgradation. Some domestic airports need to be brought to higher standards to allow for higher traffic to remote areas with high tourism potential. RGC will explore various avenues for financing these endeavours, particularly through BOT arrangements involving the private sector.

4.64 Management of Water Resources and Irrigation: Water resources support the needs of many sectors of the economy. The greatest pressure on the water resource accentuated by growing economic development activities occurs during the dry season or extended period of drought, when the risk of pollution is the highest; on the other hand, excessive water during rainy season causes floods leading to loss of lives and livelihoods and downward pressure on national GDP. The objective is to mitigate the effects caused by above mentioned natural phenomena by adopting an integrated approach to water resources management and development. The emphasis is on: (a) ensuring that water in sufficient quantities, and of appropriate quality, is available to meet year-round demands of all sectors while sustaining aquatic ecosystems; (b) managing flood flows and enhance the capacities of communities to cope; (c) controlling water for agricultural purposes, by means of storage, drainage or irrigation as appropriate; and (d) keeping water resources free of contaminants to support the ecological system particularly fisheries. The priorities for the next five years are:

- Rehabilitate and reconstruct the existing irrigation and drainage systems particularly in high poverty incidence areas and along the border areas;
- Expand surface water storage capacity and promote water harvesting technologies;
- Promote effective and sustainable development of ground water resources in areas with scarce surface water availability;
- Develop and apply measures on flood and drought mitigation and management;
- Strengthen and expand Farmer Water User Communities with increasing membership and participation of women;
- Promote investment by private sector in irrigation, drainage and other aspects of agricultural water management;

- Improve and install nationwide hydro-meteorological observing and monitoring systems to be able to provide to the public high quality, effective and real-time hydro-meteorological forecasts;
- Promote appropriate and effective river basin management and water allocation systems.

4.65 Energy sector and Electricity: One of the most important aspects of the economic policy is the further development of the energy sector to effectively respond to the increasing needs for electricity. The long-term vision is to ensure energy security for the country. A domestic power generation, transmission and distribution system will be put in place to meet the needs of all urban and rural communities and a growing economy. A 15-year Cambodia Energy Strategy 2006-2020 is under preparation. It is proposed to achieve energy independence through power trade and power exchange with neighbouring countries and integration with the region. Generating and making available low cost electricity would at once reduce costs of production in the manufacturing sector and costs of operation in all other sectors thereby attracting investments and boosting economic development. RGC places a high emphasis on involving private sector to lead the investment process in this sector.

4.66 The medium term strategy is to:

- Continue to rehabilitate and construct domestic power generation units.
- Attempt to avoid development of high cost energy sources and take into consideration of low cost ones including possibly gas from emerging oil and gas fields.
- Purchase electric power at reasonable costs from neighbouring countries through bilateral agreements, which will be reviewed and updated periodically.
- Continue to install and expand national power transmission and distribution systems.
- Continue to expand rural electrification.

4.67 Oil and Gas: The high prospects of exploiting offshore oil and gas resources in the country would provide a major boost to the economy. The challenge is to plan from now on to use this energy resource, and the substantial revenues it would generate, in an optimal manner to benefit the country and its citizens in the immediate and long term. RGC will soon commence conducting necessary studies to adopt good lessons learnt, and avoid pitfalls experienced, by other oil producing countries. A diverse range of productive on-shore uses exists for the associated gas from offshore oilfields (which is otherwise flared at collection platforms), such as fertiliser production, energy generation, energy-source for various kinds of industrial units, and the like. RGC will conduct various studies and endeavour to put in place necessary infrastructure so that the valuable oil and gas resources (including associated gas) are advantageously utilised to the maximum extent possible.

4.68 Information and Communication Technology: The long-term development vision is to develop a cost-efficient and world-class post and telecommunications system that has a nation-wide coverage. The realization of this vision would

require high levels of investment to build the backbone infrastructure of the telecommunications systems, especially high-speed optical fibre cables for the development of rural telecommunications systems. The immediate challenge is to bring down the cost of telecommunications to help businesses and people at large. Telecommunications and Information Technology (IT) should be made to work for the betterment of the poor. Priorities during NSDP, 2006-2010 are:

- Rapidly bring down the presently high cost of telecommunications.
- Expand the telecommunications network in urban areas and extend them to smaller cities and rural areas.
- Expand postal services from cities, urban areas to rural areas with quality, reasonable price and strengthen the capacity of responsible institution.
- Expand coverage of and improve efficiency and quality of government mass media: Radio, TV and press agency.
- Continue to follow an open policy in promoting a high level of private sector participation.

4.69 Emphasis will continue on promoting extensive use of Information Technology in all aspects of governance and government to improve efficiency and effectiveness in maintenance of records, data bases and websites which will provide easy access to public at large on all matters of their concern. Each ministry or agency will host its own website and keep it fully updated every six months or more often as needed. Such websites will contain all data and information pertaining to the ministry or agency.

Private Sector Development and Employment Generation

4.70 The four pillars of this rectangle are: (a) *strengthening the private sector and attracting investments*; (b) *promotion of SMEs*; (c) *job creation and better working conditions*; and (d) *social safety net for workers*.

4.71 Private sector strengthening: The private sector is considered the prime-mover of economic growth, while the government plays its role as the strategist, guide and manager of the development process, and the facilitator in creating a wholesome climate conducive to private investment and enterprise. To address critical issues impeding private sector development in Cambodia, a "*Twelve Point Plan*" has been adopted containing government commitments to improve the investment climate and trade facilitation¹.

4.72 RGC will continue to foster, maintain and enhance this favourable climate by:

- Increasing economic integration of Cambodia into the economies of the region and the world.
- Development of needed infrastructure and availability of a pool of skilled manpower (through technical vocational education and other vocational training).

¹ Cambodia: Seizing Global Opportunity: investment Climate Assessment and Reform Strategy; World Bank: June 2004.

- Creation and implementation of special economic zones which could attract foreign direct investments and create jobs
- Continuously strengthening the legal framework for enterprises, including laws, regulations and institutional capacity that facilitate business, trade and private investment in a climate of fair competition, transparency, accountability and predictability.
- Effectively and speedily removing the most important factors impeding private sector growth, identified in the recent Investment Climate Survey¹ such as: poor governance; regulatory burdens, and weaknesses in the judicial and legal environment.
- Removing the current uncertainty and unpredictability caused by these factors which make long-term and serious investors shy away from Cambodia, leaving the impression that those who are here are for quick returns and speculation or stay in the informal sector to avoid taxes and thereby maximize returns.
- Operating a "single window" as a speedy facilitating mechanism for trade and all private investor requirements from the government.
- Continued open dialogue with the private sector through the Private Sector Forum and the Steering Committee for Private Sector Development to address concerns of the private sector.

4.73 To enhance export-led, pro-poor growth through diversification, RGC will continue to encourage, facilitate and provide support to private sector investment in some specific, priority sectors:

- Agriculture and agro-industry, including irrigation, because of their high potential for immense growth and multiplier effects in the economy by increase in incomes in rural areas and demand for consumption.
- Transport and telecommunications infrastructure.
- Energy and electricity generation and distribution.
- Labour-intensive industries and export-oriented processing and manufacturing.
- Tourism and related spheres.
- Human resource development.

4.74 Trade: Linking production to consumption or producers to consumers, trade is a powerful and important catalyst for socio-economic development. Promotion of trade for Cambodian products has been among top priorities. If market outlets are available, investments would flow to encourage and enhance production of goods and services using the country's natural advantages as has happened in the garment industry, and as could be achieved in agriculture, agro-processing, handicraft and other areas.

4.75 Since 2001, a trade policy framework for promoting local and external trade is in place as a means to promote growth and contribute to poverty reduction. Various initiatives and reform measures taken to implement it culminated in dynamic export performance and integration of the country in numerous regional bodies and accession to WTO in 2004. RGC has also successfully negotiated free

¹ Private Sector Development Strategy for Cambodia: Investment Climate Assessment: The World Bank: 2003.

and/or favourable trade agreements with many countries. However, there are still many bottlenecks similar to those in private investment in industries which inhibit growth in this sector. A Sector Wide Approach Programme for the Trade sector is under preparation. The immediate challenges are to ensure that favourable trade agreements already reached are taken advantage of by private trade to send Cambodian products to market overseas so that exports become diversified and broaden away from dependency on garment industry alone.

4.76 Various reforms that RGC will pursue in governance, legal and judicial sector and in public administration, as well as rehabilitation of basic infrastructure, would no doubt contribute to a better climate for Trade and Investment by private sector. In addition to addressing all the constraints in industrial, manufacturing and processing as well as trade, RGC will:

- Actively promote access to various external markets for unique and high quality Cambodian products, including agricultural products (particularly processed ones), fisheries products, and labour services.
- Promote Cambodian products abroad.
- Promote business membership organizations and strengthen their advocacy capacity.
- Reduce policy-based impediments to efficient transactions.
- Streamline customs inspections to make it more user friendly and free of delays and inherent costs, including formulating and implementing a revised Customs law.
- Reduce entry barriers such as high cost of registration and license fees.
- Help establish Export Processing Zones (EPZs) to promote export-oriented processing and manufacturing.

4.77 Tourism: Growing at a steady and exponential rate, 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. The policies for tourism are based on three basic principles: (a) the development of tourism should be sustainable, anchored in the rich cultural heritage, history, and the exquisite nature of Cambodia's terrain, but more importantly, development that contributes to poverty reduction; (b) active and creative promotion of tourism to make Cambodia a preferred "culture and nature" tourist destination in the region and the rest of the world; and (c) apart from increased tourist arrivals, increase the number of days tourists stay, and the amount they spend, in the country and diversify their destinations. In addition, conscious efforts will be made to ensure that appropriate benefits of tourism go to people living in the vicinity of tourist destinations, both to reduce poverty and improve their livelihoods. Important initiatives will continue to be:

- An open skies policy (overland and water).
- Make visas easily available on arrival.
- As a signatory to the ASEAN Tourism Agreement (ATA) and other such agreements, strengthen intra-regional tourism.
- Strengthen capacity to promptly investigate and prosecute offenders related to sex tourism, any form of child exploitation and drug trafficking, and strengthen the provincial Child Safe Tourism commissions.

4.78 RGC's continued improvement of physical infrastructure (roads, airports, ports) as well as providing a climate of peace and law and order will facilitate more tourist arrivals. Rising steadily at a robust level annual tourist arrivals are expected to reach about 3 million by 2010, increasing tourism related revenues to about US\$ 1,500 million and employment to 400,000 people. For this purpose several promotional measures would be pursued such as:

- Form a Cambodia Tourism Marketing and Promotion Board, inter alia, to enable public – private sectors partnership and cooperation for tourism development.
- Establish Tourism Information Offices or Counters at international border checkpoints.
- Encourage formation of service providers such as hotel/guesthouses, tour-guides, aviation and related services, restaurants, transport, etc.
- Further improve and develop tourism products focusing upon at four prioritised areas (Siem Reap Angkor, Phnom Penh and peri-urban, costal zone and northeast) and expand to other destinations throughout the country.

4.79 Small and Medium Enterprises (SMEs) are usually grass root based and benefit rural communities in processing and adding value to products, as well as creating employment. They also provide an important link in Trade, as well as with larger enterprises. To foster and facilitate SMEs, RGC will take further measures like:

- Put in place measures to enable SMEs and micro-enterprises to function in a beneficial business environment and get better access to medium and long-term finance.
- Establish specific systems to support women in business and facilitate their access to SME development initiatives and services.
- Reduce registration procedures and help in start-up processes.
- Establish national standards and productivity institutions to help ensure quality of domestic products and productivity improvement.
- Promote consultancy services support to SMEs to assist development of modern production technology, improvement of product quality, management and access to markets.
- Promote vocational and skills training, both domestic and overseas.
- Strengthen the legal framework by creating laws on concerns such as factories, industrial zones, patents and inventions, measurements and industrial safety.
- Enhance cooperation among all government ministries and agencies concerned with SME promotion.

4.80 Rural Credit is an important ingredient for broad based economic expansion, for rural development, and for alleviation of poverty by supporting agricultural production and the creation and expansion of businesses (particularly SMEs), increasing productivity, generating incomes and for raising living standards. Much more funds will be needed to even partially meet the huge demand for rural credit. The most important challenge is to find ways and means

by which rural credit could be made available at much lower rates of interest than prevailing now (48% per annum). To ensure increased and easy access to the poor for credit, especially for productive purposes, RGC will take measures to expand, and reduce the high cost of, rural credit by:

- Exploring and promoting institutions like user cooperatives, well known in some parts of Asia.
- Transforming NGOs doing this work into registered finance operators -- already the process has commenced and several have been issued licences.
- Improving supervision of such institutions to ensure that they conform to standards.
- Reducing the prevalent interest rates through best practices.

4.81 Employment creation and better working conditions: The main objectives are: create gainful employment opportunities in both formal and informal sectors; improve supply of qualified labour; and eliminate worst forms of child labour. The garment industry, growing at a very fast rate, has transformed the urban employment situation by creating and sustaining labour-intensive employment mainly for young women. In other sectors as well, a systematic policy is being followed to create more jobs especially for young people entering the labour market and indeed for all Cambodians through various measures:

- Increase agricultural productivity to generate more rural employment opportunities, which will have important cross-sectoral multiplier effects including through increased demand for goods and services.
- Encourage domestic and foreign direct investments in priority sectors, especially agriculture, agro-industry, labour-intensive industries and projects, and tourism.
- Establish Technical Vocational Education and training networks to serve both men and women equitably, especially those who are poor, disabled and vulnerable groups, to respond to labour market needs, both short-term and long-term.
- Develop a labour database and statistical system with disaggregated data by gender, disabilities and other relevant social factors.
- Assist Cambodian labour seeking employment in other countries.

4.82 Very closely linked to and as an integral part of employment is ensuring safe, proper and hygienic workplace conditions and fair and just contractual terms for the labour force. RGC is constantly addressing these issues 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. Priorities include:

- Vigorously enforce the labour law and international conventions related to the role of trade unions to protect the rights and obligations of workers, employees and employers.
- Improve working conditions of workers and employees, including displaced workers both inside and outside the country workers and pregnant workers.

- Continue and strengthen efforts to reduce the proportion of working children (child labour).
- Strengthen the implementation of the Law on Social Security.
- Create a "National Social Security Fund".
- Examine feasible options for creation of pension funds especially for disabled persons and dependents, and insurance for work accidents as stipulated in the Labour Law.

4.83 Social Safety Nets: RGC will continue to provide alleviating social sector interventions which will include: reducing the vulnerability of the poor; measures to mitigate impact of natural disasters and calamities; help victims of such events; expand rehabilitation and reintegration programmes for the disabled, those affected by drug abuse, victims of trafficking and children in conflict with the law, as well as welfare programs for the elderly, orphans, poor widows and widowers, poor female headed households, female victims, the homeless, and veterans and their families; preventing criminal acts and ensuring safety at all levels with cooperation as partnership with EDPs and stakeholders. Priority strategies and actions to be taken include: the adoption and enforcement of important legislation; and establishment of rehabilitation centres for orphans, street people, disabled, elderly, and women and children victims of trafficking. Since drugs are a major concern for the security and well-being of the whole society, measures to prevent production, smuggling, sale and use of drugs will be strictly pursued by authorities concerned.

Capacity Building and Human Resource Development

4.84 The last, but not the least, of the "growth" rectangles of RS covers predominantly social sectors, *viz., Education, Health, Gender Equality and Population issues.*

4.85 Education: Education is universally accepted as a basic human right. It is also a major contributing factor in poverty reduction. The long-term objective is to ensure that all Cambodian children and youth have equal opportunity to quality education regardless of social status, geography, ethnicity, religion, language, gender or disabilities. Education will also engender a sense of national and civic pride, high standards of morals and ethics and optimism, as well as being responsible for the country and the citizens. The role of education is to enhance learners to become productive and live in harmony in a globalised society.

4.86 Education sector has been one of the acknowledged success stories in the Cambodian socio-economic scenario, in terms of reforms and achievements. However, many challenges remain, among them the importance and urgency to vastly enhance the quality of education. Cooperation among all stakeholders has been quite high in the recent past. Following the experience gained in implementation of the Education Strategic Plan (ESP), 2001-2005, an Education Strategic Plan, 2006-2010 (ESP 2006-2010) has been prepared through wide ranging consultations with all stakeholders and includes the goals for Education for All Plan, 2003-2015. It provides an overarching policy and implementation framework for improving the livelihoods of poor people using education as a critical factor in enhancing social development and economic growth. Emphasis is on

education quality improvement at all levels, pre-school, primary, secondary, and Higher Education. This section highlights some of the major elements of ESP 2006-2010 to which further reference should be made for more details.

4.87 The backbone of any country is a "*critical mass*" of educated, skilled, talented and capable manpower in a variety of economic and social fields. At present, the provision of higher-level education, especially by the private sector, is somewhat lop-sided, responding to short-term market impulses like surge in demand for low and middle-level managerial staff. There is a mismatch between the long-term job profiles and educational attainments. For the country to grow and sustain growth, a whole range of skills is needed such as scientists, engineers, scholars and researchers, and specialists in multifarious fields. The challenge in the education sector is to provide facilities for imparting needed high quality education in a variety of fields, through vocational, technical and university level education and also to be able to attract students to such courses. In this regard, the role of the Accreditation Committee of Cambodia is critical in accrediting only those universities that meet minimum quality criteria, and for the development of a comprehensive Higher Education Strategy.

4.88 Among the major priorities of ESP 2006-2010 and the main policy thrusts are:

- Ensuring easy and equitable access to education, especially to the poor, girls, ethnic minorities and disadvantaged children, as well as those in high poverty areas.
- Universalisation of 9-year basic education to enhance opportunities in life.
- Increasing quality and efficiency of the education services, including through modernization and effective reform.
- Linkages of education and training to the short- and long-term labour market and the society, including life skills education and quality health and HIV/AIDS prevention education.
- Further development of youth and sports sector, with increased attention to youth in various walks of life.
- Institutional development and capacity building for decentralization.

4.89 Significant progress has been achieved in the recent past in increases in enrolment levels in primary and lower secondary schools (completion of basic education up to standard 9), though there are still severe gaps relating to the very poor and people in remote areas availing of all the facilities. While both enrolment levels and gender ratios at primary level would reach 100% target well before 2015, those at lower secondary level would fall short of target of 100% unless concerted efforts are made. The immediate major goals include:

- Reduce the distance children have to travel to primary and lower secondary schools by providing schools as close as possible to villages, especially those in remote areas.
- Facilitate attendance of girls at lower secondary and higher levels.
- Reduce costs to parents to ensure enrolment and attendance of poor children, thereby also reducing child labour.

- Improve quality of education up to and beyond basic levels, including revised curriculum and introduction of minimum standards of student achievement and a system of assessing student performance for grades 3, 6 and 9; teacher development and posting; quality assurance; and an accreditation system.

4.90 Even as a long-term strategy has to be developed and continued investments have to take place for progress in secondary, tertiary and vocational education during NSDP, the key goals and targets are:

Table 4.4: Education Sector: Key Goals and Targets

Targets and Indicators		2005	2010	2015
1	Primary School (1-6): Net Enrolment: Total; Boys; Girls -- %	91.9; 93.0; 90.7	100 (all)	
2	Lower Sec. School (7-9): Net Enrolment : Total; Boys; Girls %	26.1; 27.1; 24.8	75 (all)	100-all
4	Survival rate %: 1-6:	53.1	100	
5	Survival rate %: 1-9:	30.18	50	100
6	Literacy rate - 15-24 years %	83.4	95	100

4.91 Key strategies and actions in the Education sector to achieve these and other goals are:

- Increase the coverage of pre-school children attending early childhood education programmes organised in schools, communities and homes.
- Increase the number of primary and lower-secondary schools, especially those in remote and underserved areas.
- Increase the number of both male and female teachers at these levels to improve teacher student ratios and proportion of female teaching staff, especially by providing incentives to work in remote areas.
- Upgrade teachers' qualifications by professional development linked to performance incentives.
- Pay special attention to increasing the salaries of teachers (already being undertaken) and making salaries available on time.
- Ensure quality of education through improved provision of educational materials, equipment, libraries, and laboratories.
- Develop quality standards for all levels and a national assessment system for basic education.
- On the basis of pilot projects already being taken up, increase the number of safe places (dormitories) for young girls coming from distant areas to attend the nearest lower secondary schools.
- Reduce burden on poor students (especially girls) by targeted scholarships (at primary, secondary and tertiary levels) and exemption from the rather widely prevalent informal payments to teachers.
- Expand and better target the primary school feeding program and grades 7-9 incentives program.
- Continue to assure adequate allocation and timely release of current budgets for education especially targeted towards basic education.
- Increase and improve adult literacy programmes, especially for women.

4.92 **Health:** Improving the health status of the people is a top priority. Improving nutritional status as well as reproductive health, maternal and child health, removing causes of diseases and illnesses, taking preventative measures and providing medical care where needed are crucial to improving health status of people at large, especially the vulnerable with no means to access such care. There are many cross-sectoral and other factors that impinge on health status of the population. To mention a few, these are: poverty as a cause and consequence of poor health; financial constraints of the poor preventing their easy access to public sector health care services; improvements in water and sanitation; better education and higher literacy levels as well as better access to information and awareness; gender equity; social safety nets for the poor and disadvantaged; better nutrition through appropriate interventions; and so on.

4.93 The Health Sector Strategic Plan (HSP), 2003-2007, to be extended to 2010 after review in 2006 (when updated data becomes available through CDHS), provides the framework of actions that will be taken to achieve the priorities in regard to: (a) health service delivery; (b) behavioural change; (c) quality improvement; (d) human resource development; (e) health financing; and (f) institutional development. HSP would be the guiding framework for all actions in the health sector; what follows -- including indicators in Table 4.5 -- are only some highlights, not fully comprehensive.

4.94 Health is one of the four priority sectors for PAP, which assures adequate allocation and timely release of budgetary funds both for current and capital expenditures. Still, in actual utilization of funds, the central level seems to use a larger share than the provinces and levels below. Because of many providers, both public and private, and expenditure incurred by individuals, many of them very poor, it is quite difficult to correctly estimate the amount spent on health care in Cambodia, but on a rough basis it is quite low, about US\$ 33 per capita. Equity Funds have been introduced to supplement the existing system of exemptions from user fees and to improve access to health care for the poor. 17 pilots are underway in 13 provinces and municipalities, and Equity Funds will be scaled up in the near future. However, more sustainable ways of helping the poor in the longer-term have to be explored. Both to improve outreach for, and quality of, preventive and curative care, the Minimum Package of Activities (MPA) and Complementary Package of Activities (CPA) schemes are operational. NGOs are being associated under contractual terms in 11 pilot operational districts to ensure proper delivery of health care, especially in poorer and remote areas to reach the vulnerable sections of the population. These will be expanded to cover other areas.

Table 4.5: Health Sector: Priority Goals and Targets

Targets and Indicators		2005	2010	2015
1	Infant Mortality Rate, per 1,000 live births	66	60	50
2	Under five Mortality Rate, per 1,000 live births	82	75	65
3	Maternal Mortality, per 100,000 live births	N/A	243	140
4	HIV/AIDS prevalence, % of adults, 15-49	1.9	1.9	1.8
5	Malaria cases -- fatality %	0.36	0.25	0.1
6	Prevalence of smear positive TB, per 100,000 population	N/A	214	135

All figures subject to change upon availability of data from CDHS, 2005.

4.95 Priority strategies and actions to be taken in the Health Sector are:

- Accelerate reforms wherever needed.
- Try and achieve better and cost-effective coordination among vertical disease control programmes and mainstream health service delivery.
- In addition to expanding and strengthening health equity funds to help poor avail of public health services, explore to find out more sustainable ways of helping the poor to easily access the health care system without paying fees or through targeted monetary assistance.
- In general, rationalise the cost-recovery system to ensure best practices.
- Find ways and means to improve better ways of hospital financing.
- Increase recruitment and training of midwives and ensure their appointment to areas of need.
- Increase the proportion of deliveries attended by skilled health personnel; and improve emergency obstetric care (EOC).
- Improve child health through universal coverage of the Child Survival Scorecard interventions, including nutrition interventions and Integrated Management of Childhood Illnesses (IMCI).
- Improve reproductive health services and information, including maternal child health and birth spacing; address youth sexual and reproductive health issues and services.
- Explore the possibility of expanding the existing scheme of village health volunteers for malaria control to one of low-cost village level health workers (VHWs), chosen by the community and imparted essential minimum knowledge to provide preventative and prophylactic health care.
- Construct and/or rehabilitate and upgrade more health centres (sub-district or commune level) and referral hospitals, especially in areas of high poverty.
- Improve educational and emergency services.
- Strengthen health laws and regulations and their enforcement, including those relating to medicines and drugs as well as food safety.
- Ensure adequate allocation and timely release of budget funds to health sector.
- Elicit, encourage and involve private sector in provision of health care, both in urban and rural areas.

4.96 HIV/AIDS: HIV/AIDS prevention, treatment, care and impact mitigation efforts are important vectors contributing to the overall NSDP goal of poverty reduction and economic growth. Concerted efforts have resulted in reductions in prevalence observed since 1997; rapid expansion of services for people living with HIV through the Continuum of Care; increased levels of HIV knowledge throughout the population; and changes in policy environment such as enacting the Law on Prevention and Control of HIV/AIDS. However, the changing nature of the epidemic, from a concentration in high-risk groups to diffusion among general population, necessitates further strengthening of the national response to HIV/AIDS. RGC is committed to a multi-sectoral response, guided by the National Strategic Plan for a Comprehensive Response to HIV/AIDS, 2006-2010, with a strong decentralised response. Important priorities include:

- Promote the male and female condom programme in order to widely encourage and actively pursue use of condom by general population who are sexually active, including women, adolescents and youth.
- Through information, education, communication programs and personal counselling arrest transmission of HIV/AIDS to families.
- Increase and improve care and support services to those infected by HIV/AIDS.

4.97 Gender Equity: RGC accords highest status for women who are the very foundation of Cambodia's society and economy. The Strategic Plan for women, "Neary Rattanak" or "women are precious gems" will continue with vigour aimed at providing Cambodian women with faith, value and hope in life through gender mainstreaming in all activities. RGC attaches a high priority to uplifting and enhancing the social status of women by focusing attention on implementation of a gender strategy, building the capacity of women in all sectors, changing social attitudes that discriminate against women, and ensuring the rights of women to actively and equally participate in nation building.

4.98 Very critical to poverty reduction are speedy removal of latent and overt barriers inherent in gender disparities such as unequal access to education, paid employment, land ownership, their reproductive health care, vulnerability to HIV/AIDS and trafficking, and the generally disadvantaged position in both family and society while at the same time bearing a heavy share in raising a family. While many women are in the labour force of the industrial sector, thanks to the till now fast growing garment sector where they predominate albeit as low level labour, the representation of women in policy and decision making levels, including the National Assembly and other democratic institutions, government service and others is still low and needs to improve considerably.

4.99 As a crosscutting issue this forms part of education, health, employment and other sections already covered earlier in this chapter. The myriad and varied aspects of gender mainstreaming in the country will be attended to with vigour. At the national, as well as sub-national and grass root levels, attention will continue to be focused on:

- Building commitment and capacity at all levels, including all government policies and programmes, in relation to gender sensitivity and mainstreaming.
- Promoting economic empowerment of women.
- Enhance legal protection for women.

4.100 NDSP will focus through spreading of awareness and active action on some key areas:

- Gender mainstreaming across the entire spectrum of Cambodian life, including in all levels of government and in budgeting process.
- Directly tackle issues of domestic violence, trafficking of women (by rooting out corruption and strict enforcement of laws) and cultural norms that tacitly sustain gender inequality in many facets of social and domestic life.

- Increase female access to productive assets such as financial capital, reduce gender-based discrimination in the workforce market, and provide the enabling environment to permit greater female entry into high quality employment.
- Address political and legal challenges such as: increasing female participation in formal and informal decision-making structures and processes; improving female access to high level positions in public administration; strictly and speedily enforcing legal codes dealing with domestic violence; passing the anti-trafficking law; and, implementation of the national action plan for protection of victims of violence.

4.101 Population Policy: This is also a broad cross-cutting issue involving many other sectors such as health, education, environment, macro economy, gender equality, **drug issues**, and others. The current high rate of population growth, at 1.8% per annum places a heavy burden on public services and resources and is a contributory factor to intractable levels of poverty. Priorities to be addressed include:

- Support to all couples and individuals to decide freely and responsibly on the number and spacing of their children, and to have access to information, education and services and means to do so.
- Reduce potential impact on rural-urban migration.
- Integrate population variables including ageing and migration issues into social and economic policies, plans and programmes at all levels.

4.102 Costs, Resources and Programming: Achievement of all interim goals and targets during the NSDP period, 2006-2010, will involve a large amount of financial and technical resources both in the public and private sectors. These are considered in the next chapter (V), together with the likely amount of resources that would be available and the programming modalities through PIP and annual budgets. ■■■

CHAPTER V

COSTS, RESOURCES AND PROGRAMMING

5.01 Successful and timely implementation of NSDP strategies and achievement of NSDP targets¹ call for substantial and well-directed additional investments and their focused, efficient and effective use. These investments would have to be made both in the private sector to sustain and increase economic activity, and in the public sector to provide impetus to growth and alleviate poverty. This chapter considers mainly the public sector in regard to:

- The levels of such investments needed during NSDP, 2006-2010, keeping also in mind the constraints imposed by the absorptive capacity of the public administrative system;
- Various sources of funds for such investments; and
- The manner, procedures and methods of programming and operationalising such investments.

5.02 Macro-Economic projections, endorsed by the IMF, envisage a steady GDP growth of 6.0% during the five-year NSDP period, 2006-2010, taking into account all the foreseeable exogenous and endogenous factors (Annex II:1). To achieve that level of growth each sector has to grow at certain projected, feasible, annual rates as at Annex II:1. To attain projected levels of sectoral growth, certain minimum (and possible) levels of "real investments" would be necessary in various sectors (Annex II:2).

**Table 5:1: Levels of Investment Needed
2006-2010 (US\$ million)**

Total Investments -- needed and possible	6,401.10
Of which, Public Investments	2,384.60
-- Domestic Financed	783.30
-- Foreign Financed	1,601.30
Private Investments	4,016.50
-- Domestic Financed	2,758.50
-- Foreign Financed	1,258.00
Total Domestic Financed	3,541.80
Total Foreign Financed	2,859.30

Source: SNEC and Annex II:2

5.03 Investments in the private sector consist of two parts, domestic and foreign direct investment (FDI). Macro-Economic projections estimate FDI, now largely confined to the garment industry and tourism sectors, would be of the order of US\$ 1,258 million during the period. But, RGC is confident that FDI could increase to a much higher level during NSDP² and could be made more dynamic and diversified, to broaden and deepen coverage across sectors, to be geographically spread out, and become sustainable in the longer term. RGC will ensure that this

¹ Chapters III & IV.

² Dec 2005 revised estimates put this figure at US\$ 1,384 million – see Table 4.1 and Annex II:1

is achieved through various administrative, legal and financial reforms already mentioned in Chapter IV to create a very conducive, competitive environment so that Cambodia becomes and grows as a safe, predictable and profitable long-term destination for such investments.

5.04 The financial sector (banking and insurance) is not yet a major partner in domestic investments though the banks do provide funds for various credits, including rural credit. Prevalence of high interest rates inhibits growth in lending. Borrowing levels from financial institutions for long-term investments are still quite low. A sizeable part of US\$ deposits with the commercial banks in Cambodia is still not being fully availed of for investments within the country, some of it even going to investments elsewhere¹. Tapping financial sector funds to work for Cambodia's growth is therefore an important priority and would be possible by increasing demand for domestic investments.

5.05 **This Chapter is about Public or Public Sector investments²**. The figure of US\$ 2,384.60 million in Table 5:1 as public sector investments covers mainly "capital" investments or "real" investments. It represents what is "possible" but does not fully take into account all the essential "needs" in terms of social sector expenditure and others to reach CMDGs and the overall goals set in Chapter III³ as well as additional recurrent costs arising from new investments and incremental costs. Future "needs" in the public sector, over and above the amounts to be spent as current expenditure under annual budgets (which will tilt more towards social and other priority spending, away from defence and security) include the following:

- New capital investments and additional costs of ongoing ones.
- Additional recurring expenditures over and above normal increases on existing items (such as civil service salaries), including additional maintenance costs on new investments.
- Additional expenditure on non-capital items such as new or additional subsidies and scholarships.
- Expenditure on external technical assistance, albeit at a rapidly reducing level.

5.06 To accommodate all the essentially required expenditures to reach all the goals and targets (CMDGs in particular), the total financial outlay during NSDP period, 2006-2010, needs to be (in million US\$):

¹ As of mid-2005, US \$ deposits with Commercial Banks stood at US\$ 857 million of which only \$ 523 million were loaned out, some of it going outside the country.

² Such investments should be confined to sectors and activities where private sector would prima facie not be motivated or interested in being involved for want of clear "returns", but where investments are clearly needed to move the country forward.

³ Chapter III: Table 3.2.

• Public Sector Investments as per Macro-Economic Projections ¹ :	2,384.60
• Add: Additional Social Sector and Governance Expenditure	300.00
Technical Assistance, Training and Surveys	500.00
Additional Recurrent Expenditure	300.00
Reserves for productive sectors	15.40
Total Outlay²	<u>3,500.00</u>

5.07 Another reliable indicator of "required" expenditure is the detailed set of programmes and activities along with cost estimates contained in the three-year rolling Public Investment Program (PIP), which reflects not only the proposals of the ministries and agencies but also their absorptive capacity. Projecting the total figure of US\$ 1,937.59 million estimated in the PIP, 2005-2007³ and taking into consideration the need for important initiatives to be taken for accelerating the pace of progress towards the goals and targets to be reached by 2010, the total financial outlay of NSDP would need to be CR 15,225 billion equivalent to US\$ 3.5 billion⁴, coincidentally the same as derived from the macro-economic framework at paragraph 5.06 above. This amounts to about \$ 700 million on an average per year, increasing progressively from 2006.

5.08 At the time of formulation of NSDP⁵ detailed programme and project proposals have not been fully developed for each sector and cross-sectoral issues. As already detailed in earlier chapters⁶, these will be developed in the first few months of 2006, taking fully into account the overarching priorities mentioned at paragraph 4.05 of Chapter IV. Therefore, it is not possible or necessary at this stage, to arrive at precise levels of activity-wise costs. In any case, such costs would be calculated in a more detailed manner as programmes and activities are planned and resources are made available, and will be presented through successive three-year rolling PIPs.

5.09 Allocation of overall outlay: Adequate resources should be made available in a balanced, focused and targeted manner to various sectors to achieve priority goals and targets already discussed in Chapters III and IV. As stressed earlier, the major goal is to reduce poverty which calls for increased investments in rural and remote areas, where 90% of the poor live, with focus on growth in agriculture. All other productive sectors, which would drive growth, need to be assured of required resources. Priority social sectors, which help promote, consolidate and sustain human capital (which also contribute to growth over the longer-term), likewise need to be assured of adequate resources. Given these pre-requisites and in the absence of any reliable guide relating to past investments⁷, the best possible

¹ Annex II:2.

² This figure of US\$ 3,500 million represents all outlays in the "public sector" mentioned in para 5.05 whereas the figure of total investments of \$ 3,540.8 to be "domestically financed" in Table V.1 is only "capital" expenditure to be financed both by the public sector (\$783.3 million) and private sector (\$2,758.50). It is just a matter of coincidence that both figures are about the same.

³ See page 114 of Implementing the Rectangular Strategy and Development Assistance Needs, November 2004 (presented to CG meeting in December 2004).

⁴ Annex II:2.

⁵ November 2005; PIP for 2006-08 would be ready only by Dec., 2005.

⁶ I: 1.11; III: 3.13; IV: 4.03.

⁷ Page 43 of CDC/CRDB's DCR, 2002 and 2003 (October 2004) provides EDP disbursement figures for 1992-2003. Those figures are not reliable for comparison purposes since: (a) the classifications there do not correspond to Table V.2 (which is the same as at page 114 of CRDB/CDC's paper of November 2004 presented to the CG meeting in December 2004); (b) development expenditures in the past, mostly from EDPs, were not clearly directed according to SEDP I & II, but were based on priorities and choices of EDPs themselves;

allocations of overall resources have to be made, with emphasis on priority growth and human development sectors to accelerate general development and to achieve poverty reduction and other CMDG targets. Accordingly, RGC has determined that the total outlay of CR 15,225 billion or US\$ 3,500 million envisaged for the public sector alone for the five years, 2006-2010, would be allocated as shown at Table 5.2. Some essential aspects of the table are:

- Public sector expenditure allocations are consistent with macro-economic projections.
- Such allocations are realistic in relation to overall availability of resources, viz., US\$ 3,500 million (if all EDP resources are properly aligned to NSDP).
- Public sector allocations focus on and are confined to sectors and activities which have no scope of attracting private sector investment or participation.
- Given that poverty reduction is of highest priority, and poverty levels are high in rural areas, public sector outlays pay special attention to rural areas; over 60% of resources will go for the benefit of rural areas.
- Priority is attached to social and economic sectors that will have an immediate impact on reducing poverty, achieving CMDG and economic growth targets.
- The amount of US\$ 3,500 million includes all amounts to be spent in the public sector (para 5.05) from all sources of funding elaborated in para 5.11 (much of it outside government budget, at present). It excludes private sector investment or participation, either partially or fully, in public infrastructure or other public sector activities through BOT or similar arrangements.
- The allocations to each sector are based on estimated needs and cater to the expected growth for reaching poverty reduction and CMDGs.
- Detailed explanations are provided as Notes under the table.

5.10 RGC recognises that there are ongoing programmes and projects, particularly those supported by EDPs, which would absorb some part of the available resources. RGC would review (through TWG mechanism, for example) all of them to see that they fall within the ambit of priorities outlined in this document. Furthermore, RGC will endeavour to ensure that the resources released through such a review and the non-committed outlays are so redirected that priority sectors get the needed share in the final allocations as in Table 5:2. For each sector, detailed plans would be made to utilize the allocations in close consultations with all relevant ministries and agencies¹.

Resources Available for the Public Sector

5.11 The Royal Government is however confident that the total estimated expenditure of US\$ 3,500 million in the public sector, during the NSDP period, 2006-2010, could be met from the following sources of funds:

uneven though, such expenditure did contribute to growth, since any expenditure would do so when the country starts from ground zero as Cambodia did. NSDP therefore makes a more logical and rational allocation of resources according to priority needs.

¹ As mentioned earlier, detailed SWAPs and other plans would be prepared to disaggregate, expand and programme sector and sub-national goals and targets in the first quarter of 2006 -- see also Chapter IV.

- Surpluses (for capital investment) in the annual budgets of the government (total income, current and capital, less budget support from EDPs, and current expenditure, including debt servicing and repayment).
- Grant-Aid from traditional EDPs (bilateral, multilateral and NGOs)¹.
- Concessional terms loans from EDPs (mainly MFIs).
- Resources from non-traditional sources, including non-traditional partners (both grants and semi-concessional loans²).
- Debt relief likely to be available because of Cambodia's status as Low Income Country (LIC), thus releasing funds from debt-servicing to achieve important CMDG targets.

5.12 Based on the inflow of funds from external development partners so far, and projected annual budget surpluses, it is estimated that availability of funds for implementation of NSDP for the five year period, 2006-2010, would be as follows:

- About CR 3,370 billion or US \$ 775 million³ or about US\$ 155 million per year, from government budget current surpluses (a major goal of the government is to mobilise more domestic resources); and
- US\$ 2,500 million at about US\$ 500 million per year from traditional external development partners, both as loans and grants, including all amounts directly spent by EDPs on Cambodia's account.

5.13 Thus, a total of US\$ 3,275 million is estimated to be available for all public sector activities of NSDP during 2006-2010, against the estimated need of US\$ 3,500 million, leaving a gap of US\$ 225 million. This gap would widen further if allocation and use of funds particularly from external development partners do not get fully aligned to the priorities of NSDP; in other words, if any of these get spent on non-priority items chosen by any EDP⁴.

5.14 If projected expenditure of US\$ 3,500 million in the public sector during the NSDP period takes place as envisaged, there is every expectation that the goals and targets of NSDP (poverty reduction, CMDGs, robust economic growth) could be achieved. *There are two prisms (or scenarios)* through which this could be viewed. *First*, is that the entire amount of US\$ 3,500 million is made available according to priorities of Table 5.2, limiting freestanding external technical assistance (FTA) to not more than US\$ 500 million. This is the minimum required and is feasible.

5.15 *The second scenario* is one where all EDP resources are not fully available for the purposes prioritised in the NSDP. In other words,

- FTA uses more than US\$ 500 million; for instance, according to DCR 2002 and 2003 (page 20 of the main report), 44.1% of all EDP funds during 1999-2003, were spent on freestanding technical cooperation. Projecting this to

¹ Though this has been a welcome major source of support, recent indications especially from MFIs are not encouraging. On the one hand MFIs have decided to provide mostly "grant" support, replacing concessional loans, but on the other they have also decided to: (a) reduce the total volume of assistance and (b) impose new conditions, which may choke supply of funds.

² Including from World Bank (IBRD) and ADB (OCR).

³ IMF forecasts (annex II:1), October 2005, are that out of US\$ 3,500 million, the deficit in resources would be about US\$ 45 million per year (or US\$ 225 for five years, 2006-2010). In other words, the budget surpluses (total income less current expenditure) would be US\$ 775 million which generally corresponds to US\$ 783.3 million as "domestic financed" in Table V.1

⁴ In the past, substantial part of the resources earmarked by EDPs for Cambodia has been spent directly by them on programmes of their choice, bypassing the national budget.

US\$ 2.5 bn EDP funds presently expected for NSDP period, the amount of FTA would be US\$ 1.1 bn, which exceeds US\$ 500 million taken into account in the NSDP by US\$ 600 million; and

- Some programmes and projects undertaken by EDPs are not within NSDP priorities.

5.16 Since successful and efficient implementation of NSDP requires the amount of US\$ 3,500 million to be spent in the manner outlined in Table 5.2, any excess expenditure over US\$ 500 million on FTA and amounts spent on EDP projects falling outside the scope of NSDP would, to that extent, reduce the EDP resources available for NSDP. Such reduction would increase the financial gap and this would (a) either have to be made good by additional resources¹, or (b) achievement of NSDP targets would suffer to that extent.

5.17 There is a high level global partnership compact to help poorer countries to achieve CMDGs and to provide the needed funds for this purpose. In this spirit, RGC will strive to ensure in close collaboration with EDPs that external resources are fully aligned to NSDP goals and targets by redirecting funds away from less priority areas now receiving funds from EDPs, including significant reductions in FTA, so that '*net real transfer*' of funds could take place for investments envisaged in NSDP. The most preferred mode of receiving a major share of development assistance would be increasingly through "budget support" linked to measurable qualitative and quantitative performance in each chosen sector. Such budget support would help in three ways: (a) enhance government ownership and leadership of development priorities, policies and programmes; (b) proper tracking and transparent accounting of external assistance; and (c) in-country oversight and accountability through democratic institutions for receipt and use of external funds. RGC will strive to seek EDPs' cooperation to move towards "budget support" as the most preferred mechanism for providing external support, but it is recognised that this process could take some years to develop and progress. To start with, attention has to be devoted to aligning and harmonising assistance programmes through methodologies like SWAP to achieve cohesion and synergy and avoid overlap and/or duplication. This work would be undertaken through various TWGs.

5.18 The gap of US\$ 225 million represents 6.43% of the total estimated outlay of US\$ 3,500 envisaged under NSDP. This gap could increase to as much as US\$ 1,025 million if the scenario at para 5.15 prevails. RGC is confident that either way the gap could be made good by:

- Additional government revenues that may accrue from increased domestic revenue mobilisation efforts and possible successful exploitation of the country's oil and gas reserves.
- Additional funds from EDP countries as part of redeeming their commitment to achieving global MDGs by significantly increasing development assistance targets to approach 0.7% of their national GDPs (viz., Monterrey Declaration, 2002), especially given Cambodia's status both as an LDC and as a pilot country for harmonisation and alignment.

¹ If one assumes that the additional FTA would be US\$ 600 million and non-priority projects funded by EDPs amount to say US\$ 200 million, the gap would increase by \$ 800 million. Additional resources would be needed to bridge this gap increasing the total public sector outlay during NSDP period to US\$ 4,300 million.

- Resources from non-traditional EDPs.
- Funds released through possible debt relief.

5.19 Cambodia receives external aid both as loans and as grants but being a Least Developed Country (LDC), it cannot afford to incur such loans, however concessional they may be, since it cannot burden its future generations to repay such loans. RGC prefers therefore to:

- Receive external assistance as much as possible mostly in the form of "grants", to be used for all social sectors, and for innovative direct funding at grass-root levels¹; and drastically reduce the share of funds received for technical assistance, surveys, and such;
- Reserve use of loans, as much possible in concessional form or semi-concessional form -- the latter in a sparing manner, for mainly capital expenditure only in infrastructure creation, or high priority, clearly measurable, high yield or income or revenue generating programmes.

Programming: NSDP, PIP and Annual Budget

5.20 The financial allocations made for various sectors under NSDP (Table 5.2) 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 existing three-year rolling Public Investment Programme (PIP) mechanism will be used to identify, plan, phase and cost estimate specific activities every year for the next three years. PIPs therefore form an integral part of the NSDP. In preparing inputs for PIPs, each sector and sub-national level will clearly bear in mind the overall goals to be reached and the clear targets set in the NSDP. In preparing the PIP every year, based on inputs from various sectors and sub-national levels, the central agencies² will ensure that the PIP follows the directions, emphasis and orientation in terms of investment outlays, contained in the NSDP as revised from time to time. Proposals or projects not in conformity with or not compatible with NSDP will not be accorded any priority in the PIP.

5.21 As earlier mentioned EDPs would be strongly and repeatedly urged to ensure that they do not take up on their own, or support, programmes or projects, which are not a priority under the NSDP. This will be ensured through the processes of cooperation outlined in the new Strategic Framework for Development Cooperation Management now under finalisation. However, it is recognized that programmes and projects that have already commenced would have to run their course. But, as already stated, even in those cases every effort would be made to review and redirect the programmes or projects towards the priorities of NSDP³.

5.22 RGC will ensure that the Medium Term Expenditure Framework (MTEF) and annual budget expenditure allocations are synchronized with NSDP allocations, goals and targets as well as PIP framework (which in its turn would be aligned with NSDP allocations and targets). Thus on a step-by-step basis NSDP

¹ See paragraph 4.04.

² MOP, MEF, SNEC & CRDB/CDC.

³ This work could be done through TWGs.

goals, targets and overall allocations, as revised from time to time, would guide, direct, and influence PIPs and annual budgets.

5.23 NSDP will be ready in its final form towards the end of 2005. Since the next aid-mobilisation meeting with EDPs will take place only in March 2006, the PIP for 2006-2008 to be presented at that meeting will be made consistent with the priorities outlined in this NSDP document. However, the annual budget for 2006 would be ready by December 2005 leaving no time for achieving clear coherence with NSDP and PIP. But it is recognized that budget expenditure proposals are likely to be generally in the direction proposed in NSDP, albeit with some slight differences in emphasis. Full synchronization among NSDP, PIP and annual Budgets would be ensured from mid-2006 onwards¹. RGC's four key central agencies² shall be in regular mutual contact and ensure that this is achieved. In doing so, they would look at the whole picture for each sector and use budgetary outlays through policy based budgets, not as stand-alone allocations but as complementary inputs into externally supported programmes³.

5.24 The NSDP and accompanying PIP for 2006-2008 will be presented as the main RGC documents for the planned aid-mobilisation (CG) meeting to be held in March, 2006. In the following years, the annual progress report on NSDP implementation⁴ and the updated PIP will form the main documents for such aid-mobilisation meetings.

5.25 Through high level international declarations at Rome and Paris⁵, all EDPs have committed to align their future assistance programmes to the priorities and plans developed under the leadership and ownership of recipient countries. To begin this process of alignment, which would evolve over a period of time, RGC will request EDPs⁶, starting from the aid-mobilisation meeting of March 2006, not only to indicate the bulk amount they would pledge as assistance to Cambodia, but also to specify: (a) the amounts they would earmark for each sector in conformity with NSDP allocations; (b) to the extent possible, the kind of programmes or projects that they would support along with financial allocations for each; (c) the amounts to be spent on ongoing programmes or projects; (d) fresh funds available for new ones; and (e) the free standing technical assistance component of the total.

5.26 As already mentioned, NSDP has to be a live, dynamic and flexible guiding tool, capable of being adapted and adjusted to emerging data and circumstances. The output and outcome results on key goals and targets will therefore be regularly monitored and evaluated to guide annual adjustments in NSDP. The methodology and procedures for the same are explained in the next chapter (VI).

¹ Procedures outlined in Chapter VI.

² MOP, MEF, SNEC & CRDB/CDC.

³ Unless all aid-disbursements are through budget support (through RGC's annual budget), the expenditures in the budget, representing only a fraction of total public expenditure for each sector, do not truly reflect the entire picture of share of each sector in total public sector expenditure. Hence, the total picture should be seen to know how much each sector's share in public expenditure is, and not look merely at the share in the budget which is only one source of funding for the public sector.

⁴ See Chapter VI for more details.

⁵ See Chapter IV: paragraph 4.29.

⁶ Especially since Cambodia is a pilot country for this effort.

Table 5:2
NSDP Allocations by Sector, 2006-2010
(Amount in millions of US\$)

Sector	Amount	Amount	%	Rural	%	Urban	%	Notes
								1
Social Sectors								
Education: (of which Basic Education to receive 60%)	550		15.71%	330	60	220	40	2
Health	600		17.14%	420	70	180	30	
Sub-Total	1,150		32.86%					
Economic Sectors								
Agriculture & Land Mgmt: other than crops	150		4.29%	143	95	8	5	3
Seasonal Crops: Rice & others	200		5.71%	200	100	0		
Rural Development	350		10.00%	350	100	0		4
Manufacturing, Mining & Trade	80		2.29%	12	15	68	85	5
Sub-Total	780		22.29%					
Infrastructure								
Transportation (Roads, Ports, Rlys., Civil Aviation)	550		15.71%	275	50	275	50	6
Water and Sanitation (excluding rural)	150		4.29%	15	10	135	90	7
Power & Electricity	120		3.43%	60	50	60	50	8
Post & Telecommunications	60		1.71%	30	50	30	50	9
Sub-Total	880		25.14%					
Services & Cross Sectoral Programmes								
Gender Mainstreaming	30		0.86%	9	30	21	70	10
Tourism	30		0.86%	8	25	23	75	
Environment and Conservation	100		2.86%	90	90	10	10	11
Community and Social Services	80		2.29%	60	75	20	25	
Culture & Arts	30		0.86%	15	50	15	50	
Governance & Administration	220		6.29%	44	20	176	80	12
Sub-Total	490		14.00%					
Unallocated		200	5.71%	100	50	100	50	13
Grand Total:	3,500		100%	2,160	62%	1,340	38%	14

Explanatory Notes:

- (a) Amounts against each sector include: resources available from all sources: RGC & EDPs (spent directly or thro' RGC)
(b) capital outlays, additional current expenditure, TA, cost of monitoring, data gathering, maintenance of websites
(c) Rural - Urban figures are indicative and should be adhered to.
(d) amounts also include all subventions to province, district and commune levels to be implemented by them
- (a) includes youth and sports; (b) of the total, 60% will be earmarked for Basic Education
- Includes fisheries, demining & activities except for "seasonal" crops; excludes forestry shown under Environment & Conservation
- RD: Includes SEILA, rural roads, markets, irrigation schemes; water supply & sanitation; D&D; local governance
- Includes: employment generation and labour issues
- Excludes rural roads; primary & secondary roads help rural areas -- hence (50%); private sector to be involved; includes add., maintenance costs.
- Excludes activities in rural areas included under Rural Development
- Most investments in this sector should be sought from the private sector
- Most investments in this sector should sought from the private sector
- Mainly for awareness creation and mainstreaming; other individual sectors will incorporate activities in their work.
- Includes Forestry
- Includes: (a) all reforms like Judicial & Legal; Public Administration; Macro-Economy; Fiscal & others
(b) NIS studies and surveys such as Census 2008, poverty assessment; CSES, NSDP monitoring, etc
(c) Development cooperation management; (d) various elections; and (e) all other public admin., activities
- Reserve to enable redirection of resources if needed
- Slight difference in total figures (rural, urban) and grand total due to rounding of decimals. ■■■

CHAPTER VI

MONITORING AND EVALUATION

6.01 To ensure that NSDP implementation proceeds along the intended path at the required pace to achieve its goals and targets, regular monitoring and evaluation of progress is required to introduce mid-course corrections, as necessary, using findings and other data that may emerge. An effective monitoring and evaluation system capable of assessing progress and providing timely, annual feedback to the policy makers is an integral component of NSDP.

6.02 The NSDP monitoring and evaluation system shall consist of a set of performance indicators, derived from the framework and the priorities of the NSDP, along with effective mechanisms for tracking progress. The aim is to ensure regular and periodic monitoring and evaluation of progress with reference to inputs, outputs and outcomes of various strategies and actions under the NSDP.

6.03 To begin with, the full NSDP will be reviewed in June 2006¹ to take account of various new or additional inputs and data from all sectors and sub-national levels. By then, based on consultations with all stakeholders in early part of 2006, detailed sectoral and sub-national plans would have been prepared along with disaggregated goals, targets and costs, as well as a more detailed roadmap on how the allocated resources would be utilised in the best possible manner². The report, resulting from the above exercise, will be considered the “Preliminary Review” of NSDP implementation. This report will directly influence and will be taken into account in preparing the Public Investment Programme (PIP) 2007-2009, Medium-Term Expenditure Framework (MTEF) 2007-2011, and the Annual Budget 2007.

6.04 The progress of NSDP implementation will be monitored and evaluated on an annual basis and a report will be produced on the findings and the proposed corrective actions. Such evaluation will take place at the beginning of each year so that possible re-directions and/or adjustments could be made through the annual review that year. The first evaluation exercise will be undertaken during January-March 2007 and the progress report will be produced by June 2007. Similar time frames will be observed for preparing progress reports in each of the successive years. The progress report will be widely circulated and will (i) form the basis for adjustments and re-direction of actions for the following year; and (ii) serve, along with the PIP, as RGC’s report to the annual aid-mobilisation exercises (e.g. CG meetings). The NSDP document along with the PIP for 2006-2008 (fully aligned with the NSDP) will be the main RGC documents for guiding discussions at the next aid-mobilisation meeting scheduled for March 2006.

¹ TWGs will be fully involved in all aspects of monitoring and evaluation and preparation of annual NSDP progress reports.

² As stated in Chapter I, based on the priority national goals and targets as well as the indicative sectoral allocations given in the NSDP, each ministry/agency will develop its detailed sectoral plan by June 2006 in consultation with all stakeholders. Similarly, each sub-national level--province, district, and commune--will hold consultations during January-April 2006 to prepare its own detailed plan, wherever appropriate.

6.05 The overall NSDP monitoring and evaluation framework will be developed to perform two major tasks. *First*, it will monitor, on a yearly basis, the progress of implementing policies/programmes and achieving targets/goals through tracking both (i) inputs and outputs; and (ii) development outcomes. *Second*, it will support policy/programme evaluation through using indicators that provide the base for both regular review of progress of NSDP policy/programme implementation and assess the relationships between implementation of actions and intended changes in outcomes.

6.06 The data on input and output indicators will mostly be collected through administrative systems. For this purpose, an important priority under NSDP will be to put in place reasonably reliable administrative information systems. In contrast, policy/programme evaluation will mostly involve slow-changing outcome indicators for which the major source will be the relevant periodic surveys.

6.07 In view of the critical importance of regular monitoring and evaluation of NSDP implementation, a two-tier structure will be adopted as its operational framework. At the national level, a limited and manageable number of “core indicators” will be used to monitor key dimensions of NSDP progress on a yearly basis based on which the annual progress report will be prepared. The second tier will be used at the ministry/agency level. Each line ministry/agency will develop its indicator list using NSDP focus, CMDG indicators under its jurisdiction, and other indicators relevant for sector-level monitoring purposes. The aim will be to generate a more in-depth and disaggregated picture at the ministry/agency level to support detailed policy/programme monitoring and analysis, and reorientation.

6.08 The design of the NSDP monitoring and evaluation framework will be finalised by June 2006 by which time the Ministry of Planning (MOP) will put in place the institutional and other frameworks necessary to ensure regular production of yearly monitoring and assessment report of NSDP using the core indicators and related information. The indicators in Table 3.2 (Chapter III) will be used as core indicators. Similarly, each line ministry/agency will make operational the necessary frameworks by June 2006 to ensure regular monitoring of its own adopted set of indicators. In selecting the indicators, each ministry/agency will follow some common guidelines to ensure inclusion of indicators that :

- Facilitate informed decision making and help re-setting priorities and policies;
- Enhance transparency and accountability through improved information sharing;
- Promote a better understanding of the linkages between NSDP implementation and resulting outcomes; and
- Are conceptually clear to put into the data generation system.

The MOP will devise a common reporting format and adopt a timetable to specify the contents, frequency and time frame of reporting by the line ministries/agencies through mutual discussions. This will be finalized by June 2006.

6.09 The National Institute of Statistics (NIS) of the MOP is the designated and technically competent agency to collect process and present various data relating

to Cambodia. The Statistics Law, enacted in March 2005, makes the NIS responsible for all activities related to statistics and information generation in the country. The NIS will play the key role in ensuring regular availability of data on NSDP indicators for monitoring and evaluation purposes. The recently finalized Statistical Master Plan (SMP)¹ sets out the long-term prioritised plan for the country's national statistical system (NSS) including the NIS, statistical units in the line ministries and the National Bank of Cambodia (NBC). The SMP provides the strategic long-term view and financing plan for statistical activities for the period 2006-2015 and outlines the priority statistical infrastructure and work programmes including key statistical outputs that should be undertaken during the period. Within this framework, a medium-term work plan (2006-2010) will be incorporated for statistical data generation on NSDP indicators at required intervals. Similarly, the NIS will utilize the CamInfo, its information system, to support NSDP monitoring and dissemination. For the above, the capacity of NIS and related agencies of the NSS will be continuously upgraded, both in terms of human skills and technical capabilities.

6.10 For regular monitoring of the progress of NSDP on an annual basis, SMP's medium-term work plan may have to devise mechanisms to do annual or fixed-interval tracking surveys, in addition to longer interval censuses/surveys, such as population census, agricultural census, establishment census, socio-economic survey, demographic and health survey, and other surveys. Also, small-area and regular administrative report data is important for the purpose of targeted planning and action programmes; and is a useful supplement to information from other monitoring and evaluation activities such as national sample survey. Accordingly, the existing commune database has to play an important role in the monitoring and evaluation mechanism of NSDP. For this, further improvements in the data base and data communication links between NIS, line ministries/agencies and with sub-national levels will be required. The MOP will consult with relevant government ministries/agencies and develop, by March 2006, a practical framework and methodology under the medium-term work plan to track progress on core NSDP indicators. This programme will form part of the first progress report on NSDP to be ready by June 2006².

6.11 For monitoring and evaluation at the ministry/agency level, the major sources of information will be their administrative networks and reporting systems. At present, the line ministries and agencies maintain their own databases and statistical information, but their capacity is quite uneven as well as the quality and reliability of the collected data. In view of the importance of ministry/agency level monitoring and evaluation under the NSDP framework, every ministry/agency will have to systematically upgrade the data gathering and processing capacities, especially covering the NSDP indicators adopted and amplified at ministry/agency level. Necessary support will be provided for developing the systems including maintaining of their individual websites, to be updated every six months, where they would provide the relevant data on the indicators for use by their own management system as well as for intra-government and public access and use.

¹ *Statistical Master Plan for Cambodia*, NIS, MOP, September 2005.

² This will also spell out the iterative links between implementation, M&E/progress reporting, and annual revision of NSDP policies/programmes and how the processes will work in practice. For the purpose, it will be necessary to specify institutional responsibilities of all relevant ministries/agencies (e.g. MOP, NIS, line ministries/agencies, MEF, SNEC); COM, GDCC, as well as the TWGs.

6.12 Obviously, the adoption of a comprehensive framework for NSDP monitoring and evaluation does not preclude the need to undertake sector-level and participatory approaches to NSDP monitoring and assessment. These will be used as potentially important sources of more focused and periodic monitoring and evaluation of NSDP. These will also be integrated to the NSDP implementation process. Similarly, new and innovative tools (e.g. citizen's scorecards rating the perceptions of change and satisfaction with quantity and quality of different public services) will be used to enhance participatory elements and voices from the grassroots level into NSDP monitoring and evaluation. ■■■

CHAPTER VII

CONCLUSION

7.01 Taking full account of the progress made till 2005 and the prevailing socio-economic situation, this document has synthesised and integrated CMDGs and NPRS and:

- Articulated the clear, overarching set of macro-goals to be achieved in the next five years, 2006-2010, through implementation of the Royal Government's the Rectangular Strategy.
- Clearly spelt out major strategies and actions to be pursued by individual sectors and in regard to cross-sectoral issues.
- Indicated the overall financial outlays needed for the period, and the preferred sectoral shares within it.
- Identified and spelt out all available resources.
- Articulated the close and ongoing linkages of NSDP with PIP and annual budget processes.
- Detailed the need for close monitoring of progress as well as the manner in which a methodology will be developed for that purpose.
- Stated repeatedly that the document will be a live, flexible and dynamic document to be adjusted as more data emerge and based on findings of annual reviews and progress reports.

7.02 The document has confined itself to identifying overall, national level, priority and strategic goals, targets or indicators and resource allocations. These have to be disaggregated and made more detailed at sectoral and sub-national levels for which wide ranging consultations will take place during the first few months of 2006. Such consultations will be facilitated by the Ministry of Planning, in collaboration with the key central agencies¹, responsible for keeping the NSDP updated and current.

7.03 Some imponderable and unanticipated factors or risks that could affect the performance and progress of NSDP are:

- Expected resources not being available, particularly from EDPs.
- Global oil and gas prices continuing at excessive level (more than double of 2004), pushing inflation up to high levels.
- World and regional political and social situation deteriorating due to sudden acts of terrorism.
- International Trade barriers not being removed at the expected rate.
- Outbreak of diseases like avian flu or other new ones.
- Natural calamities occurring beyond normal levels such as repeated drought or flood affecting crop production and damaging physical infrastructure and property.

¹ MOP, SNEC, CDC & MEF.

7.04 The road ahead is challenging and difficult. RGC is however confident that it could implement NSDP in full subject to changes to be made from year to year to take account of ongoing realities, and that the needed resources would be available in full. RGC hopes to receive full cooperation from all stakeholders (EDPs, civil society and internally from all ministries and agencies) in realising the goals of NDSP to improve the lives of all Cambodians, particularly in rapidly reducing poverty levels. ■■■

ANNEX I : 1**CAMBODIA MDGs, INDICATORS AND TARGETS**

NOTE: 1. List of CMDGs, base year and targets for 2005, 2010 and 2015, are from CMDG Report, 2003.

2. Achievements as in 2005 are from CMDG Update, MOP, October 2005

3. Status: from CMDG Update, October 2005:

- *A: Current performance on track and 2015 targets likely to be more than achieved*
- *B: Current performance on track and is likely to achieve 2015 target*
- *C: Current performance not on track but situation improved compared to base year; on this trend 2015 target unlikely to be achieved*
- *D: Current performance not on track and situation has not generally improved compared to base year; on this trend 2015 targets and highly unlikely to be achieved*
- *E: Current performance not on track and situation has generally worsened compared to base year; 2015 targets highly unlikely to be achieved*

No	Particulars	Base	Year	2005		2010	2015	Status
				Target	Est			
CMDG 1: Eradicate Extreme Poverty and Hunger								
1. Halve, between 1993 and 2015, the proportion of people whose consumption is less than the national poverty line								
1.1	People with consumption less than the national poverty line (%)	(39)	1993	31	34.7 ¹ (28.0)	25	19.5	C
1.2	Share of poorest quintile in national consumption (%) (comparable to 2004 estimates)	7.4 (8.5)	1993	9	(7)	10	11	E
1.3	Working children aged between 5-17 years (percent)	16.5	1999	13	22.3	10.6	8	E
2. Halve, between 1993 and 2015, the proportion of people who suffer from hunger								
1.4	Prevalence of underweight for <2 SD children under 5 years of age (percent)	45.2	2000	36	N/A	29	22	
1.5	Population below the food poverty line (percent)	(20)	1993	16	19.7 (14.2) ²	13	10	C
1.6	Stunted (height for age <2SD children under 5 years of age (%)	44.6	2000	35	N/A	28	22	
1.7	Wasted (weight for height <2SD) children under five years of age (%)	15	2000	13	N/A	10	9	
1.8	Households using iodised salt (%)	14	2000	80	31.5	90	90	C
CMDG 2: Achieve Universal nine-year basic education								
3. Ensure all children complete primary schooling by 2010 and nine year basic schooling by 2015								
2.1	Net admission rate - primary level (%)	81	2001	95	81.0	100	100	D
2.2	Net enrolment ratio in primary education (%)	87	2001	95	91.9	100	100	C
2.3	Net enrolment ratio in lower secondary education (%)	19	2001	50	26.1	75	100	C
2.4	Proportion of 6-14 year olds out of school (%)	35	1999	22	18.7	11	0	A
2.5	Survival rate from grade 1 to 5 (%)	58	2001	77	59.2	100	100	D
2.6	Survival rate from grade 1 to 6 (last yr or primary) %	51	2001	73	53.1	100	100	D
2.7	Survival rate from grade 1 to 9 (%)	33	2001	52	30.18	76	100	E
2.8	Literacy rate among 15-24 years old (%)	82	1999	90	83.4	95	100	D
4. Eliminate gender disparity in nine-year basic education								
2.9	Ratio of girls to boys in primary education (%)	87	2001	98	89.5	100	100	C
2.10	Ratio of girls to boys in lower secondary education (%)	63	2001	96	77.0	100	100	C
CMDG 3: Promote Gender Equality and Empower Women								
5. Reduce significantly gender disparities in upper secondary education and tertiary education								
3.1	Ratio of girls to boys in upper secondary education (%)	48	2001	59	59.9	80	100	B
3.2	Ratio of females to males in tertiary education (%)	38	2001	50	45.6	70	85	C
3.3	Ratio of literate females to males 15-24 yrs old (%)	87	1998	95	90.0	100	100	C
3.4	Ratio of literate females to males 25-44 yrs old (%)	78	1998	85	80.0	100	100	C
6. Eliminate gender disparities in wage employment in all economic sectors								
3.5	Female share in wage employment in Agriculture (primary sector) %	35	1998	50	52.5	50	50	A
3.6	Female share in wage employment in Industry (secondary sector) (%)	44	1998	50	53.5	50	50	A

¹ Figures in brackets for 1.1 and 1.5 show the situation in the areas (56% of geographical area and 65% households covered in 1993 survey; the other areas were then inaccessible due to security situation.

² Same as above.

No	Particulars	Base	Year	2005		2010	2015	Status
				Target	Est			
3.7	Increase female share in wage employment in Services (tertiary sector) (%)	21	1998	30	27	37	50	C
7. Eliminate gender disparities in public institutions								
3.8	Seats held by women in National Assembly (%)	12	2003	17	17.1	24	30	B
3.9	Seats held by women in the Senate (%)	13	2003	17	14	14	30	C
3.10	Female ministers (%)	8	2003	9	7.1	12	15	E
3.11	Female secretaries of state (%)	6	2003	8	7.1	15	18	C
3.12	Female undersecretaries of state (%)	5	2003	8	11.9	17	20	A
3.13	Female provincial governors (%)	0	2003	3	0	6	10	E
3.14	Female deputy provincial governors (%)	1	2003	4	1.7	8	15	D
3.15	Seats held by women in commune councils	8	2003	8	8.7	15	25	A
8. Reduce significantly all forms of violence against women and children								
3.16	Population aware that violence against women is wrong behaviour and a criminal act (%)	N/A		25	4.5	50	100	E
3.17	Domestic violence cases counselled by qualified personnel (%)	N/A		20		50	100	
3.18	Develop and implement Laws against all forms of violence against women and children as per international requirements and standards (Year)			2005				
3.19	Collect annual statistics to monitor violence against women (Year)			2005				
3.20	Develop and implement a Prevention Plan (Year)			2005				
CMDG 4: Reduce child mortality								
9. Reduce under five mortality rate, per 1,000 live births								
4.1	Under five mortality rate, per 1,000 live births	124	1998	105	82	85	65	A
4.2	Infant mortality rate, per 1,000 live births	95	1998	75	66	60	50	A
4.3	Children under 1 year immunized against measles (%)	41.4	2000	80	80	85	90	B
4.4	Children, 6-59 months old, receiving vit. A capsules (%)	28	2000	70	N/A	80	90	
4.5	Children under 1 year immunized against DPT3 (%)	43	2000	80	83	85	90	A
4.6	Infants exclusively breast fed up to 6 months of age (%)	11.4	2000	20	N/A	34	40	
4.7	Mothers who start breastfeeding new born child within one hour of birth (%)	11	2000	28	29.3	45	62	A
CMDG 5 : Improve Maternal Health								
10. Reduce maternal mortality								
5.1	Maternal mortality ratio per 100,000 live births	437	1997	343	N/A	243	140	
5.2	Total fertility rate	4	1998	3.8	3.3	3.4	3.0	A
5.3	Births attended by skilled health personnel (%)	32	2000	60	N/A	70	80	
5.4	Married women using modern birth spacing methods (%) (Public Sector Only) %	18.5 (11.5)	2000	30	(20.1)	44	60	(C)
5.5	Pregnant women with 2 or more ANC consultations with skilled health personnel % (Public Sector only) %	30.5 (25.4)	2000	60	(47)	75	90	(C)
5.6	Pregnant women with iron deficiency anaemia (%)	66	2000	50	N/A	39	33	
5.7	Women, 15-49 yrs, with BMI<18.5kg/sq. meter (%)	21	2000	17	N/A	12	8	
5.8	Women, 15-49 yrs., with iron deficiency anaemia (%)	58	2000	45	N/A	32	19	
5.9	Pregnant Women delivered by Caesarean Section (%)	0.8	2000	2	0.8	3	4	D
CMDG 6: Combat HIV/AIDS, malaria and other diseases								
11. Decreasing the spread of HIV/AIDS								
6.1	HIV prevalence rate among adults, 15-49 yrs (%)	3.0	1997	2.3	1.9	2	1.8	A
6.2	HIV prevalence rate among pregnant women, 15-24 yrs visiting ANC clinic (%)	2.5	1998	2.4	2.1	2.0	1.5	A
6.3	Condom use rate among commercial sex workers during last commercial sexual intercourse (%)	91	2002	98	96.7	98	98	C
6.4	Young people, 15-24 yrs, reporting use of condom during sexual intercourse with a non-regular sexual partner (%)	82	2002	85	N/A	90	95	
6.5	Condom use reported by married women identified themselves at risk (%)	1	2000	2	N/A	5	10	
6.6	HIV infected pregnant women attending ANC receiving a complete course of antiretroviral prophylaxis to reduce risk of MTCT (%)	2.7	2002	10	3.8	35	50	C
6.7	People with advanced HIV infection receiving antiretroviral combination therapy (%)	3	2002	25	45	60	75	A
12. Decreasing the spread of malaria, DF and TB								
6.8	Malaria case fatality rate reported by public health sector (%)	0.4	2000	0.3	0.36	0.25	0.1	C
6.9	Population at high risk who slept under insecticide-treated bed nets during previous night (%)	24	2000	80	49	95	98	C
6.10	Number of malaria cases treated in public health sector per 1,000 population	11.4	2000	9	7.3	7	4	A
6.11	Public health facilities able to confirm malaria diagnosis according to national guidelines with 95% accuracy (%)	60	2002	70	N/A	80	95	
6.12	Number of dengue cases treated in the public sector per 1,000 popn.	1	2001	0.8	0.84	0.6	0.4	C

No	Particulars	Base	Year	2005		2010	2015	Status
				Target	Est			
6.13	Dengue case fatality rate reported by public health facilities (%)	1.5	2003	1	0.74	0.5	0.3	A
6.14	Prevalence of smear-positive TB per 100,000 population	428	1997	321	N/A	214	135	
6.15	TB deaths rate per 100,000 population	90	1997	68	N/A	45	32	
6.16	All estimated new smear-positive TB cases detected under DOTS (%)	57	2002	70	61	>70	>70	C
6.17	Registered smear-positive TB cases successfully treated under DOTS (%)	89	2002	>85	N/A	85	85	
CMDG 7 : Ensure environmental sustainability								
13. Integrate the principles of sustainable development into country's policies and programs and reverse the loss of environmental resources								
7.1	Forest cover (% of total area)	60	2002 ¹	60	58	60	60	
7.2	Surface of 23 protected areas -- million hectare	3.3	1993	3.3	N/A	3.3	3.3	
7.3	Surface of 6 new forest-protected areas - million hectare	1.35	1996	1.35	N/A	1.35	1.35	
7.4	Number of rangers in protected areas	600	2001	772	N/A	987	1,200	
7.5	Number of rangers in forest protected areas	500	2001	500	N/A	500	500	
7.6	Fishing lots released to local communities (%)	56	1998	58	56.46	60	60	C
7.7	Number of community-based fisheries	264	2000	364	375	464	589	A
7.8	Surface of fish sanctuaries in 2000 - thousand hectare	264	2000	581	N/A	581	581	
7.9	Fuel wood dependency among households (%)	92	1993	70	83.9	61	52	C
14. Halve by 2015 the proportion of people without sustainable access to safe drinking water								
7.10	Rural population with access to safe drinking water (%)	24	1998	30	41.6	40	50	A
7.11	Urban population with access to safe drinking water (%)	60	1998	68	75.8	74	80	A
15. Halve by 2015 the proportion of people without sustainable access to improved sanitation								
7.12	Rural population with access to improved sanitation (%)	8.6	1996	12	16.4	20	30	A
7.13	Urban population with access to improved sanitation (%)	49	1998	59	55	67	74	C
16. Increase the proportion of population in both urban and rural areas with access to land security								
7.14	Land parcels having titles in both urban and rural areas (%)	15	2000	16	16	32	65	
MDG 8: Forge Global Partnership for Development								
17 to 23: Largely for external development partners -- no clear internal targets								
CMDG 9 : De-mining, UXO and Victim assistance								
24. Move towards zero impact from landmines and UXOs								
9.1	Annual number of civilian casualties recorded	1,691	1993	500	797	200	0	C
9.2	Clear all high/medium/low suspected areas (%)	10	1995	51	50.3	77	100	B
25. Eliminate negative humanitarian and socio-economic impacts of landmines and UXOs by 2015								
9.3	Develop comprehensive victim assistance framework - Year					2007		
9.4	Numbers of landmine/UXO victims receiving assistance package and integrated into society	N/A				To be set		

¹ The forest cover is taken as the average for the period 1992-2002.

ANNEX I:2**ACHIEVING THE CAMBODIA MILLENNIUM DEVELOPMENT GOALS****Extracts from 2005 Update¹**

1. The Cambodia Millennium Development Goals (CMDGs) have 9 goals, 25 overall targets, and 106 specific targets covering (i) extreme poverty and hunger; (ii) universal nine-year basic education; (iii) gender equality and women's empowerment; (iv) child mortality; (v) maternal health; (vi) HIV/AIDS, malaria and other diseases; (vii) environmental sustainability; (viii) global partnership for development; and (ix) de-mining, UXO and victim assistance. For each specific localized indicator of the CMDGs, short, medium and long-term target values to be achieved during 2005, 2010 and 2015 have been specified.

2. While there has been significant progress over the last decade in implementing pro-poor policies and wide-ranging reforms aimed at strengthening democracy, rule of law and good governance, the most formidable development challenge faced by the Royal Government of Cambodia (RGC) today is to meet the targets set under the CMDGs.

Eradicate extreme poverty and hunger

3. Measuring progress against this goal is somewhat constrained by the scope of baseline data in 1993/94, which could not cover the entire country due to security problems at the time. Nevertheless, available estimates show that poverty rates have fallen significantly in the urban and more accessible rural areas which were covered by the 1993/94 survey, but that poverty rates are now much higher in the remaining mostly rural and relatively less accessible areas.

4. According to estimates using recall data on consumption, the proportion of total population below the poverty line in Cambodia was 34.7% in 2004. As there is no comparable estimate for the total population in 1993/94, it is difficult to assess the changes in poverty for the entire country. The changes in poverty rate for the people living in the same geographical areas that were included in the 1993/94 Socio-Economic Survey of Cambodia (SESC) can, however, be estimated. This covered only 59% of geographical area and 68% of households, excluding many poor and inaccessible rural areas due to security problems at the time. The estimates, based on the truncated and comparable sample, show a strong decline in the poverty rate from 39% in 1993/94 to 28% in 2004 in areas covered in 1993/94 survey.

5. Similarly, the percentage of people living below the food poverty line for the entire country was 19.7% in 2004, but earlier country-wide figures are not available. However, estimates from the same comparable sample show that the proportion of people below the food poverty line also fell substantially from 20% in 1993/94 to 14.2% in 2004 for the areas covered by 1993/94 survey.

6. The incidence of poverty in the excluded areas from the 1993/94 survey can be calculated from the available data which comes to 45.6% in 2004, much higher than the

¹ *Achieving the Cambodia Millennium Development Goals: 2005 Update*, Ministry of Planning, Royal Government of Cambodia, October 2005.

28% in the included areas. Similarly, the food poverty index in 2004 is estimated at 28.7% in the excluded areas, more than double the 14.2% for the included areas.

7. While Cambodia's success in reducing poverty in urban and more accessible rural areas is commendable, a major challenge over the next decade is to reduce poverty in the remaining rural areas from their existing high levels. For this, and for meeting the CMDG target of halving the poverty rates for the entire country from the available benchmarks of 1993/94, Cambodia requires faster economic growth and its much better pro-poor distribution over the next ten years. A major requisite for achieving this is to adopt deliberate, focused and targeted strategies and actions to accelerate poverty reduction in the rural areas, especially in those high poverty-stricken areas that were excluded from the 1993/94 SESC.

8. While there is evidence of progress in reducing poverty, it seems to have been at the cost of increased hardship amongst segments of the population, especially children and women. As well as the rural issue, there are also issues of increasing inequality and its impact on working children, vital to the development of Cambodia's next generation of human resources.

Achieve universal primary education

9. Cambodia has made progress in increasing access to basic education, but the country has a long way to go to reach the targets set under the CMDGs. One of the ten estimates of performance shows that the situation has worsened, while another four show only minimal progress. Of the remaining five indicators, four do not show enough progress to reach the 2005 targets while one indicator--the proportion of 6-14 year olds out of school--shows improvement that exceeds the 2005 target.

10. The net admission rate, which compares actual to potential admissions in grade 1, remained the same at 81% in both 2001 and 2005, against a target of 95% in 2005. The survival rate (the proportion of students who stay in education) from grade 1 to grade 9 has actually fallen from 33% in 2001 to 30.18% in 2005 as against a target of 52%. Other survival rates – from grade 1 to grade 5 and to grade 6 - have shown only marginal improvement. These and other results leave a big gap to the targets set for realising the goal of universal nine-year basic education. The estimates imply a persistent low level of efficiency in the education system in Cambodia.

11. In 2005, 18.7% of 6-14 year olds remained out of school, better than the 2005 target of 22%, and the 35% out of school in 1999. However, the figure needs to be treated with caution in view of the increasing proportion of working children aged 5-17. Reports indicate that there are many over-aged children stuck at the primary level, which creates disincentives for parents to send their children to school. Other disincentives obviously include poor quality education, lack of trained teachers and educational materials, as well as poverty itself. Measures such as paying teachers a living wage and possible redeployment of more qualified teachers to rural areas should be considered.

12. The literacy rate for 15-24 year olds has remained largely unchanged in recent years. In 2005, the rate was 83% compared with 82% in 1999. The target was to increase it to 90% in 2005. Another major concern is the issue of bridging the gender gap in basic

education. Performance in 2005 shows large shortfalls, especially in lower secondary education.

Promote gender equality and empower women

13. Cambodia has made significant progress in promoting gender equality and most of the indicators are close to targets. However, there are major problems, especially in the area of domestic violence, which have only recently begun to be addressed. Further, some apparent gains mask underlying problems.

14. Over the years, gender disparity at upper secondary and tertiary education has been declining and in 2005, the ratios of females to males in both upper secondary and tertiary education are close to their targets.

15. The ratio of literate females to males in the age group 15-24 years is below its target for 2005. The estimate is 90% for 2005 while the target was 95% as against a benchmark of 87% in 1998. Similarly, the ratio of literate females to males 25-44 years old has increased marginally to 80% in 2005 compared with a target of 85%.

16. The most noteworthy feature of women's empowerment is the increase in women's share of wage employment in all three broad sectors, with targets achieved in both agriculture and industry. Only in the services sector has progress not met the target. Women's share of wage employment in services is estimated at 27% in 2005, compared with the target of 30%. However, it must be remembered that most women by far work in the informal sector and as unpaid family labour.

17. Changes in the status of women in the political sphere have been slow. Women still have little representation in political, administrative and other areas. A notable exception is in some senior public service jobs such as under secretaries of state for which women's share has surpassed the 2005 target, albeit to less than 12%.

18. There is evidence of high levels of violence against women, and gender equality overall remains a major issue in Cambodia. The recent enactment of the new law on domestic violence is evidence of the Royal Government's commitment to improving the situation, but the challenges in this area are substantial.

Reduce child mortality

19. Estimates of child mortality show significant improvement in all available target areas. The present estimates, however, should be treated with caution due to differences in survey methodologies and techniques in data collection. The under-five mortality rate is estimated at 82 per 1,000 live births in 2005 compared with 124 in 1998. The target for 2005 was 105. Similarly, the infant mortality rate is estimated at 66 per 1,000 live births in 2005 compared with its target of 75 and a benchmark value of 95 in 1998. Such indicative trends are consistent with the rapid decline in total fertility rate and the reported increase in immunization – both for DPT3 and for measles. For example, the proportion of children under one year immunized against DPT3 increased from 43% in 2000 to 83% in 2005, surpassing the target of 80%. For immunization against measles, the target was also achieved, with the coverage increasing from 41% in 2000 to 80% in 2005.

20. The proportion of mothers who start breast-feeding their newborn child within one hour of birth increased to more than 29% in 2005, surpassing the target. Nevertheless, the major causes of child mortality in Cambodia remain acute respiratory infection and diarrhoea for which effective measures are needed.

21. A rapid initial fall in child mortality due to fertility decline and other factors, however, is unlikely to be sustained unless the underlying causal factors that result in high child mortality in Cambodia are addressed, such as poverty, malnutrition and food insecurity; lack of access to safe water and improved sanitation; poor housing; limited knowledge of personal hygiene; unsafe health practices; inadequate health care system and disease control programmes. A central message that emerges is that child mortality in Cambodia remains among one of the highest in the region; that the potential of vertical disease control programmes are rapidly approaching their limits; and that further progress will increasingly depend on success in establishing functional health services where current progress is unsatisfactory.

Improve maternal health

22. Recent information on the status of maternal health is scanty. Data is available on only four of the nine indicators. In particular, data is not available on the most important indicator, maternal mortality ratio. However, where information is available the picture is mixed.

23. The total fertility rate has declined from 4.0 in 1998 to 3.3 in 2005, surpassing the target of 3.8. The proportion of married women using modern birth spacing methods through the public sector has increased to 20.1% in 2005. However, considerably more married women access the services through social marketing systems and the private sector and, considering the total number, the overall result will probably be close to the 2005 target of 30%. Similarly, the share of pregnant women with two or more ante-natal care (ANC) consultations from skilled health personnel in the public sector increased from 25.4% to 47% over the same period. The overall rate including non-public facilities would be close to the target of 60% in 2005. Analysis of inter-censal population survey (CIPS) 2004 data suggests that more than one-fifth of the illness-related causes of death of women in 15-44 years age group are due to pregnancy-related complications including during deliveries. Such alarmingly high figures call for careful assessment of the situation, and review of interventions.

Combat HIV/ AIDS, malaria and other diseases

24. Cambodia has made significant progress in meeting 2005 targets under the goal through effective measures to combat HIV/AIDS, the incidence of malaria, dengue and other major diseases such as tuberculosis. While data on only 12 of the 19 indicators under this goal is available for 2005, many of these results exceed targets.

25. For HIV/AIDS, the prevalence rate among adults aged 15-49 has sharply declined from 3.0% in 1997 to 1.9% in 2005, surpassing the target of 2.3% set for the year.¹ The HIV prevalence rate among pregnant women aged 15-24 visiting ANC centres has also declined to 2.1% in 2005 from 2.5% in 1998, ahead of the 2005 target of 2.4%. Condom use rate by sex workers is close to its target of 98% in 2005, increasing from 91% in 2001.

¹ Some of the estimates for base years have been revised due to improved methodology.

The percentage of people receiving anti-retroviral combination therapy is 45%, well above the target of 25%, up from only 3% in 2002. Over 9,000 people were receiving this treatment as at the third quarter of 2005.

26. The malaria case fatality rate reported by public health sector declined from 0.4% in 2000 to 0.36% in 2005 although the target was to reduce it to 0.3%. In the case of dengue, the fatality rate has significantly declined -- from 1.5% in 2000 to 0.74% in 2005, better than the target of 1%.

27. While many of these results are encouraging, complacency cannot be entertained for such deadly diseases as HIV/AIDS and tuberculosis. These diseases are significant causes of deaths across all groups of population. Moreover, new areas of concern need to be addressed for HIV/AIDS, such as increasing parent-to-child and husband-to-wife transmissions. The quiet spill over of HIV/AIDS into the rural areas is also a major concern. The conventional intervention strategy to combat the disease by focusing on urban and high-risk groups needs to be complemented by approaches that address vulnerability in a wider range of settings and populations.

Ensure environmental sustainability

28. While there are major gaps in the information available in this area, much of the data that can be analysed is positive. Recent information on the key issue of environmental sustainability in Cambodia – the issue of forest coverage and management - is not available. However, it is commonly acknowledged that the pace of forest depletion has not been reduced as planned. The forest depletion process is partly reflected in the high incidence of fuel wood dependency. In 1993, 92% of households were dependent on fuel wood. This declined slightly to around 84% in 2005, while the target was to reduce it to 70%. These targets will remain elusive unless serious efforts are taken in both forestry and energy sectors.

29. Access to safe water sources amongst rural and urban populations has increased to around 42% and 76% respectively in 2005. Safe water access exceeds the rural target of 30% and the urban target of 68%. Similarly, access to improved sanitation amongst the rural population has increased to 16%, well ahead of the 2005 target of 12%. In the case of urban populations, access to improved sanitation is at 55%, close to but below the 2005 target of 59%. Compared with other successes, this relatively poor performance in realising the target is partly explained by the large influx of the rural poor into urban areas. As such, future efforts will need to focus on improving agricultural productivity to reduce the pace of rural-urban migration, and to improve the living conditions of the urban poor.

De-mining, UXO and victim assistance

30. As one of the worst landmine and unexploded ordnance (UXO) affected countries in the world, Cambodia adopted the target of completing the de-mining of contaminated areas by 2012. Although significant progress has been made, this target is unlikely to be achieved. The Cambodian Mine Action and Victim Assistance Authority (CMAA) has re-set the completion year at 2015.

31. The major gap, however, lies in reducing the number of civilian casualties each year. The number of such deaths is nearly 800 for 2005 compared with a benchmark of

1,691 in 1993, while the target was to reduce it to 500 per year in 2005 and 200 per year in 2010. This high death rate has occurred despite the clearing of more than 50% of contaminated areas, as compared to only 10% in 1995. Part of the reason for this is that as land is cleared, human habitat approaches the more densely contaminated areas, which keeps the death rate high. The other main reason is the dismantling of UXOs for scrap metal by scavengers. This latter issue also needs urgent attention.

Achieving the CMDGs: future challenges

32. Although Cambodia is on track to achieve several CMDG targets, it is not on track in many critical areas related to food security, poverty reduction, education and sustainable social and economic development. Major achievements and critical shortfalls in achieving the CMDGs are summarized in Table 1.

Table 1: Major achievements and critical shortfalls in meeting CMDG targets, 2005

Achievements	Shortfalls
<ul style="list-style-type: none"> • Significant improvements in poverty rates in urban and more accessible rural areas. • Expansion of primary education to more children. • Significant reduction in mortality rates for both infants and under-five year olds. • Improved immunization against major childhood diseases. • Improved breastfeeding rates. • Reduction of gender disparity in most areas especially in primary education, adult literacy, and wage employment in agriculture and industry. • Noteworthy reduction of communicable diseases, especially HIV/AIDS. • Improved urban access to safe water and rural access to improved sanitation. 	<ul style="list-style-type: none"> • High rural poverty rates. • Failure to increase net enrolments at higher levels and achieve high survival rates at all levels of education. • Limited progress in achieving the goals of universal nine-year basic education particularly those beyond primary education. • Gender disparity in secondary and tertiary education. • Persistent high levels of domestic violence against women. • Access to quality health services especially in case of women and maternal health. • Environmental degradation, especially forest depletion and water resources. • Persistence of high human casualties from landmines and UXOs.

33. Cambodia's present performance in relation to the CMDGs is mixed and uneven. It is likely that Cambodia will not be able to meet all the CMDGs by 2015 unless its national efforts are further strengthened and are supplemented and reinforced through global support. Without such support, Cambodia will fall further behind other developing countries in Asia-Pacific, thereby widening regional economic and social disparities.

34. Cambodia's progress towards the CMDGs is constrained by many impediments, of which two critical ones are the chronic shortage of investment funds and poor access to international markets, especially in developed countries despite its entry into the WTO. The resource gap needs to be resolved through greater aid inflows, reduced debt servicing and increased current account inflows, as outlined in MDG8. Cambodia's success in making trade work for development and towards achieving the CMDGs would require its more commercially meaningful access to international markets through granting preferential market access to its export products, such as quota-free and duty-free schemes for all its dutiable products in developed country markets. Cambodia can achieve the CMDGs provided bold initiatives are taken by the external development partners and the global community to strengthen and complement its pro-CMDG national strategies. ■■■

ANNEX II:1

CAMBODIA : KEY MACRO-ECONOMIC INDICATORS

Projections for 2006-2010

Particulars	2005e	2006p	2007p	2008p	2009p	2010p
GDP (constant prices) Bn. Riels	19,294	20,452	21,679	22,936	24,290	25,747
Real GDP - % increase	7.0	6.0	6.0	5.8	5.9	6.0
Inflation in Riels (%)	6.2	3.5	3.0	3.0	3.0	3.0
Foreign Direct Investment (US\$ Mln)	216	227	249	274	302	332.0
Gross Foreign Reserves (mths of import)	2.5	2.5	2.5	2.6	2.8	3.0
Riel/US\$ Parity(exchange rate)	4,128	4,219	4,228	4,278	4,328	4,378
Exports (US\$ million)	2,707	2,931	3,172	3,395	3,643	3,918
Imports (US\$ million)	3,738	4,169	4,513	4,827	5,172	5,527
Current Account Balance (% of GDP) (including official transfers)	-4.1	-5.4	-4.9	-4.0	-3.3	-2.6
Fiscal Sector (% of GDP)						
Budget Revenue	11.8	12.2	12.8	13.2	13.5	13.8
Tax Revenue	8.7	9.4	9.4	9.4	9.3	9.2
Non-Tax Revenue	2.5	2.6	2.6	2.6	2.7	2.7
Budget Expenditure	14.9	17.0	17.2	17.1	16.9	16.5
Capital Expenditure	5.3	6.6	6.6	6.3	6.2	5.9
Current Expenditure	9.6	10.5	10.7	10.7	10.7	10.8
Current Balance	1.6	1.5	2.0	2.3	2.6	2.9
GDP at Constant 2000 prices by Economic Activity (Annual % change)						
Agriculture, Fishery and Forestry	4.5	3.4	3.7	3.7	3.8	3.8
Crops	8.0	3.5	4.0	4.0	4.0	4.0
Livestock & Poultry	4.0	4.0	4.5	4.5	5.0	5.0
Fisheries	0.0	3.0	3.0	3.0	3.0	3.0
Forestry & Logging	0.0	2.0	2.0	2.0	2.0	2.0
Industry	10.7	9.1	8.1	7.1	7.2	7.3
Mining	9.0	9.0	8.0	8.0	8.0	8.0
Manufacturing	10.2	8.6	8.2	6.8	6.9	7.1
Food, Beverages & Tobacco	2.0	4.0	4.1	4.5	4.5	4.5
Textile, Wearing Apparel & Footwear	13.0	10.0	9.0	7.0	7.0	7.0
Wood, Paper & Publishing	2.0	2.0	3.0	3.0	4.0	4.0
Rubber Manufacturing	(5.0)	0.0	2.0	2.0	3.0	4.0
Other Manufacturing	3.0	5.0	8.0	9.0	10.0	12.0
Electricity, Gas and Water	4.5	6.0	7.0	7.0	7.0	7.0
Construction	13.0	11.0	8.0	8.0	8.0	8.0
Services	6.3	6.0	6.6	6.8	7.1	7.1
Trade	5.0	5.0	5.0	5.0	6.0	6.0
Hotel & Restaurants	15.0	10.0	10.0	10.0	10.0	10.0
Transport & Communications	5.0	6.0	7.0	7.0	7.0	7.0
Finance	6.0	6.0	6.0	6.0	6.0	6.0
Public Administration	3.0	3.0	3.0	3.0	3.0	3.0
Real Estate & Business	4.0	5.0	6.0	6.0	6.0	6.0
Other Services	6.0	6.0	7.0	8.0	8.0	8.0

Source: IMF (unless otherwise indicated)

ANNEX II : 2**CAMBODIA: PROJECTED INVESTMENTS, 2006-10**
(Million US\$)

Particulars/Sectors	2006	2007	2008	2009	2010	Total
Agriculture, Fishery & Forestry	168.8	177.2	186.1	195.4	203.5	931.0
Crops	138.1	144.9	152.1	159.7	165.9	760.7
Livestock & Poultry	10.6	11.2	11.9	12.7	13.6	60.0
Fisheries	11.4	12.0	12.6	13.2	13.8	63.0
Forestry & Logging	8.8	9.1	9.4	9.8	10.2	47.3
Industry	458.7	510.2	572.9	646.9	736.3	2,925.0
Mining	0.6	0.7	0.8	0.9	1.0	4.0
Manufacturing	160.0	177.1	198.4	225.8	262.7	1,024.0
Food, Beverages & Tobacco	14.7	15.4	16.2	17.2	18.3	81.8
Textile, Wearing Apparel & Footwear	117.1	131.5	149.3	172.2	203.4	773.5
Wood, Paper & Publishing	5.5	5.8	6.3	6.9	7.6	32.1
Rubber Manufacturing	9.0	9.9	11.1	12.8	15.2	58.0
Other Manufacturing	13.6	14.4	15.5	16.7	18.3	78.5
Electricity, Gas and Water	86.2	96.5	108.5	122.1	137.3	550.6
Construction	211.9	236.0	265.3	298.2	335.3	1,346.7
Services	423.3	459.9	501.9	550.7	609.1	2,544.9
Trade	70.0	76.3	81.9	87.6	93.8	409.6
Hotel & Restaurants	75.4	84.2	95.6	110.5	130.7	496.4
Transport & Communications	78.8	85.7	93.1	101.3	110.1	469.0
Finance	6.7	7.3	7.9	8.5	9.3	39.7
Public Administration	113.2	120.1	128.2	136.9	146.2	644.6
Real Estate & Business	55.8	60.1	66.0	73.4	83.1	338.4
Other Services	23.5	26.4	29.2	32.4	36.0	147.5
Total	1,050.8	1,147.3	1,260.9	1,393.0	1,548.9	6,400.9
Total Investment	1,050.80	1,147.40	1,260.90	1,393.00	1,549.00	6,401.10
Public Investment	409.00	432.10	473.00	515.30	555.20	2,384.60
Domestic Financed	86.60	112.60	146.40	190.30	247.40	783.30
Foreign Financed	322.30	319.50	326.70	325.00	307.80	1,601.30
Private Investment	641.80	715.30	787.90	877.70	993.80	4,016.50
Domestic Financed	456.80	511.30	552.90	595.70	641.80	2,758.50
Foreign Financed	185.00	204.00	235.00	282.00	352.00	1,258.00
Total Domestic Financed	543.40	623.90	699.30	786.00	889.20	3,541.80
Total Foreign Financed	507.30	523.50	561.70	607.00	659.80	2,859.30

Source: SNEC, September 2005

Public Investment (Capital) SNEC Projections	2,384.60	PIP 2005-07 projections: Capital	2,372.62
Additional needed for social sectors	300.00	: Freestanding TA	856.68
TA, Surveys & Trg	500.00	Add. Current expenditure	270.70
Add. Current expenditure	300.00		
Reserve (unallocated)	15.40		
Total NSDP Outlay:	3,500.00	Total NSDP Outlay:	3,500.00

ANNEX II-3**CAMBODIA: ESTIMATED BUDGET CURRENT EXPENDITURE ALLOCATION
BY SECTORS & PRIORITY MINISTRIES****(In percentage of central government current expenditure)**

Particulars/Sectors	2005	2006p	2007p	2008p	2009p	2010p
General Administration	14.03	13.84	13.90	14.00	14.00	14.00
of which, Justice	0.66	0.67	0.67	0.67	0.68	0.68
Rest of General Administration	13.37	13.18	13.23	13.33	13.32	13.32
Defence & Security	22.80	20.87	21.30	21.30	21.10	20.80
Social Services	38.43	37.36	38.40	38.45	38.50	39.20
of which, Health	12.04	12.74	12.75	12.75	12.75	12.91
Education	18.49	18.49	18.50	18.50	18.50	18.81
Women's Affairs	0.56	0.56	0.56	0.56	0.56	0.56
Rest of Social Services	7.34	5.57	6.60	6.65	6.70	6.93
Economic Services	10.08	11.10	11.11	11.11	11.20	11.39
Agriculture, Forestry & Fishery	2.53	2.67	2.67	2.67	2.70	2.75
Rural Development	1.24	1.31	1.31	1.31	1.32	1.33
Rest of Economic Services	6.31	7.13	7.13	7.13	7.18	7.31
Contingency Reserves & Debt Service	14.66	16.84	15.29	15.14	15.20	14.61
Central Government Current Expenditure	1,983.60	2,378.52	2,769.04	3,088.73	3,373.37	3,614.20
(Billion Riels)						

Source: SNEC, November 2005

ANNEX III**PROGRESS IN POVERTY REDUCTION AND NSDP CHALLENGES¹**

1. Cambodia's pervasive poverty, in the context of more than two decades of war and civil strife, is one of the key challenges facing the RGC. The SEDP I, 1996-2000, started with the premise that *"eradicating poverty is the single most important long-term objective of the Royal Government, and reducing it is the central thrust of the Plan for 1996-2000"*. Since then, this message has been repeated in other policy documents that followed, such as SEDP II, 2001-2005 and NPRS, 2003-2005.

2. Poverty estimates in Cambodia are based on Cambodia Socio-Economic Surveys (CSES).² The latest survey was conducted in 2003/04 which collected consumption data using both recall and diary methods. Table 1 compares the poverty levels in Cambodia derived from the first Socio-Economic Survey of Cambodia (SESC) in 1993/94, which could cover only 59 % of the country's total area and 68 % of the households due to security problems at the time, and the CSES 2004 which covered the entire country.³

Table 1: Poverty Head-Count Ratios in Cambodia

(in percent)

	Poverty line		Food poverty line	
	1993/94	2004	1994/94	2004
a) Entire Cambodia				
Phnom Penh	...	4.6	...	2.6
Other urban areas	...	24.6	...	14.2
Rural areas	...	39.2	...	22.2
Cambodia	...	34.7	...	19.7
b) Geographical areas included in 1993/94 SESC				
Phnom Penh	11.4	4.6	6.2	2.6
Other urban areas	36.6	20.5	19.6	12.5
Rural areas	43.1	33.7	22.0	16.7
Cambodia	39.0	28.0	20.0	14.2
c) Geographical areas excluded in 1993/94 SESC	...	45.6	...	28.7

Note: "..." means data not available; Poverty line is based on food poverty line (providing 2,100 calories per capita per day) and a minimal non-food allowance.

3. The results show that the poverty incidence for the whole of Cambodia is 34.7% in 2004. There is no comparable estimate for 1993/94 because the geographical coverage of 1993/94 survey was less. The 2004 estimates from samples covering the same geographical areas included in 1993/94 SESC nevertheless indicate a strong decline in Cambodia's poverty rate: from 39% in 1993/94 to 28% in 2004. This represents a decline of about 11 percentage points over the period, that is, an average of 1 percentage point decline per year.

4. Similarly, population living below the food poverty line for the entire country was 19.7% in 2004, whereas for the geographically comparable samples, the food poverty index fell from 20% to 14.2% over the same period, 1993/94 to 2004. Poverty, measured in terms of both the indexes, declined in all three regions of the country for geographically

¹ This note has been prepared by MOP, October 2005

² It should be emphasized here that socio-economic surveys conducted at different periods of time are not strictly comparable, and so are the derived poverty figures, due to differences in survey techniques, coverage, data collection and other methodologies. In comparing poverty figures over time, this caveat should be kept in mind.

³ The figures for 2004 are based on recall data on consumption for the 12-month sample of 2004 calendar year. New benchmarks and poverty estimates for 2004 using diary data are not yet available; the 1993/94 was also based on recall data.

comparable samples although the rural areas still experience significantly higher rates of poverty.

5. Over the same period, changes in related poverty measures, such as the poverty gap index (P_1) and the squared poverty gap index (P_2) broadly mirror the observed changes in the head-count ratios, as mentioned above. These indexes declined consistently in all three regions for comparable samples suggesting that, even among the poor, a greater share of the people is now closer to the poverty lines than they were in 1993/94.¹

6. In 2004, the higher poverty rate for Cambodia as a whole compared to that for the areas included in 1993/94 SESC indicates that the areas not covered in the 1993/94 survey (44% of the total area of the country) have significantly higher incidence of poverty. A simple calculation shows that the head-count ratio in these excluded areas is 45.6% in 2004 (compared to 28% in included areas) while the food poverty index is 28.7% (compared to 14.2% in included areas).²

7. Of the total number of the poor, more than 90% live in the rural areas indicating that Cambodia's poverty is rooted in its large agricultural sector which has low productivity and low growth, but provides livelihood to the vast majority of the country's population. Along with sharp differences in the rates of poverty, rural-urban differences in the share of the poor also widened during the period as reflected in the increasing rural share in total poor population in the country (from 87% in 1993/94 to 91% in 2004) and declining shares in Phnom Penh (from 3% to 1%) and other urban areas (from 10% to 8%).

8. The profile of Cambodia's poor is not very different from that of the poor in other low income countries. Poverty, as well as food poverty, is much higher in rural areas than in Phnom Penh and other urban areas. Besides living in the rural areas, the poor tend to have low levels of education, limited access to land and other productive assets, and are highly concentrated in low-paying, physically demanding and socially unattractive occupations. In both urban and rural areas, the poor have less access to modern amenities and services. They reside in houses of inferior quality with no or limited access to basic services like safe water and improved sanitation. The poor are more likely to reside in households with large membership sizes, have more children, and have a household head who is less educated. They also have much less access to public services.

9. The reality in Cambodia is that rural poverty has declined at a much slower rate than poverty in Phnom Penh or other urban areas. The significant fall in poverty in these areas (and generally in areas included in the 1993/94 survey) has largely been due to strong urban bias in growth and concentration of public investments in these areas. This also reflects "peace dividends" that Cambodia was able to derive through coming out of more than two decades of conflict and isolation resulting in fairly rapid initial rise in investment and growth, and consequently reduction in poverty.³ Nevertheless, growth has generally been unbalanced, centred in Phnom Penh and other urban areas, and is also narrowly based, driven by such activities as garments manufacturing, construction and tourism.

¹ The first-order stochastic dominance of the cumulative distribution of real per capita expenditure in 2004 over the 1993/94 distribution in Cambodia also confirms that trends in poverty during the period would be similar over the range of virtually all possible poverty lines.

² With an estimated population share of around 38% in the excluded areas and, assuming x is the poverty index in the not covered areas in 1993/94 survey, for poverty index, $0.62 * 27.97 + 0.38 * x = 34.68$ gives $x = 45.63\%$. Similarly, for food poverty index, $0.62 * 14.18 + 0.38 * x = 19.68$ gives $x = 28.65\%$.

³ During the period, Cambodia also benefited from specific favourable conditions, e.g. MFA from late 1990s to 2005 and their extended lease of life in US and EU safeguards until 2008.

10. In contrast, growth of rural activities, based primarily on agriculture, shows considerable variability and significantly lags behind the rest of the economy. Moreover, agricultural growth of the period was largely confined to rural areas with more favourable locations. The large differences in poverty levels between the included and the excluded areas in 1993/94 SESC are the result of these factors.

11. If growth continues to remain urban-focused, rural poverty will remain high especially since the depth of poverty is greater in rural areas. In such a situation, poverty reduction gains of the NSDP will be much less. This will significantly undermine achieving the 2010 NSDP targets and thereby the CMDGs in 2015. A major challenge of NSDP is, therefore, to adopt deliberate, focused and targeted strategies and actions to accelerate poverty reduction in the rural areas, especially in those high poverty-stricken areas that were excluded from the 1993/94 SESC. In addition, the NSDP challenge will be to further consolidate the poverty reduction achievements resulting from the progress in two important elements of the Rectangular Strategy (peace and security; and regional and international integration) and initiate equally rapid progress in other pillars of the Rectangular Strategy including accelerated economic growth and social and human development.

12. The number of excluded villages in the 1993/94 SESC by provinces is shown in Table 2. In total, 5,093 rural and 90 urban villages were excluded from the survey due to difficult terrain and security reasons. The survey fully excluded six provinces--Koh Kong, Kratie, Mondul Kiri, Preah Vihear, Ratanak Kiri and Stung Treng.

13. The table shows that the left-out villages in the 1993/94 SESC were located mostly in the rural areas which have high incidence of poverty in 2004. In the coming years, it is more likely that the relatively better-off urban and rural areas (which were included in 1993/94 survey) will continue to grow and poverty levels in these areas will decline with Cambodia's general economic growth which averaged around 6% during the last decade. On the other hand, the excluded areas from the 1993/94 survey, in addition to growth-promoting measures, will require special attention and targeted inputs and investments to bring down poverty from their existing high levels. This is also true for communes and villages in other areas which are remote and have high concentration of the poor. In addition, the NSDP strategies should recognize the specific needs of minority and indigenous people covering complex interlinkages of economic, social, cultural, legal, political and other issues.

Table 2: Number of Excluded Villages in 1993/94 SESC

Province	Number of excluded villages	
	Urban	Rural
Banteay Mean Chey	7	345
Battambang	...	291
Kompong Cham	...	334
Kompong Chhnang	...	268
Kampong Som/ Sihanouk Ville	...	59
Kampong Speu	...	968
Kampong Thom	...	663
Kampot	...	315
Kandal	...	109
Koh Kong*	10	109
Kratie*	...	243
Mondul Kiri*	13	74
Phnom Penh
Preah Vihear*	27	170
Prey Veng
Pursat	...	51
Ratanak Kiri*	16	227
Siem Reap	...	689
Stung Treng*	17	112
Svay Rieng
Takeo	...	66
Total	90	5,093

Note: Provinces marked with asterisk (*) were totally excluded from the survey. In the 1993/94 SESC sample frame, the province of Krong Kep was included in Kampot, Otdar Mean Chey in Siem Reap, and Krong Pailin in Battambang.

14. These special actions should include, depending on existing situations and specific local needs, more and better health care, expanded educational facilities, development of agriculture and rural non-farm activities, improved infrastructure, generation of sustainable livelihoods, and similar other activities. It will also be necessary to devolve more funds to these areas during the NSDP period through the Commune/Sangkat Development Fund.

15. Another major issue for NSDP in regard to poverty reduction is the rising trends in inequality, since the impact of economic growth on poverty also depends on what happens to inequality.¹ Increasing inequality in Cambodia, particularly in rural areas, suggests that the past pattern of Cambodia's rural growth has a strong underlying tendency towards generating higher inequality. To counteract such tendencies, along with promoting higher productivity and returns, growth strategies and policies of NSDP must address the sources of rising inequality, such as uneven spread of economic and social opportunities, skewed distribution of financial and human capital, and growing disparities in other spheres of life. The fuel for rural economic growth has to come both from farm and non-farm activities, a mix that would be necessary to sustain poverty reduction during the NSDP period and beyond.

16. During the NSDP period, efforts to raising agricultural incomes need to cover several key areas, such as increasing crop (especially rice) productivity through greater use of improved seed varieties and other inputs, appropriate soil and pest management, and

¹The CSES data shows that the estimated Gini coefficient of per capita consumption for Cambodia as a whole is 0.40 in 2004 with a high of 0.44 in other urban areas, 0.37 in Phnom Penh and 0.34 in rural areas, making inequality in Cambodia amongst the highest in the East Asia-Pacific region. For geographically comparable samples, the Gini coefficient has increased from 0.35 in 1993/94 to 0.40 in 2004 for Cambodia (declining from 0.39 to 0.37 in Phnom Penh and remaining almost constant at 0.44 in other urban areas but increasing sharply from 0.35 to 0.40 in rural areas). Data on income inequality are not available, but it is more likely that income inequality also follows similar trends.

better water control especially through small-scale irrigation facilities. Increasing livestock and fisheries production is also important, and this will require improved technical services for animal health and fisheries research, conservation and management. Support for expanding access to formal rural financial institutions will be important for farmers and rural entrepreneurs to enable them expand their scale of operation and diversify towards more profitable and sustainable activities. Similarly, easing the land constraint will require speeding up the land-titling efforts as part of creating a transparent and secure land market.

17. In Cambodia, the rural non-farm economy--composed of trade, transport, processing, small-scale manufacturing, retail sales and services, and the like--holds significant potential for strong growth and rapid poverty reduction. The NSDP will have to capitalize on these potentials. Policies aimed at increasing physical assets of the poor, such as land, credit and rural infrastructure will be an integral part of promoting rapid growth of the rural sector and the economy as a whole.

18. For ensuring synergy and bringing quick and efficient results, specific actions under the NSDP will have to be build on what has been achieved so far; and through changes in emphasis, in practices, and in policies, these will bring healthy growth benefiting the rural poor. This will also ensure a more rapid and sustained movement towards greater equality and justice.

19. For NSDP, the critical element will be to ensure that, along with higher level of economic performance; growth reaches the poor and expands their opportunities. In turn, the policies will have to ensure that the poor have the assets--education, good health, access to inputs and markets, voices and power, and participation in decision making--to capitalize on the expanding opportunities of growth. Thus, translating the NSDP strategy into concrete and effective actions for poverty reduction will require determination and imagination, not only from the RGC and other domestic stakeholders, but also from external development partners. ■■■

ANNEX IV

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ANNEX V**ABBREVIATIONS & ACRONYMS**

ADB	Asian Development Bank
ANC	Ante-Natal Care
ASEAN	Association of South East Asian Nations
ATA	ASEAN Tourism Agreement
BOT	Build, Operate and Transfer
CDAS	Commune Decentralisation Accounting System
CDC	Council for the Development of Cambodia
CDHS	Cambodia Demographic and Health Survey
CDRI	Cambodia Development Resource Institute
CG	Consultative Group (meeting)
CIB (CDC)	Cambodia Investment Board
CIPS	Cambodia Inter-Censal Population Survey, 2004 (June, 2005)
CMDG	Cambodia Millennium Development Goal (s)
CNIP	Cambodia Nutrition Investment Plan
COM	Council of Ministers
CPA	Complementary Package of Activities (health sector)
CR	Cambodian Riel (currency)
CRDB (CDC)	Cambodia Rehabilitation and Development Board
CSES	Cambodia Socio-Economic Survey, 2003/04
DCR	Development Cooperation Report (CRDB/CDC)
D & D	Decentralisation & Deconcentration
EDP	External Development Partner (s) -- bilateral & multilateral and NGOs
EOC	Emergency Obstetric Care
EPZ	Export Processing Zone
ESIA	Environmental and Social Impact Assessment
ESP	Education Strategic Plan, 2006-2010
FDI	Foreign Direct Investment
FSB	The Financial Sector Blue Print, 2001-2010
FTA	Freestanding Technical Assistance (from EDPs)
GAP	Governance Action Plan
GDCC	Government-Donor Coordination Committee
GDP	Gross Domestic Product
GWH	Giga Watt Hour
HA or Ha	Hectare
HIV/AIDS	Human Immunodeficiency Virus - Acquired Immune Deficiency Syndrome
HSP	Health Sector Strategic Plan, 2003-07
HYV	High-Yielding Variety
I & D	Irrigation and Drainage
IBRD	World Bank: International Bank for Reconstruction and Development
ICT	Information and Communication Technology
ILO	International Labour Organisation (United Nations)
IMCI	Integrated Management of Childhood Illnesses
IMF	International Monetary Fund
IRAP	Integrated Rural Accessibility Planning
IT	Information & Telecommunications Technology
Km	Kilometre (s)
LDC	Least Developed Country
LF	Labour Force
LIC	Low Income Country
LAMDP	Land Management, Administration and Distribution Programme
MAFF	Ministry of Agriculture, Forestry and Fisheries

MDG	United Nations Millennium Development Goals
MEF	Ministry of Economy and Finance
MFI	Multilateral Financial Institutions -- ADB, IMF, World Bank
MOEYS	Ministry of Education, Youth and Sports
MOP	Ministry of Planning
MPA	Minimum Package of Activities (health sector)
MPTC	Ministry of Post and Telecommunications
MTEF	Medium-Term Expenditure Framework
MW	Megawatt
N/A	Not Available
NAA	National AIDS Authority
NAA	National Audit Authority
NACD	National Authority for Combating Drugs
NBC	National Bank of Cambodia
NBSAP	National Biodiversity Action Plan
NCPD	National Committee for Population and Development
NEC	National Election Commission
NGO	Non-Government Organisation (s)
NIS	National Institute of Statistics
Nos	Numbers
NPAR	National Programme for Administration Reform
NPRD	National Programme to Rehabilitate and Develop Cambodia, 1994
NPRS	National Poverty Reduction Strategy, 2003 -2005
NSDP	National Strategic Development Plan, 2006-2010
NSS	National Sample Survey
OCR	Asian Development Bank: Overall Common Resources
OD	Operational (health) District
ODA	Official Development Assistance
OECD/DAC	Organisation for Economic Cooperation and Development/ Development Assistance Committee
PAP	Priority Action Programme -- for Health, Education, Agriculture & RD
PFM	Public Financial Management Reform Programme
PIP	Public Investment Programme (rolling for every three years)
PMG	Priority Mission Group (s)
PNH	Phnom Penh
RD	Rural Development
RGC	Royal Government of Cambodia
RH	Referral Hospital (health sector)
RS	Rectangular Strategy of RGC, July 2004
SEDP	Socio-Economic Development Plan I (1996-2000), II (2001-2005)
SESC	Socio-Economic Survey of Cambodia
SFMP	Strategic Forestry Management Plan
SME	Small and Medium Enterprise
SMP	Statistical Master Plan, NIS/MOP
SNEC	Supreme National Economic Council
Sq. Km	Square Kilometre
SRCS	Strategy to Rationalise Civil Services
SRI	System of Rice Intensification
SWAP	Sector Wide Approach Programme
SWiM	Sector Wide Management
SYB	Statistical Year Book, 1993 (NIS)
TA	Technical Assistance (free standing technical assistance from EDPs)
TB	Tuberculosis
TFR	Total Fertility Rate
TV	Television

TWG	(Joint) Technical Working Group (s)
US\$	Unites States Dollar (currency)
UXO	Unexploded Ordnance
VDC	Village Development Committee (s)
VHW	Village Health Workers
WB	World Bank
WTO	World Trade Organisation

ANNEX VI

PRAKAS